

OPPORTUNITY ABOUNDS IN A BIFURCATED MARKET

We are delighted to report that the Fund generated its strongest monthly return since its inception of 10.18% during November. The Australian stock market also had an exceptionally strong November, finishing up 10.16%. Interestingly, the RBA cash rate yielded virtually no return for the month, a potential driver of the robust equity returns given the paucity of yield outside equities.

An important differentiator during November was that we witnessed a sharp reversal in the Growth at any price momentum in favour of fundamental value. For some time our prior newsletters have commented on the increasing bifurcation within equities as the “sexy” tech-driven disrupters to attract the majority of investor attention/funds. This thematic has been compounded by the rise (and rise) of Passive Funds which exaggerate the momentum by rewarding past winners for enlarging their index weightings.

This recent volatility in share prices has provided several opportunities to reallocate capital into more attractively priced opportunities. Examples of the Fund’s recent activity include: selling our holdings in New Zealand based Gentailers, **Meridian** and **Contact Energy**, as well as **Bingo Industries** after sharp rallies. We also reduced our holdings in **Credit Corp** and **Aristocrat** into strength. We started new holdings in **United Malt Group** and **IAG** while also adding to our positions in **Super Retail Group**, **RIO**, and **Woolworths**. We also recently added to our holdings in **NAB** and **ANZ**.

Pleasingly our positive contributors included our long held high conviction positions including **CreditCorp**, **NAB**, **Telstra**, **Accent Group**, and even **SG Fleet**.

We have also commented that while the temptation to change our methodology has never been greater, we have remained true to our investment process focussed on sustainable after-tax cash earnings yields to preserve capital and generate a reasonable return. It remains our view that a disciplined approach has never been more important, particularly given the siren-like appeal of certain sectors and their accompanying sky-high valuation metrics.

Importantly, after a long period of defensive investing, we are excited about the combination of several positive factors including,

- Successful navigation of the pandemic by the domestic authorities,
- The ongoing demand for our commodities particularly the largest – Iron Ore,
- A particularly well-timed (versus other regions) bumper agricultural season and the surprising net positive impact of a halt in international travel (Australians spend more when traveling abroad than incoming tourists and foreign students).
- Ultra low-interest rates have renewed confidence in residential property,
- Stabilising prices and reducing the short/medium term concerns around mortgage and other credit defaults.
- We have also noticed that highly skilled ex-pats and other nationals are starting to recognise the attraction of Australia as a more permanent residence.

Since March 2020 we have been hard at work putting our cash reserves (as much as 25% of the Fund) and proceeds from our large insurance policy (Puts sold during the Covid induced downdraft) to work in very attractively priced

opportunities. We remain excited about the plethora of opportunities. Consequently, we are currently 94% invested. Significantly we remain focused on Good Businesses with resilient (toilet paper and toothpaste type) business models, run by Competent and Honest management at the Right Price.











We are often asked to explain our investment thesis behind one of our largest positions in the portfolio – **Telstra**. Essentially the major value components are the Mobile Phone business – 45% and the government-backed recurring revenue stream from the NBN – 35%. The latter represents an inflation adjusted long dated annuity stream (government bond) which appears to have been overlooked given the sharp fall in interest rates and implied lift in valuation. The former comprises the country's leading supplier of the new oxygen – mobile data with a significant competitive advantage in rolling out the more attractive 5G network. Currently, on a 5.3% fully franked yield we anticipate a stabilisation and then growth in underlying earnings supplemented by additional cashflows as its reported earnings carry much larger noncash depreciation charges.

Our significant position in the financials (**NAB, CBA, ANZ, and CreditCorp** in particular) has also helped our absolute returns as we anticipated that they would be used as major pillars in supporting the government's bridge across the Covid Lockdown valley. Furthermore, they appeared to have been priced for major defaults and a medium term impairment to dividends, neither of which appear to have materialised or are likely.

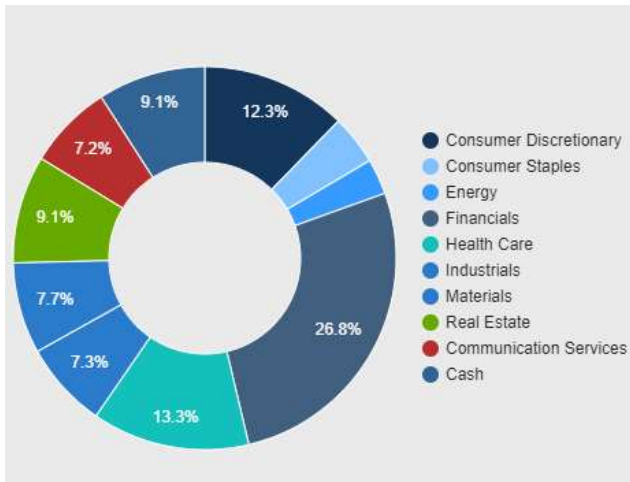
Finally, it is worth commenting on our significant position in **Super Group** – the discretionary retailer which owns Rebel, Super Cheap Auto, and BGF. While the former two have been remarkably resilient (Rebel, in particular, has prospered) through the pandemic, the surge in domestic spending continues to support healthy double-digit sales growth. By our estimates, even allowing for a conservative retracement of sales growth into 2022 we are comfortable owning the high-quality franchises on an 8%+ after-tax cash earnings yield with no debt on the balance sheet.

In summary, we would like to thank our clients for their ongoing custom. We certainly do not take it for granted. We will continue to focus on maintaining and growing the purchasing power of the funds you have entrusted to our care. We wish you and your families a safe, healthy, and happy festive season and look forward to engaging with you in the New Year.

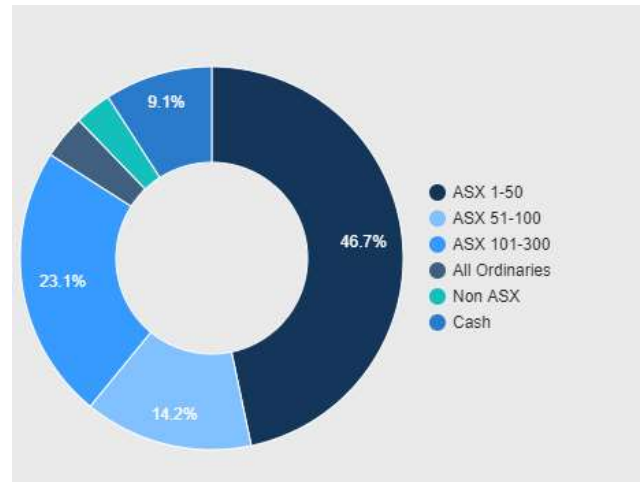
TOP HOLDINGS (ALPHABETICALLY)

	Accent Group	Australia	Consumer Discretionary
	Aristocrat Leisure	Australia	Consumer Discretionary
	Credit Corp	Australia	Financials
	CSL	Australia	Health Care
	Evolution Mining	Australia	Materials
	Mirvac Group Property Trust	Australia	Real Estate
	NAB	Australia	Financials
	ResMed	Australia	Health Care
	Telstra	Australia	Communication Services
	Waypoint Reit Ltd	Australia	Real Estate

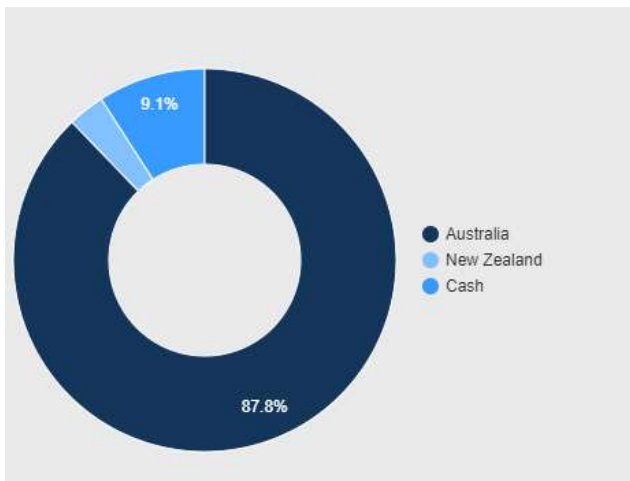
SECTOR BREAKDOWN



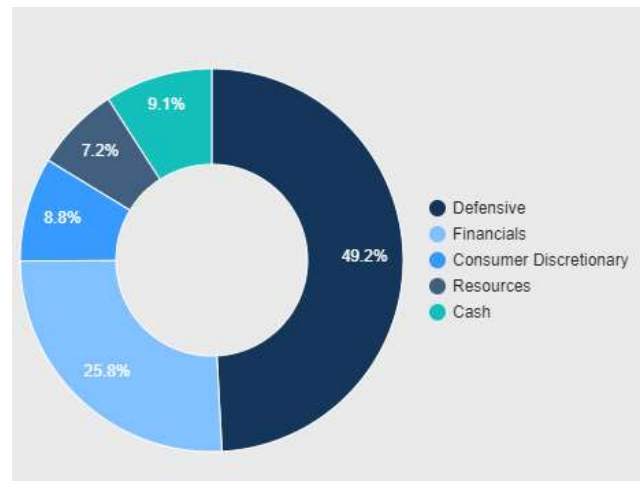
CAPITALISATION BREAKDOWN



COUNTRY BREAKDOWN



CUSTOM SECTOR BREAKDOWN



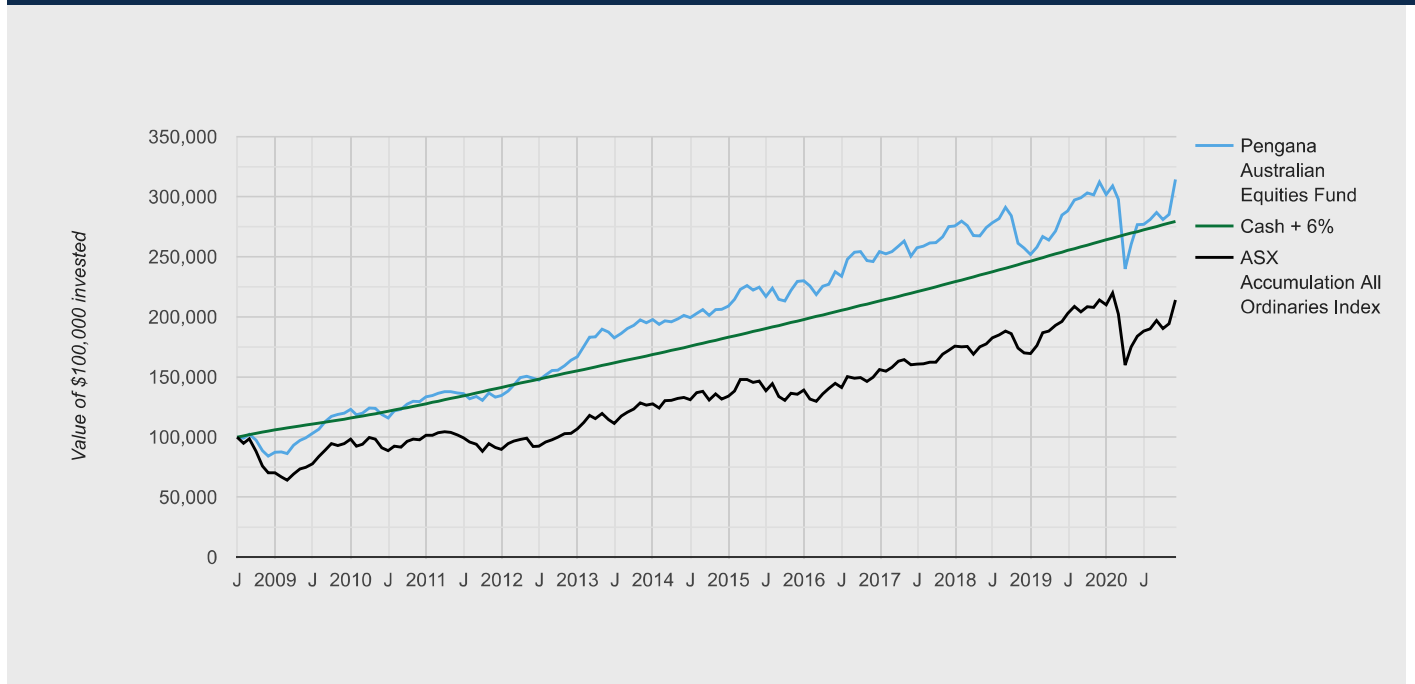
FUND PERFORMANCE

NET PERFORMANCE FOR PERIODS ENDING 30 NOV 2020¹

	1 MONTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION
Fund	10.2%	0.7%	4.5%	6.5%	9.3%	9.7%
RBA Cash Rate	0.0%	0.4%	1.0%	1.3%	2.2%	2.6%
ASX Accumulation All Ordinaries Index	10.2%	-0.1%	7.5%	9.6%	8.2%	6.3%

FUND PERFORMANCE

NET PERFORMANCE SINCE INCEPTION²



PERFORMANCE TABLE

FUND PERFORMANCE (A\$, NET OF FEES)

YEAR	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FUND FYTD	RBA CASH RATE FYTD	ASX ALL ORDS FYTD
2020/2021	1.5%	2%	-2%	1.5%	10.2%								13.5%	0.1%	13.7%
2019/2020	3.2%	0.6%	1.4%	-0.5%	3.5%	-3.3%	2.3%	-3.5%	-19.5%	8.5%	6.2%	0.1%	-3.9%	0.7%	-7.2%
2018/2019	1.3%	3.4%	-2.5%	-8%	-1.6%	-2%	2.4%	3.4%	-1.1%	2.9%	4.9%	1.2%	3.6%	1.5%	11%
2017/2018	0.6%	1%	0.1%	1.9%	3.2%	0.1%	1.5%	-1.3%	-3%	-0%	2.5%	1.5%	8.1%	1.5%	13.7%
2016/2017	6.1%	2.3%	0.3%	-3%	-0.3%	3.4%	-0.8%	0.7%	1.8%	1.7%	-4.7%	2.7%	10.2%	1.5%	13.1%
2015/2016	3.3%	-4.2%	-0.6%	4.1%	3.4%	0.2%	-1.8%	-3.2%	3.1%	0.7%	4.6%	-1.6%	7.7%	2%	2%
2014/2015	1.9%	1.5%	-2.4%	2.5%	0%	1.4%	2.6%	4%	1.3%	-1.7%	1.1%	-3.5%	8.9%	2.4%	5.7%
2013/2014	2%	2.3%	1.4%	2.3%	-1.2%	1.3%	-2%	1.4%	-0.4%	1.2%	1.5%	-1%	9.1%	2.5%	17.6%
2012/2013	2.9%	2.5%	0.2%	2.4%	2.8%	1.8%	5.2%	4.4%	0%	3.5%	-1.3%	-2.5%	24%	3.1%	20.7%
2011/2012	-3.1%	1.4%	-2.4%	4.7%	-2.4%	1%	2.9%	3.6%	4.2%	0.7%	-1.1%	-1.1%	8.3%	4.4%	-7%
2010/2011	5.1%	1.1%	3.6%	1.8%	-0.1%	3%	0.7%	1.5%	1%	0%	-0.8%	-0.5%	17.4%	4.7%	12.2%
2009/2010	3.5%	6.1%	3.8%	1.2%	1%	2.5%	-3.6%	1.1%	3.6%	-0.2%	-4%	-2.5%	12.5%	3.7%	13.8%
2008/2009	-1%	3.5%	-4.7%	-9%	-5.3%	3.9%	0.2%	-1.4%	7.9%	4.4%	2.1%	3.8%	3%	4.8%	-22.1%

VOLATILITY ³	11.6%	NUMBER OF STOCKS	34
BETA (USING DAILY RETURNS) ⁴	0.62	MAXIMUM DRAW DOWN	-23.1%

FUND MANAGERS



Rhett Kessler
CIO and Senior Fund Manager



Anton du Preez
Deputy CIO and Fund Manager

FEATURES

PORTFOLIO MANAGERS	Rhett Kessler Anton du Preez
APIR CODE	PCL0005AU
REDEMPTION PRICE	A\$ 1.8556
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$20,000
FUM AT MONTH END	A\$ 928.12m
STRATEGY INCEPTION DATE	1 July 2008
BENCHMARK	The RBA Cash Rate Target plus Australian equity risk premium.

DESCRIPTION

The Pengana Australian Equities Fund aims to enhance and preserve investor wealth over a 5- year period via a concentrated core portfolio of principally Australian listed securities. The Fund uses fundamental research to evaluate investments capable of generating the target return over the medium term. Essentially, we are in the business of seeking to preserve capital and make money – we are not in the business of trying to beat the market. We remain focused on acquiring and holding investments that offer predictable, sustainable and well-stewarded after-tax cash earnings yields in excess of 6% that will grow to double digit levels as a percentage of our original entry price in five years. We believe that building a well-diversified portfolio of these “gifts that keep on giving” represents a meaningful way to create and preserve financial independence for our co-investors.

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

2. Inception 1st July 2008.

3. Annualised standard deviation since inception.

4. Relative to ASX All Ordinaries Index.

*(including GST, net of RITC) of the increase in net asset value subject to the RBA Cash Rate & High Water Mark. For further information regarding fees please see the PDS available on our website.

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services license number 226566) is the issuer of units in the Pengana Australian Equities Fund (ARSN 146 346 929) (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund.

T: +61 2 8524 9900

CLIENTSERVICE@PENGANA.COM

F: +61 2 8524 9901

ABN 30 103 800 568 AFSL 226566