

PENGANA GLOBAL SMALL COMPANIES FUND

DESCRIPTION

The Fund invests principally in small and midcap listed (or soon to be listed) global equities. Its investment objective is to obtain returns greater than the MSCI All Country World Index SMID Cap unhedged in Australian dollars ('Index') over rolling 3 year periods after fees. The Fund's investment manager, Lizard Investors LLC, uses a value oriented investment approach that seeks to identify and invest in quality businesses that create significant value but are mispriced, overlooked, or out-of-favour. The investment manager believes that unique opportunities exist due to limited available research, corporate actions, or unfavourable investor perception.

STATISTICAL DATA

VOLATILITY³ 12.9%

NUMBER OF STOCKS 40

BETA⁴ 0.73

MAXIMUM DRAW DOWN -29.1%

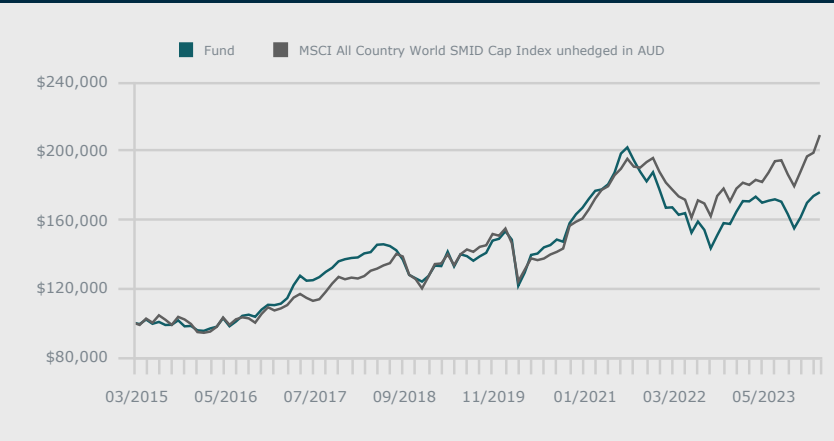
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 29 Feb 2024¹

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	1.3%	3.0%	2.7%	0.7%	5.7%	6.5%
MSCI All Country World SMID Cap Index unhedged in AUD	5.2%	15.3%	7.3%	8.0%	9.3%	8.6%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Computacenter PLC	Information Technology
Gamma Communications PLC	Communication Services
Glanbia PLC	Consumer Staples
Sapiens International Corp NV	Information Technology
Wizz Air Holdings Plc	Industrials

CAPITALISATION BREAKDOWN

Under 2bn USD	49.2%
In between 2bn - 5bn USD	31.7%
Above 5bn USD	19.2%
Cash	-0.1%

REGION BREAKDOWN

Europe ex UK	22.2%
North America	19.9%
Asia ex Japan	7.4%
Japan	19.5%
UK	22.1%
Middle East / Africa	3.2%
Latin America	5.7%
Cash	-0.1%

FEBRUARY REPORT

COMMENTARY

- Larger cap equities continued to make strong gains in February across the major markets upon stronger than expected December quarter corporate earnings reports and reasonably positive economic data.
- Smaller companies delivered more limited gains as they are more sensitive to fears that persistent inflation will ensure interest rates remain higher for longer.
- The Fund returned 1.3% in February, while the benchmark returned 5.2%.

Market Commentary

Large cap equity markets reached new highs in the US, Europe and Japan during February, following stronger than expected December quarter earnings reports.

However, US inflation remains persistent, with a range of indicators suggesting that the Federal Reserve (Fed) is not quite at the point where it can begin cutting interest rates. The US consumer price index (CPI) edged up from 3.1% to 3.2% in February, despite a survey of economists having indicated no change was expected.

This increase led to investors pushing back the expected timing of the first interest rate cut by the Fed from March to June. However, weaker retail sales and jobs data indicate that US rate cuts can probably be expected later this year.

The European economy is under greater pressure from elevated interest rates and higher energy prices, bringing a faster slowdown. Eurozone CPI headline and core inflation cooled to 2.6% and 3.1%, respectively, while composite purchasing managers' index data improved slightly but remained consistent with economic contraction. UK CPI inflation was unchanged despite better January retail sales, but a reduction in the regulated energy price should help inflation fall further.

Japan's Nikkei 225 share market index finally surpassed its December 1989 peak in February. Rising inflation and real wage growth may lead the Bank of Japan to end its long-standing negative interest rate policy in April.

Smaller companies underperformed larger caps in February, this was driven by two factors:

- Expectations that interest rates will remain higher for longer have had a greater impact on small cap stocks
- Smaller companies delivered weaker December quarter earnings, reflecting their higher exposure to floating rate debt

This weakness had a greater impact on smaller stocks within the small cap universe. Companies with a market capitalisation greater than US\$10 billion outperformed those with a market cap of less than US\$1 billion by 7.5% in February.

The divergence in the valuations of large and small companies has been stretched for some time and now appears unsustainable. The manager expects that small caps will outperform large caps when interest rates begin to fall.

Portfolio Highlights

The Fund is heavily invested in companies with market capitalisation levels at the smaller end of its market index. The underperformance of smaller companies impacted the Fund's relative returns in February.

Stock performance in industrials and information technology detracted from relative returns. However, the Fund benefitted from its overweight position in information technology and its zero-weighting to the interest rate-sensitive real estate sector.

The strongest contributor to relative returns in February was the holding in Korea's market-leading gaming and video streaming service **AfreecaTV**, which the Fund established in December. The stock continued to perform well, as its video streaming service benefits from the exit of Amazon-owned Twitch from the Korean market.

The Fund's second largest contributor to relative returns in February was the US-listed IT solutions business **Sapiens** which focusses on the insurance sector. It continued to outperform after announcing stronger than expected revenue and earnings growth during the December quarter.

Stock performance in Japan detracted from relative performance in February as Japanese small caps underperformed larger stocks in line with other major markets. The Fund remains confident that the recent focus on maximising shareholder returns in Japan, which has benefitted larger companies, will extend to small cap outperformance over the medium term.

The Japanese outsourced research and engineering firm **Technopro**, which provides skilled engineers to many industries across Japan, was the largest underperformer in February. This followed concerns about profitability in its international business, despite strong December quarter earnings.

Japan-based **Infocom** provides enterprise software and distributes online Manga via subscriptions. It underperformed despite strong earnings results when it delivered disappointing forward earnings guidance and limited distribution of cash to shareholders.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A\$ 1.5001
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 125.67m
STRATEGY INCEPTION DATE	1 April 2015
BENCHMARK	MSCI All Country World SMID Cap Index unhedged in AUD

FUND MANAGERS



Jon Moog
CIO and Portfolio 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. Please refer to the PDS for information regarding risks. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

2. Inception 1st April 2015.

3. Annualised standard deviation since inception.

4. Relative to MSCI All Country World SMID Cap index unhedged in AUD.

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

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