

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 24.5%

NUMBER OF STOCKS 18

BETA⁴ 0.63

MAXIMUM DRAW DOWN -32.1%

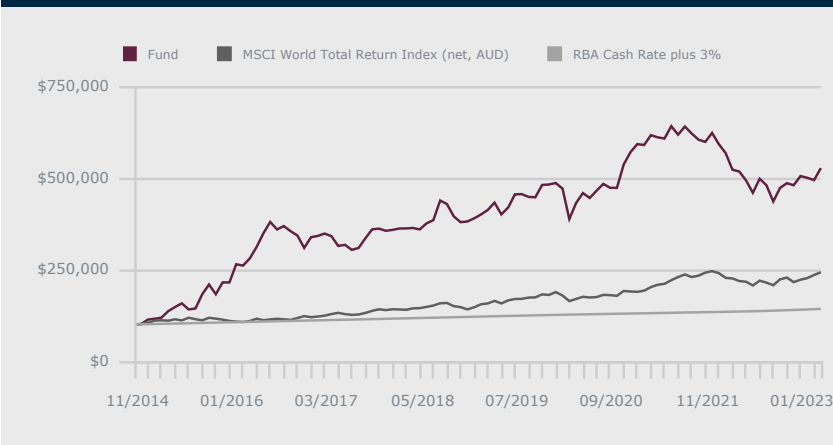
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Apr 2023¹

	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	6.6%	1.8%	-7.1%	6.9%	7.7%	21.9%
MSCI World Total Return Index (net, AUD)	3.1%	11.0%	7.9%	12.8%	11.1%	11.1%
RBA Cash Rate plus 3%	0.5%	5.3%	4.2%	3.9%	4.0%	4.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Eckert & Ziegler Strahlen- und	Health Care
Major Drilling Group Internati	Materials
Spotify Technology SA	Communication Services
Telix Pharmaceuticals Ltd	Health Care
Tenet Healthcare Corp	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	7.4%
Health Care	42.3%
Information Technology	17.6%
Materials	5.7%
Communication Services	15.4%
Cash	11.5%

CAPITALISATION BREAKDOWN

Under 5bn USD	64.9%
In between 5bn - 10bn USD	12.1%
In between 10bn - 100bn USD	11.4%
Cash	11.5%

REGION BREAKDOWN

North America	32.1%
Europe ex-UK	24.7%
Australia/New Zealand	27.4%
Middle East / Africa	4.3%
Cash	11.5%

TELIX DELIVERS STRONG RESULTS

COMMENTARY

The Fund rose 6.6% in April with its largest holding, Australian radiation therapy company **Telix Pharmaceutical**, leading the way with a 47% rise driven by strong earnings results. We initially purchased shares in the company at \$1.45 in July 2019, which compares very favorably to the current share price of \$11.30. Revenue from Telix's lead drug **Illucix**, used to diagnose prostate cancer, rose 30% from the prior quarter exceeding market expectations. The company continues to take market share from competitor **Lantheus** in a growing market that we also expect to continue to expand.

The annual incidence of prostate cancer in the USA is approximately 280,000 patients per year but there is a much larger pool of 3.2 million patients living with the disease who will receive multiple scans to monitor and treat it.

Competitor **Lantheus** gave a detailed analysis of the prostate cancer diagnostic market in January when they forecasted a USD 1.6 bn market based on 350,000 patients per annum. 125,000 patients are from initial disease diagnosis, 175,000 are from suspected recurrence, and 30,000 are from selecting patients for **Novartis**'s recently approved drug **Pluvicto**. We see an upside from the suspected recurrence market as currently the average prostate cancer patient is forecast to have just 1.7 scans over the course of their disease, but reports suggest many patients have 2-4 scans, which could rise further in the future. **Novartis**' drug **Pluvicto** may also be used to treat as many as 250,000 patients if ongoing studies are successful, not the 30,000 **Lantheus** forecast. We, therefore, expect the size of the prostate cancer diagnostic market to be revised up, especially considering the very strong results from both **Telix** and **Lantheus**.

Over the coming six months we also expect initial early-stage data from **Telix**'s prostate cancer therapeutic drug **TLX591** which will potentially compete with **Pluvicto**. The **Prostact Select** study, due to report in the second half of the year, is a lead in study of 50 patients for the much larger **Prostact Global** phase 3 study which will commence enrolment of 400 patients by year-end. Although the aim of the study is not to prove the drug's efficacy, the data will be closely scrutinised to that end as well as for safety issues. Competitor **Novartis** has been first to market with **Pluvicto**, which attaches a radioactive particle to a cancer seeking small-molecule. **Telix** has a similar approach but is using a cancer seeking antibody which should in theory keep the radiation in the cancer for much longer and require lower doses. The Phase 2 data was very promising however this must now be replicated in a much larger Phase 3 trial. **Telix** hopes to have an interim readout from the first 100 patients of the **Prostact Global** study by the end of next year, which could be transformational for the company given the market size of approximately USD5bn per annum. The results could potentially allow the company to bring in a marketing partner.

US hospital operator **Tenet Healthcare** rose 25% due to the recovery of outpatient surgery volumes. Company and peer data suggest patients who deferred non-essential procedures during COVID have returned to operating theaters. **Tenet**'s strong position in daycare centers is benefiting from the transition of surgical procedures away from high-cost hospitals to lower cost ambulatory centers. Recent nurse shortages are abating with the decrease of COVID and the migration of foreign nurses. As a result, the company is benefiting from falling labor costs as expensive temporary nursing staff are replaced by lower cost full time nurses, albeit also at higher rates than before Covid.

German radioisotope provider **Eckert & Zeigler** rose 10% after falling sharply in March following lackluster earnings guidance for 2023. The Fund had exited the holding before the sell off as we were concerned when the CEO retired to become the Chairman, and the largest investor exited the stock. We used the weakness to re-enter the holding. We believe the new CEO, who is an experienced internal candidate will continue to run the company effectively and seems to have set conservative targets. We are particularly excited about the company's radiation theragnostic product Pentixafor. The drug was initially used to diagnose a type of blood cancer called Myeloma, which is currently subject to a Phase 3 study, but has more recently expanded to diagnosing a type of high blood pressure (hypertension) called Hyperaldosteronism, which impacts about 10% of hypertension patients. The disease can be treated by removing one of our two adrenal glands but determining which gland is malfunctioning has until now been prohibitively expensive. The company sees a market size of USD10bn with a phase 3 study possible next year. Monash University was selected last week to run an initial phase 2 study with 20 patients. We see the partnering of this product as a key catalyst for the stock.

We also expect continued strong sales of radio isotopes for medical uses including gallium generators to Telix used to make Illucix and sales of Lutecium and Actinium to companies developing radiotherapy products to treat various cancers.

On the negative side, US optical communications related names **Lumentum** and **Ciena** fell 9% and 11% respectively after Lumentum preannounced their disappointing quarterly earnings results, reducing revenue guidance by 15% for the quarter primarily due to an inventory correction at a customer, likely Ciena.

FEATURES

APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 1.0265
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\$ 39.37m
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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PENGANA CAPITAL LIMITED

ABN 30 103 800 568
AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900
F: +61 2 8524 9901
E: clientservice@pengana.com



PENGANA.COM

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