

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 11.5%

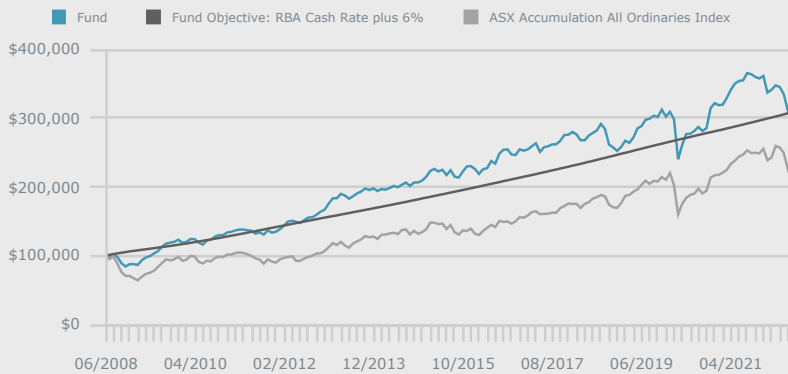
NUMBER OF STOCKS 28

BETA⁴ 0.63

MAXIMUM DRAW DOWN -23.1%

PERFORMANCE TABLE
NET PERFORMANCE FOR PERIODS ENDING 31 Jul 2022¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	6.4%	-6.6%	3.7%	5.1%	8.1%	8.9%
Fund Objective: RBA Cash Rate plus 6%	0.6%	6.2%	6.3%	6.8%	7.5%	8.3%
ASX Accumulation All Ordinaries Index	6.3%	-2.6%	4.9%	8.4%	9.6%	6.4%

PERFORMANCE CHART
NET PERFORMANCE SINCE INCEPTION²

TOP HOLDINGS (ALPHABETICALLY)

Aristocrat Leisure	Consumer Discretionary
BHP Group Ltd	Materials
CBA	Financials
Credit Corp	Financials
CSL	Health Care
NAB	Financials
ResMed	Health Care
SG Fleet	Industrials
Telstra	Communication Services
Woolworths	Consumer Staples

SECTOR BREAKDOWN

Consumer Discretionary	9.9%
Consumer Staples	4.4%
Energy	0.6%
Financials	28.2%
Health Care	15.3%
Industrials	7%
Materials	12.5%
Real Estate	3.1%
Communication Services	7.5%
Utilities	2.3%
Options	0.6%
Cash	8.5%

CAPITALISATION BREAKDOWN

ASX 1-50	58.6%
ASX 51-100	3%
ASX 101-300	16.8%
All Ordinaries	6.6%
Non ASX	5.9%
Derivatives	0.6%
Cash	8.5%

CUSTOM SECTOR BREAKDOWN

Defensive	48.1%
Financials	27.7%
Consumer Discretionary	7.6%
Resources	7.5%
Options	0.6%
Cash	8.5%

STRONG START TO THE NEW FINANCIAL YEAR AS WE HEAD INTO CORPORATE REPORTING SEASON

COMMENTARY

The Pengana Australian Equities Fund enjoyed a strong start to the new financial year, generating a +6.4% return in July. By way of comparison, the (annual) return of the RBA cash rate plus 6% equated to approximately +0.5% for the month, whilst the Australian stock market grew by 6.3%.

Despite the strong equity market momentum, we continue to see reasons for caution. The risks that we have been discussing for some time now – rising inflation, rising interest rates globally, the withdrawal of stimulus and money supply, geopolitical tensions in Europe and more recently, resurfacing questions of systemic risk in China – continue to present a difficult environment for protecting capital and making money.

We are also about to enter the reporting season for most companies' fiscal 2022 year results, a period where we will be looking to test and validate our investment thesis for each of our holdings.

All sectors, with the exception of Materials, rose in the month, with a strong rebound in particular from the IT and REIT sectors, whilst the 'risk on' environment saw small-cap stocks outperform large caps.

It was pleasing that the Fund was able to fully participate in a strong market during July, particularly given the generally defensive bias of the portfolio, the presence of put options (which lose value in a rising market), and a rising cash balance (lower equity exposure). **NAB**, **SG Fleet**, **Credit Corp**, and **CSL** were the major contributors to the fund's performance in July, whilst detractors were limited to **BHP** (weaker commodity prices) and **NIB insurance**, as well as the Fund's put option position. In contrast to much of the last 6-12 months, the Fund benefited in July from a lower relative exposure to the energy and materials sectors.

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We are also about to enter the reporting season for most companies' fiscal 2022 year results, a period where we will be looking to test and validate our investment thesis for each of our holdings. We expect corporate earnings to be mostly positive, taking into account the generally favourable conditions that continued to be in place through to June 2022. However, with those conditions changing substantially as we enter the new financial year, we consider FY22 performance to be mostly a rearview mirror perspective. Our focus will instead be on outlook statements, both qualitative and quantitative, as management teams provide some perspective on the prospects for earnings and cash flows in what will be a very different operating environment in this financial year.

We retain our long-held view that a focus on capital preservation and a reasonable real return for our investors is best served by a disciplined approach and consistent investment methodology. Good businesses run by honest and competent management at the right price will create a well-diversified portfolio of ever-growing cash earnings streams.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A\$ 1.779
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 804.46m
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

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