

### 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

**VOLATILITY<sup>3</sup>** 11.3%    **NUMBER OF STOCKS** 33    **BETA<sup>4</sup>** 0.63    **MAXIMUM DRAW DOWN** -23.1%

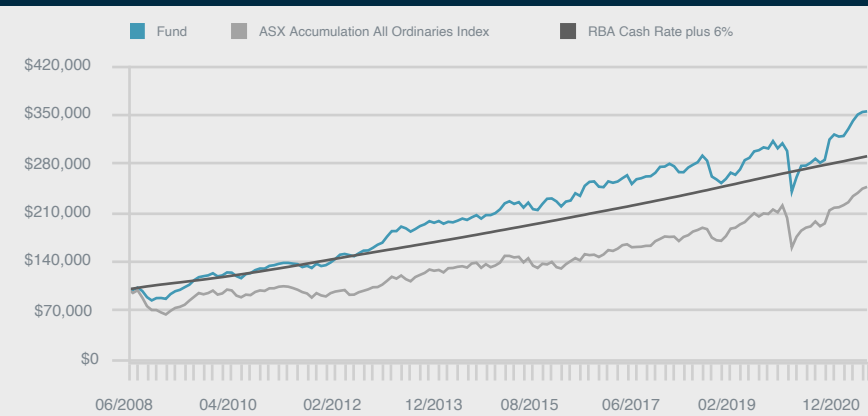
#### PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 JUL 2021<sup>1</sup>

	1 MTH	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION
<b>Fund</b>	0.3%	26.2%	8%	7.4%	10.4%	10.2%
<b>Fund Objective: RBA Cash Rate plus 6%</b>	0.5%	6.1%	6.7%	7%	7.9%	8.5%
<b>ASX Accumulation All Ordinaries Index</b>	1.1%	30.4%	10.2%	10.4%	9.9%	7.1%

#### PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION<sup>2</sup>



#### TOP HOLDINGS (ALPHABETICALLY)

<b>Accent Group</b>	Consumer Discretionary
<b>Aristocrat Leisure</b>	Consumer Discretionary
<b>Credit Corp</b>	Financials
<b>CSL</b>	Health Care
<b>Evolution Mining</b>	Materials
<b>NAB</b>	Financials
<b>ResMed</b>	Health Care
<b>SG Fleet</b>	Communication Services
<b>Super Retail Group</b>	Consumer Discretionary
<b>Telstra</b>	Communication Services

#### INDUSTRY

<b>Communication Services</b>	7.1%
<b>Consumer Discretionary</b>	12.9%
<b>Consumer Staples</b>	3.2%
<b>Energy</b>	1.6%
<b>Financials</b>	27.7%
<b>Health Care</b>	15.6%
<b>Industrials</b>	9.1%
<b>Materials</b>	11.1%
<b>Options</b>	0.4%
<b>Real Estate</b>	4.7%
<b>Utilities</b>	1.2%
<b>Cash</b>	5.4%

#### MARKET CAP

<b>ASX 1-50</b>	48.2%
<b>ASX 51-100</b>	9.9%
<b>ASX 101-300</b>	23.9%
<b>All Ordinaries</b>	4.7%
<b>Derivatives</b>	0.4%
<b>Non ASX</b>	7.4%
<b>Cash</b>	5.4%

#### ECONOMIC SECTOR

<b>Consumer Discretionary</b>	9.0%
<b>Defensive</b>	49.1%
<b>Financials</b>	27.8%
<b>Options</b>	0.4%
<b>Resources</b>	8.2%
<b>Cash</b>	5.4%

## POSITIVE START TO REPORTING SEASON FROM CORE HOLDINGS

### SUMMARY

The Australian stock market followed up a strong performance in FY21 with a 1.1% gain in July. **The Pengana Australian Equities Fund returned 0.3%.**

We are entering the reporting season for most companies' fiscal 2021 year results. Until recently, investors were hoping to get an insight into what the 'new normal' would look like, however with the extension of lockdowns and multiple covid waves continuing to play out, 'normal' gets kicked further down the road.

**We are pleased to note that at the time of writing, the Fund has had good early results from key holdings in Telstra, Credit Corp and Mirvac.**

### COMMENTARY

Resmed, continuing to benefit from a recall by its major global competitor, NIB Insurance, and Rio Tinto were the main positive contributors in the month, whilst Credit Corp, Evolution Mining and Aristocrat detracted in the period. We note Credit Corp has recovered strongly in August after a solid set of results and Aristocrat has also rebounded on a stronger than expected market outlook from peers in North America.

Despite the strong equity market momentum, we continue to see reasons for caution for an equity investor at this juncture. Whilst vaccination rates globally continue to expand, domestically we continue to battle multiple waves of Covid, with the most recent Delta variant shutting down the entire Eastern Seaboard at various points in time. This is clearly a negative for the Australian economy with the major states of NSW and Victoria most impacted.

We are also just about to enter the reporting season for most companies' fiscal 2021 year results. Until recently, investors were hoping to get an insight into what the 'new normal' would look like, as the economy began to return to a more normal operating environment in the June half, with less impact from lockdowns, and the withdrawal of fiscal stimulus. However, with the extension of lockdowns and multiple Covid waves continuing to play out, 'normal' gets kicked further down the road.

In its place we expect to see companies reporting against a backdrop of very high comparison bases from the year before, current trading heavily impacted by lockdowns, with significantly less incremental fiscal support in the economy relative to the year before. As a result headlines may be challenging. That said, balance sheets are generally quite strong, and management teams have the benefit of recent experience to ride out the current Covid waves and position themselves for the recovery in activity that will likely follow.

We are pleased to note that at the time of writing, the Fund has had good early results from key holdings in Telstra, Credit Corp and Mirvac. More broadly, 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.

landscape – recent lockdowns in NSW and emerging cases in VIC have added to uncertainty. This is relevant to most retailers that added to inventory levels in anticipation of continuation of robust sales numbers. The effective roll-out of vaccines is a critical factor in consumer confidence, especially leading into the cyber sales events followed by Christmas retail shopping peaks. The closure of international borders should assist in continued local spending, but these should be captured in the base, making the cycling of comparative numbers challenging for the so-called Covid-19 beneficiaries. It is our view that businesses with strong balance sheets, pricing power and solid relationships with suppliers should thrive and be stronger businesses when all this disruption is behind us.

In conclusion, 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

<b>APIR CODE</b>	PCL0005AU
<b>REDEMPTION PRICE</b>	A\$ 2.0121
<b>FEES *</b>	Management Fee: 1.025% Performance Fee: 10.25%
<b>MINIMUM INITIAL INVESTMENT</b>	A\$20,000
<b>FUM AT MONTH END</b>	A\$ 973.15m
<b>STRATEGY INCEPTION DATE</b>	1 July 2008
<b>BENCHMARK</b>	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. 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 AUSTRALIAN EQUITIES FUND

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