

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.

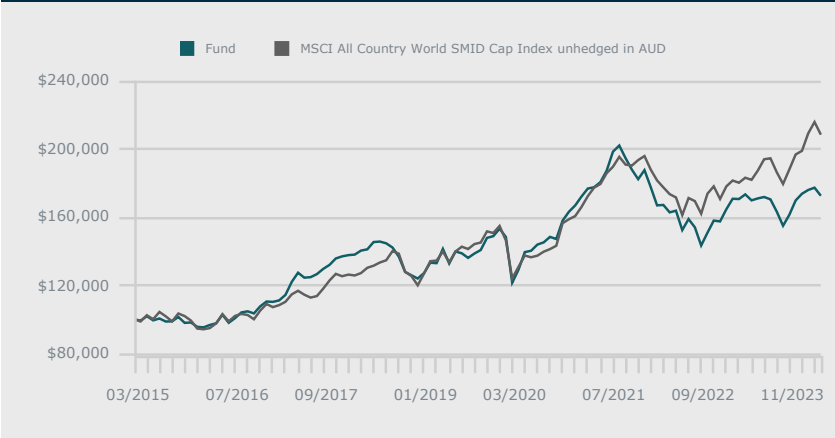
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Apr 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	-2.7%	-0.5%	2.9%	-1.0%	4.1%	6.2%
MSCI All Country World SMID Cap Index unhedged in AUD	-3.4%	13.8%	9.6%	5.5%	8.3%	8.4%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Investnet Inc	Information Technology
Next 15 Group PLC	Communication Services
Qualitas Controladora SAB de C	Financials
Sapiens International Corp NV	Information Technology
Wizz Air Holdings Plc	Industrials

CAPITALISATION BREAKDOWN

Under 2bn USD	51.3%
In between 2bn - 5bn USD	15.6%
Above 5bn USD	18.4%
Cash	14.7%

REGION BREAKDOWN

Europe ex UK	16%
North America	19%
Asia ex Japan	5.9%
Japan	15.7%
UK	21%
Middle East / Africa	3.6%
Latin America	4.2%
Cash	14.7%

STATISTICAL DATA

VOLATILITY³ 12.8%

NUMBER OF STOCKS 31

BETA⁴ 0.73

MAXIMUM DRAW DOWN -29.1%

APRIL REPORT

COMMENTARY

- Global equity markets were weaker in April as persistent inflation pushed back the expected timing of the first US interest rate cuts.
- Smaller companies performed in line with the broader share market during April, following an extended period of underperformance.
- The Fund returned -2.7% in April, while the benchmark returned -3.4%.

Market Commentary

Global equity markets moved lower in April as inflation remained sticky across several global economies. Macro-economic data was mixed and ongoing geo-political uncertainty around the world continued to restrain share market sentiment. Small cap stocks outperformed larger companies in April, having underperformed for some time. March quarter earnings reports were generally good but did not provide a strong guide to future market direction.

A jump in March US inflation led investors to push back their expectations of the timing of interest rate cuts. Furthermore, the US labour market remains strong, with the economy creating 303,000 nonfarm jobs in March and unemployment falling to 3.8%, both ahead of investor expectations.

Weaker economic growth in Europe brought lower inflation in April. This raised hopes that the European Central Bank and Bank of England would soon follow the Swiss National Bank's 0.25% March rate cut. Eurozone and UK composite purchasing managers' index (PMI) data were consistent with economic expansion, helping European shares outperform the US.

Japan kept its interest rate unchanged at 0% in April, as the interest rate differential with other major currencies drove the yen to its weakest level since 1990. The export-led economy continued to improve with stronger month-on-month industrial production and corporate earnings exceeding market expectations.

Portfolio Highlights

The Fund returned -2.7% in April, outperforming the MSCI All Country World SMID Cap Index which returned -3.4%. The Fund's strong stock performance in information technology, financials, North America and sub-US\$5 billion market cap companies contributed to relative returns. This was somewhat offset by weaker stock performance in consumer discretionary, consumer staples and Asia.

The Fund's holding in Mexican auto insurer **Qualitas Controladora** was the largest contributor to relative returns in April. The company has established a market leading position based on a competitive cost structure in the rapidly growing Mexican market, which is benefitting from the long-term onshoring trend.

Holdings in companies which provide investment platforms to financial advisors – **IntegraFin** in the UK and **Investnet** in the US – both also made strong contributions to relative returns in April. This reflected positive growth trends in assets under management in both countries, to which their revenue growth is very sensitive.

In April the Fund established a position in **Telecom Plus**, a UK-based provider of discounted utility and telephone plans, which generates cost savings for their customer base. The business requires little capital and has returned to

growth following a challenging period in the wake of earlier energy price volatility in the UK.

The Fund maintains an exposure to Japan, where smaller companies now stand to benefit from some longer-term structural reforms. Japanese companies have long been valued by the market at discounts to global peers. This is due to poor corporate governance and excessively conservative balance sheets, which have hampered returns on equity. Founding families have established cross-shareholdings and other structures to ensure business control is prioritised over earnings growth. This has led to a long period of poor capital allocation and excessive cash retention.

Governance reforms were launched under the previous Prime Minister Shinzo Abe and have persisted under his successors. The Tokyo Stock Exchange is making efforts to support this through greater transparency standards, with 45% of larger companies disclosing shareholder-friendly measures. This has been a driver of recent outperformance by larger Japanese stocks, although many smaller companies are still to embrace these trends. However, there are now signs of a greater shareholder focus which support earnings growth and market valuations. This should drive medium-term returns relative to larger companies and global peers.

The same corporate governance challenges in Korea are now being addressed by comparable reforms. While at an earlier stage than Japan, they provide a similar medium-term opportunity for investors.

The Fund is currently valued at an attractive 13.8 times 2024 earnings. Its earnings are expected to grow at more than 15% per year and to deliver returns on equity above 25%. This provides an excellent opportunity to outperform over the medium term.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A\$ 1.4711
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 105.39m
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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