

PENGANA AUSTRALIAN EQUITIES FUND
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.

STATISTICAL DATA
VOLATILITY³ 11.3%

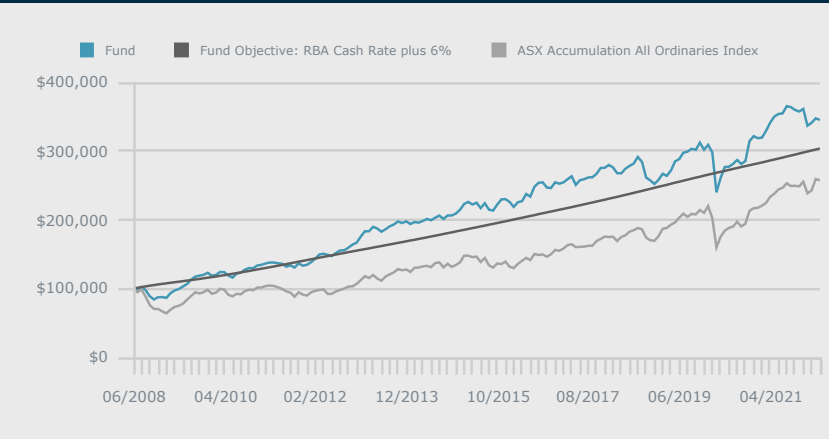
NUMBER OF STOCKS 29

BETA⁴ 0.63

MAXIMUM DRAW DOWN -23.1%

PERFORMANCE TABLE
NET PERFORMANCE FOR PERIODS ENDING 30 Apr 2022¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	-0.6%	1.2%	8.3%	5.6%	8.6%	9.4%
Fund Objective: RBA Cash Rate plus 6%	0.5%	6.1%	6.4%	6.8%	7.6%	8.4%
ASX Accumulation All Ordinaries Index	-0.8%	10.2%	10.2%	9.5%	10%	7.1%

PERFORMANCE CHART
NET PERFORMANCE SINCE INCEPTION²

TOP HOLDINGS (ALPHABETICALLY)

Amcor PLC	Materials
Aristocrat Leisure	Consumer Discretionary
CBA	Financials
Credit Corp	Financials
CSL	Health Care
Evolution Mining	Materials
Mirvac Group Property Trust	Real Estate
NAB	Financials
Telstra	Communication Services
Woolworths	Consumer Staples

SECTOR BREAKDOWN

Consumer Discretionary	9.8%
Consumer Staples	4%
Financials	28%
Health Care	14.4%
Industrials	8.5%
Materials	14.9%
Real Estate	3.8%
Communication Services	7.1%
Utilities	2.3%
Options	0.4%
Cash	6.7%

CAPITALISATION BREAKDOWN

ASX 1-50	55.5%
ASX 51-100	4.3%
ASX 101-300	19%
All Ordinaries	7.1%
Non ASX	7%
Derivatives	0.4%
Cash	6.7%

CUSTOM SECTOR BREAKDOWN

Defensive	48.4%
Financials	28.1%
Consumer Discretionary	7.2%
Resources	9.2%
Options	0.4%
Cash	6.7%

EVIDENCE OF RISING INFLATION AND AN INFLECTION POINT IN THE INTEREST RATE CYCLE CONTINUES TO ACCUMULATE

COMMENTARY

The Fund generated a -0.6% return in the month of April. By way of comparison, the (annual) return of the RBA cash rate + 6% equated to approximately +0.5% for the month, whilst the Australian stock market declined by -0.8%.

The Australian market continued its year-to-date outperformance globally, with MSCI World falling 8% (in USD). We note that given the weakening of the Australian Dollar through the month, in USD the ASX declined approximately 6% during April, closer to the average of its global index peers. The Tech unwind continued to be a major factor in the domestic market in April, whilst Materials – a meaningful positive contributor to the ASX performance year to date, also contributed negatively in the month. The ASX performance was driven in particular by a positive contribution from Utilities (+9%), as well as Industrials and Staples.

Evidence supporting our concerns of rising inflation and an inflection point in the interest rate cycle continues to accumulate. Inflation has accelerated faster than most had expected, with March CPI reaching 5.1%. Given ongoing supply disruptions we see scope for further increases in the inflation rate before normalising towards the RBA's targeted range. In order to achieve that goal, the Reserve Bank raised interest rates for the first time in more than a decade at their recent May meeting. Whilst absolute rates remain low, the inflection point in the cycle we believe is of more significance and we share the markets expectation for several more increases to follow.

On a macro level, whilst ongoing supply disruptions continue to evolve as a result of the ongoing war in Ukraine, the more significant incremental impact during April was a re-emergence of COVID in China and the impact of their zero-COVID policy on global supply chains. Companies continue to communicate to us the desire to hold excess inventories as visibility over the supply chain remains very low – and indeed the most recent round of trading updates confirmed that those with strong balance sheets and sufficient domestic supply chain infrastructure, enabling them to have inventory on hand – have been winners in the trading year to date.

We continue to position the portfolio with a view to navigate these challenges, ensuring exposure to business models with pricing power and low levels of price elasticity (to combat inflation) as well as those who benefit from a rising interest rate environment. In addition, from a capital preservation perspective, our cash balance continues to rise from a low point earlier in the year, and during the month we re-established a put position in the portfolio, the value of which has risen considerably given recent market movements.

The main contributors to performance in the month were positions in **Amcor**, **NIB Insurance**, **Pepper Money**, and **Telstra**, whilst the main detractors were **Credit Corp**, **Accent Group**, **Resmed**, and **Evolution Mining**. Portfolio activity focused mainly on opportunistic adding to positions on weakness, in particular to **BHP**, **Aristocrat**, **Credit Corp**, and **CSL**, whilst disposals included exiting a holding in **Bapcor**, whilst trimming **HUM**, and **DBI**.

Despite an elevated level of short term noise, we remain as focused as ever on our primary objectives of capital preservation and generating a reasonable real return for our investors. We continue to believe this is best served by a disciplined approach and consistent investment methodology. A variety of good businesses run by honest and competent management teams at the right price will create a well-diversified portfolio of ever-growing cash earnings streams.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A\$ 1.9152
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 883.06m
STRATEGY INCEPTION DATE	1 July 2008
BENCHMARK	The RBA Cash Rate Target plus Australian equity risk premium.

FUND MANAGERS



Rhett Kessler
CIO and Senior Fund Manager



Anton du Preez
Deputy CIO and Fund Manager

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. No allowance has been made for buy/sell spreads. 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. Using daily returns.

*(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 AUSTRALIAN EQUITIES FUND

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com



PENGANA.COM

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