

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 24.7%

NUMBER OF STOCKS 16

BETA⁴ 0.63

MAXIMUM DRAW DOWN -32.1%

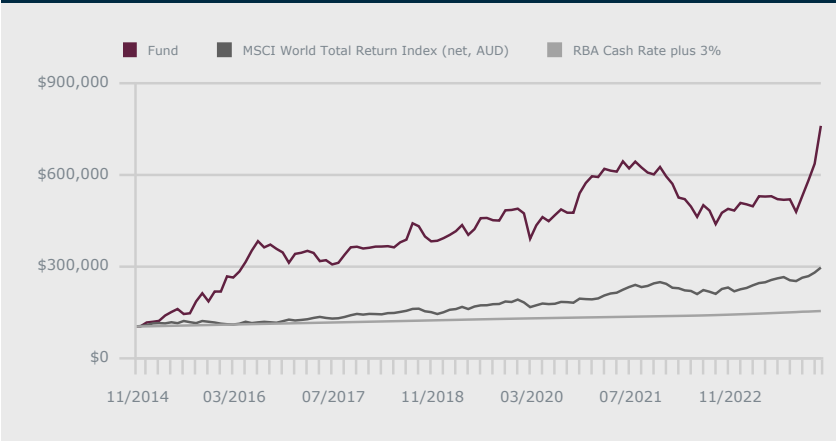
PERFORMANCE TABLE

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.
High Conviction Equities Fund Class A	19.6%	51.4%	15.5%	8.7%	13.6%	24.5%
MSCI World Total Return Index (net, AUD)	5.8%	29.4%	13.6%	15.1%	13.6%	12.4%
RBA Cash Rate plus 3%	0.6%	7.0%	5.9%	5.0%	4.4%	4.6%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Brazilian Rare Earths Ltd.	Materials
Clarity Pharmaceuticals Ltd	Health Care
Genetic Signatures Ltd	Health Care
Immutep Ltd	Health Care
IperionX Ltd	Materials

SECTOR BREAKDOWN

Health Care	46.6%
Materials	36.5%
Communication Services	13.8%
Options	0.6%
Cash	2.6%

CAPITALISATION BREAKDOWN

Under 5bn USD	84.7%
In between 5bn - 10bn USD	8.4%
In between 10bn - 100bn USD	3.8%
Derivatives	0.6%
Cash	2.6%

REGION BREAKDOWN

North America	8.8%
Europe ex-UK	16.1%
Australia/New Zealand	72%
Options	0.6%
Cash	2.6%

19.6% RETURN IN FEBRUARY

COMMENTARY

The Fund rose a pleasing 19.6% in February, also recording a 51% one-year return.

The Fund’s notable monthly performance included **Brazilian Rare Earths’** 74% surge in groundbreaking drilling results, **IperionX’s** 25% rise driven by promising cost and revenue projections and **Clarity Pharmaceuticals’** 23% increase following positive Phase 2 study results in prostate cancer diagnosis. Other notable gains include **CTS Eventim** and **Genetic Signatures**, rising 17% during the month.

As we don’t write quarterly or annual reports, we would like to take this opportunity to thank our investors for their support over the last several years, especially during difficult years in 2022 and 2023 when high interest rates buffeted markets, particularly for small cap and biotechnology stocks.

We would also like to thank and congratulate the management teams of our investments for delivering superb returns over the last 12 months, particularly the Fund’s largest holding **IperionX** up 173%, second largest holding **Clarity Pharmaceuticals** up 195%, **Telix Pharmaceuticals**, which has been a significant driver of returns for the last four years, up 78% and **Brazilian Rare Earths** up 52% since listing on the 21st of December. Their fantastic returns are the fruits of many years of dedication and hard work which we are very grateful for.

Turning to the star of the month of February, **Brazilian Rare Earths** deserves special mention for its incredible 74% one-month return after releasing the highest-grade drilling results for any metal that we are aware of from its Monte Alto deposit. Results of up to 34.4% rare earth grade were reported in metals that are usually measured in parts per millions. This has the potential to be the largest and richest rare earth deposit globally by a significant margin. Also of great importance are the very high grades of heavy rare metals particularly Dysprosium and Terbium recorded, which are key to making electric motors but are in much shorter supply than light rare earths such as Neodymium and Praseodymium. The two largest non Chinese producers globally, Lynas Rare Earths of Australia (Mt Weld deposit – market value AUD\$5.7bn) and MP Materials of the US (Mountain pass deposit – market cap AUD\$4bn) have very low heavy rare earth grades. The chart below shows the total rare earth grade in blue on the LHS and heavy rare earth in black on the RHS. The chart below and the grade estimate for the company have been produced by Canaccord Research. We believe Brazilian Rare Earth’s market value of \$570mln still has a long way to go before it reflects its transformation discovery and will be a very highly prized takeover target in the future.

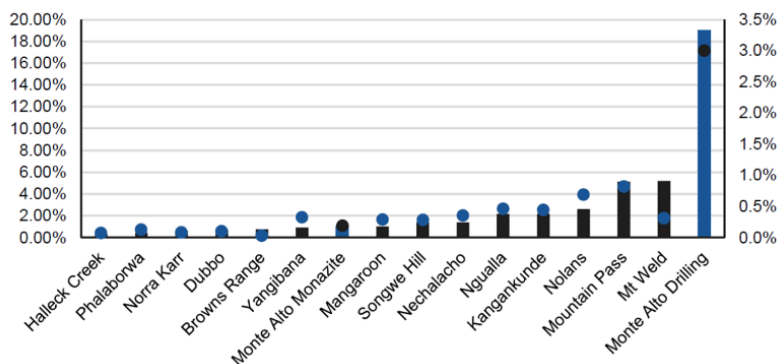


Fig. 2: Source: Canaccord Genuity Research Report 12 February 2024

The Fund's largest holding **IperionX** rose 25% during the month after it released a detailed presentation setting out costs and potential revenue for various future products. The company forecasts its cost of production to be \$30,000/ton in 2026 with potential revenue per ton of \$200,000 – a truly exceptional margin. The current titanium process is extremely expensive due to the high levels of lost titanium at every step of the process due to titanium's strong affinity to bond with oxygen. IperionX can also manufacture products that are close in shape to the final end product, which will be much more valuable than standard titanium ingots and plates. The company needs a further USD\$70mln of funding to reach its 2026 cashflow target of USD\$100mln based on 2000 tonnes of production, however, the company highlights that government grants are available. The market value of USD\$340mln still looks very attractive considering this target. The closest listed peer Howmet Aerospace trades on 19x EBITDA (cashflow) highlighting the potential future value of the company. The company expects first production from its new Virginia facility mid year and further customer agreements which we view as catalysts for the shares.

Clarity Pharmaceutical, the Fund's second largest holding, rose 23% after reporting results from its Phase 2 COBRA study in prostate cancer diagnosis in metastatic disease. The results highlight a significant improvement in the ability to detect cancer lesions, particularly small sized tumors, compared to the current standard of care products from Telix and Lantheus. A further large scale phase three will be required to prove this but the data looks very encouraging. We expect the company will soon report further data from a dose escalation study in its prostate cancer therapeutic trial SECURE which is eagerly anticipated by the market.

German listed event ticketing company, **CTS Eventim**, rose 17% after reporting strong preliminary Q4 figures which significantly exceeded already upgraded 2023 forecasts. Both their ticketing and Live Entertainment segment drove this result. We invested in CTS post a sell off generated by a media outlet criticizing their fees. We believe that the company can navigate any potential regulatory scrutiny. Live entertainment has been one of the strongest consumer sectors post-COVID. Further news in late February that CTS Eventim had won, in a JV, the rights to sell tickets for the Los Angeles Olympics spurred enthusiasm that they may gain market share in the USA. Recent commentary by Live Nation, a competitor, suggests that despite higher prices, demand is strong across most events and price points.


Australian listed building materials company **CSR** announced a takeover deal by Saint Gobain of France returning the Fund 50% from our entry in December. Our thesis was that the company had hidden land assets, primarily near the new Western Sydney airport, which could be used for warehouses in the future. This proved correct and the value was unlocked much more quickly than we expected.

Australian molecular testing company **Genetic Signatures** rose 17% in anticipation of the FDA granting approval of its enteric test expected mid year. We wrote extensively on that investment last month.


4-7% declines were recorded by **Eckert and Zeigler**, **Cellnex**, **Major Drilling**, and **Stroeer** on little news.

FEATURES	
APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 1.4506
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\$ 52.72m
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. 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 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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