

PENGANA HIGH CONVICTION EQUITIES FUND

DESCRIPTION

The Pengana High Conviction Equities Fund (the Fund) invests globally in a concentrated portfolio of up to 20 stocks. The Fund can invest in both small and large cap stocks and is diversified across countries and sectors. We avoid investment in companies that are currently, in our opinion, unnecessarily harmful to people, animals or the environment.

STATISTICAL DATA

VOLATILITY³ 25.5%

NUMBER OF STOCKS 20

BETA⁴ 0.59

MAXIMUM DRAW DOWN -20.2%¹

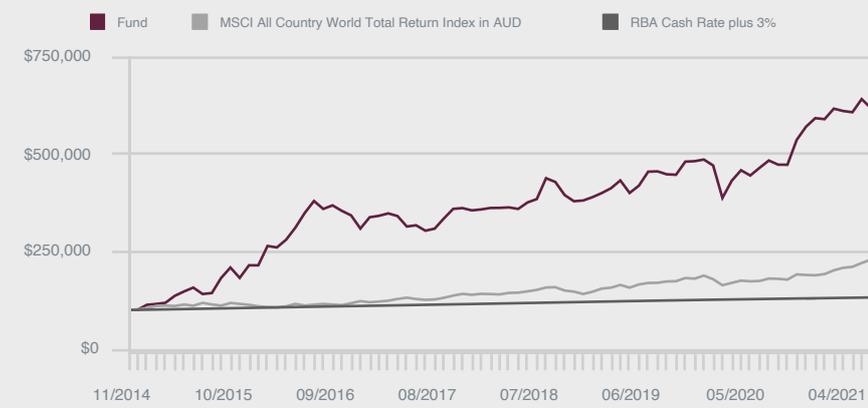
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 JUL 2021¹

	1 MTH	1 YEAR	2 YEARS	3 YEARS	5 YEARS	SINCE INCEPTION
Fund	-3.6%	32.9%	16.5%	17.1%	10.2%	31.6%
MSCI All Country World Total Return Index in AUD	4.0%	31.8%	16.5%	14.9%	15.1%	13.3%
RBA Cash Rate plus 3% p.a.	0.3%	3.1%	3.4%	3.7%	4.0%	4.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Howard Hughes	Real Estate
Photocure	Health Care
Rakuten Inc	Consumer Discretionary
Renesas Electronics Corp	Information Technology
Telix Pharmaceuticals Ltd	Health Care

INDUSTRY

Consumer Discretionary	14.1%
Consumer Staples	4.9%
Health Care	41.2%
Industrials	2.9%
Information Technology	22.0%
Real Estate	4.7%
Cash	5.4%

MARKET CAP

Under 5bn USD	37.3%
In between 5bn - 10bn USD	18.4%
In between 10bn - 100bn USD	34.3%
Cash	5.4%

REGION

Australia/New Zealand	19.7%
Europe ex-UK	20.0%
Japan	13.1%
North America	37.2%
Cash	9.9%

A THIRD VACCINE BOOSTER SHOT OFFERS SUBSTANTIAL BENEFITS

SUMMARY

The fund fell 3.6% percent in the month of July in a month relatively light in news flow. We remain optimistic about the portfolio despite the near-term headwinds being created by the Delta variant.

COMMENTARY

On the positive side Australian medical scanning software company **4D Medical** rose 25% after holding an analyst update which highlighted numerous clinical trials which are underway for its product in both Australia and the USA. The company's technology which produces high-quality 3D images of air movements in the lungs has the potential to replace many X-rays and CT scans in the future. Although their product has already been approved by the FDA in the USA further clinical studies are required to show the benefits of the product in various lung illnesses. The software is priced on a per scan basis of approximately USD170 per scan in the US market but likely lower in other regions. There are 377million global respiratory scans done per annum with estimated global market size of USD31bn. The initial target market is the USA where the market size is approximately \$14bn. Another product looking at blood flow around the lungs and heart is also in the pipeline. The company has a market value of \$435mln with \$80mln of cash which should see it through to breakeven. Revenue in FY22 will be modest (\$5-\$10mln) but should grow strong in later years. We are encouraged to see the high multiples being ascribed to other healthcare software companies such as Pro Medicus which is trading on 150x PE and 70x revenue.

Long-term holding **Merck KGA** rose 9% on positive sentiment around its biological drug equipment and consumables business which is supplying Covid vaccines producers as well as many other biological drugs programs including Biogen's new Alzheimer's treatment.

US test and measurement company Keysight rose 9% and Israeli discount retailer **Max Group** rose 11% on little news.

Australian Covid test producer **Genetic Signatures** which is lead the leading producer of Covid tests in the country rose 14% as covid testing volumes soar following outbreaks around the nation.

On the negative side, Covid Vaccine producer **Novavax** fell 14% in July on little news although in the first two weeks of August it has more than recovered, rising 25%.

The company recently reported data from a study showing a third booster shot of its Covid vaccine increased antibody levels fourfold over the second shot. In addition, a third shot greatly enhanced the vaccine's ability to defeat all covid variants of concern in serum studies. Moderna and Pfizer have also shown similar data which is likely to mean that new variant vaccines are not required at this point which will save time and resources in running further studies. The US is currently planning to offer a third booster dose eight months after the second dose with many other countries likely to follow. There is still debate over whether waning antibody levels will lead to a complete loss of protection as T-cells which are much more difficult to measure are also likely to offer a degree of protection. We are hopeful that booster doses will allow many covid restrictions to be eased in time although it is now very unlikely we will ever eradicate the disease.

Novavax has recently filed for approval in India, Indonesia, and the Philippines with the UK, Canada, and Australia expected in September and finally the US in October which should lead to positive news flow over the coming months.

US-French fry producer **Lamb Weston** fell 15% after reporting results that were impacted by covid related costs. We like the company as the French Fry market is highly consolidated with the largest three companies having 90% market share in the US. Lamb Weston is the largest with 41% market share and has strong pricing power which will enable it to pass through any costs increases and allow it to participate in the reopening of many restaurants and events around the world.

US utility-scale solar battery and related software provider **STEM** and Australian radiotherapy producer **Telix** fell on little news although it has risen strongly in August. More on that next month.

✓ FEATURES

APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 1.1893
FEES *	Management Fee: 1.80% p.a. (Class A) 1.25% p.a. (Class B) Performance Fee: 15.38% (Class A) 20% (Class B)
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 44.33m
STRATEGY INCEPTION DATE	11 December 2014
BENCHMARK	RBA Cash Rate + 3%

👤 FUND MANAGERS



James McDonald
Portfolio Manager



Jeremy Bendeich
Portfolio Manager

1. Net performance figures are shown are those of Class A Units, 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 11 December 2014.
3. Annualised standard deviation since inception.
4. Relative to MSCI World. Using daily returns.

* For further information regarding fees please see the PDS available on our website.

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