MONTHLY REPORT
JUNE 2022

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

VOLATILITY[3]	NUMBER OF STOCKS	BETA[4]	MAXIMUM DRAW DOWN
25%	18	0.62	-28.4%

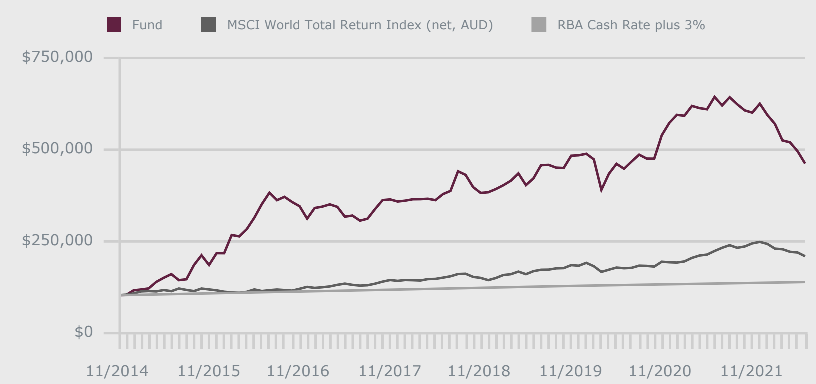
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Jun 2022[1]

	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	-6.9%	-28.4%	1.6%	3.1%	7.7%	22.4%
MSCI World Total Return Index (net, AUD)	-4.7%	-6.5%	9.2%	7.7%	10.0%	10.1%
RBA Cash Rate plus 3%	0.3%	3.2%	3.2%	3.3%	3.8%	4.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Ardent Leisure Group Ltd	Consumer Discretionary
Ciena Corp	Information Technology
Lamb Weston Holdings Inc	Consumer Staples
Lumentum	Information Technology
Telix Pharmaceuticals Ltd	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	15.9%
Consumer Staples	7.5%
Health Care	23.4%
Industrials	3.7%
Information Technology	17.3%
Materials	5.3%
Real Estate	3.8%
Communication Services	8.1%
Cash	15%

CAPITALISATION BREAKDOWN

Under 5bn USD	57.1%
In between 5bn - 10bn USD	12.3%
In between 10bn - 100bn USD	15.6%
Cash	15%

REGION BREAKDOWN

North America	40.3%
Europe ex-UK	15%
Australia/New Zealand	24.8%
Japan	3.3%
UK	1.5%
Cash	15%

CONTRIBUTORS AND DETRACTORS

COMMENTARY

The Fund fell 6.9% during the month as inflation and energy concerns weighed on the market.
In this month's report, we look at the Fund's main contributors and detractors and how the current economic environment is affecting these businesses.

US French Fry producer **Lamb Weston** rose 10% as the market sought out defensive stocks. In addition, cooler temperatures and rainfall in Northwest USA alleviated concerns over another poor potato harvest. Although potatoes are irrigated and face no water shortages, they are sensitive to heat during the months of July and August during crop maturation and harvest.

Subaru rose 7% after the Japanese yen continued to depreciate as the Bank of Japan held government bond yields near zero while other banks raised rates. 90% of the company's sales are made outside of Japan but unusually 65% of its production is located in Japan, so it is a large beneficiary of the declining currency. In addition, the company recently highlighted that its production volume is recovering from the semiconductor shortage. In a normal year, the company sells 90,000 units per month but this fell to approximately 60,000-70,000units over the last 18 months

US software company **Walkme** rose 7.5%. We like the stock for its low valuation relative to other software companies. It has a market value of USD730mln, USD326mln of cash, and forecast revenue this year of USD250mln growing 25% per annum. It is loss-making but the company expects to only burn USD100mln of its cash to reach breakeven. Most profitable software companies trade on 4-6x (or more) revenue, so we see upside as the company transitions to profitability over the next 2 years.

Australian listed **Ardent Leisure** rose 4% ahead of its capital return in July following the sale of its US operations. Post distribution the company has a market value of $260mln with $150mln of cash valuing Dreamworld at $110mln. We believe strong domestic travel demand will enable the company to generate $15m-$20mln of profits per annum. The theme park sits on 60 hectares of land of which only 30 hectares are currently used, allowing future development of some of the remaining land.

On the negative side gym operator **F45** fell 35% as concerns mount over the health of the US consumer in the face of high inflation and rising interest rates. Likewise, US streaming company Spotify fell 13% and Howard Hughes, a property owner, and developer, fell 15% over concerns of slowing US consumption.

Australian cancer immunotherapy company **Immutep** fell 30% on little news. We believe the company is an attractive takeover target given its recent strong data in lung cancer treatment.

US listed **Kornit Digital,** which produces digital textile printers and ink for the fashion industry, fell 20% in June and had a profit warning in early July It now has a market value of $1.1bn (down from $7.5bn six months ago), $700mln of cash and we expect revenue of more than $300mln in 2023. In 2019 the company had $180mln of revenue and $39mln of cash flow so we know the business can be very profitable at lower levels, particularly as the mix of high-margin ink will increase. The company estimates 20bn t-shirts, hoodies and bags are printed each year of which it has just 1-2% market share. It offers the advantage of being able to produce closer to the consumers at a lower cost using less water and in smaller lots, so companies like Amazon, Etsy, Redbubble, Nike, and Disney can match demand and supply. Amazon was the largest customer in 2021 at 27% of revenue but has recently slowed the pace of equipment rollout due to slower demand.

Despite posting a strong earnings beat, Canadian listed drilling company **Major Drilling** fell 13% as global commodity prices fell. Our thesis for investing in the stock is a lack of exploration in the mining industry and depleting ore reserves, particularly at a time when more metals like lithium and copper are likely to be needed for electrification. Weakness in Chinese housing demand is currently overwhelming demand for metals however major infrastructure spending in China should in time stimulate demand.

FEATURES

APIR CODE	HHA0020AU
REDEMPTION PRICE	A$ 0.8898
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$10,000
FUM AT MONTH END	A$ 36.85m
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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