

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.

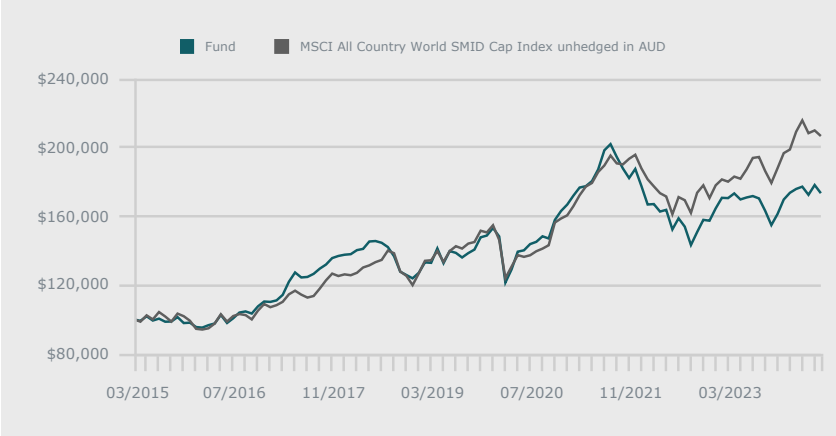
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Jun 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%	1.5%	6.7%	-2.5%	4.4%	6.1%
MSCI All Country World SMID Cap Index unhedged in AUD	-1.5%	10.3%	13.2%	3.6%	8.1%	8.2%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Investnet Inc	Information Technology
GILDAN ACTIVEWEAR INC	Consumer Discretionary
Glanbia PLC	Consumer Staples
Noritsu Koki Co Ltd	Industrials
Sapiens International Corp NV	Information Technology

CAPITALISATION BREAKDOWN

Under 2bn USD	54.5%
In between 2bn - 5bn USD	17.5%
Above 5bn USD	21.6%
Cash	6.4%

REGION BREAKDOWN

Europe ex UK	17.1%
North America	28.6%
Asia ex Japan	6.1%
Japan	10.6%
UK	18.7%
Middle East / Africa	6.5%
Latin America	5.9%
Cash	6.4%

STATISTICAL DATA

VOLATILITY³ 12.8%

NUMBER OF STOCKS 35

BETA⁴ 0.73

MAXIMUM DRAW DOWN -29.1%

JUNE REPORT

COMMENTARY

- Smaller companies underperformed the broader share market across most sectors as political risk increased, especially in Europe and Emerging Markets.
- The Fund returned -2.7% in June, while the benchmark delivered -1.5%, as performance was impacted by the stronger Australian dollar.

Market Commentary

Global equities continued to grind higher in June, led by big tech, upon hopes that easing inflationary pressures will bring lower interest rates later this year.

Political uncertainty following the French election and the US presidential debate led to investor nervousness across European and North American markets, impacting smaller companies. The market's negative reaction to Mexico's presidential election spread across Emerging Markets. However, this appears excessive and likely to be temporary as the overall environment remains attractive for smaller company investors.

Markets were weaker across all sectors of the smaller company investment universe, except for information technology. It benefitted from investor interest in larger cap tech stocks, especially semiconductor groups exposed to growing AI-related demand.

Portfolio Highlights

The Fund returned -2.7 in June as the MSCI All Country World SMID Cap Index returned -1.5%. The Fund's zero weighting to mid-cap stocks (>US\$10bn market cap), overweight to the small caps (<US\$1bn) and overweight to Europe detracted from relative returns. Stock selection in industrials and energy contributed to relative returns, but this was offset by weakness in technology, financials and communications services.

The largest contributor to the Fund's relative returns in May was Korea's market-leading gaming and video streaming service **Soop**, formerly known as AfreecaTV. The company continues to consolidate its monopoly-like position in the Korean market following the exit of Amazon-owned Twitch. The portfolio manager expects it to continue growing user numbers and earnings over the coming year.

The Fund's holding in Japan-based **Infocom**, which distributes online Manga through subscriptions also performed strongly. The company was subject to a ¥280 billion (A\$2.7 billion) takeover bid by US private equity group Blackstone in May; the stock outperformed in June as the share price increased to reflect the bid price.

The Fund's overweight position in Canada-based energy services and technology company **Pason Systems** and the discount food retailer in the country's remote regions **North West Company** also contributed to relative returns. They outperformed in June as their strong business fundamentals drove up market valuations.

The largest detractor from relative returns was UK-based, technology-focused public relations and consulting business **Next 15 Group**. It underperformed after releasing a trading update which was at the lower end of its previous guidance range. It experienced sluggish sales, reflecting weakness in the company's technology clients.

The Fund's holding in Mexico's leading car insurance company **Qualitas** also detracted from relative returns in June, following a period of strong outperformance. Its share price weakness reflected broader investor uncertainty following the Mexican election, which impacted both the equity market and the value of the Mexican Peso.

The Fund established a new position in the US-listed Brazilian payments provider **Pageseguro**. Following deregulation in the 2010s, the market mushroomed to 2,000 competitors, before rising interest rates consolidated the market to less than ten firms. The company meets its working capital requirement – which is much higher than in North America or Europe – with low-cost deposits from its banking operation, rather than from high-cost bank loans. It is also the only company in the market to offer merchants instant cash settlement on credit and debit card payments. This is highly valued by merchants with slim margins, who in return hold their bank accounts with Pageseguro. The company is attractively valued at just ten times earnings, which have been depressed by the economic slowdown in Brazil.

UK Smaller Companies Spotlight

UK small caps have underperformed large caps, in common with those in other developed markets, over the last three years. This has been driven by economic uncertainty, rising inflation, elevated interest rates and increasing energy costs in Europe.

Small caps are perceived to be more sensitive to these factors than large caps. However, flows into (mainly large cap) passive funds in the UK have further driven small caps underperformance. Having historically delivered earnings growth comparable to the US S&P500 large cap index, UK small caps are now valued at a much lower multiple of earnings. This is currently in line with the more slowly growing UK large caps index, which appears unsustainable:

Market Index	25-year Average earnings growth	Forward Price/Earnings Ratio
UK FTSE 100 Large-caps	3.8%	12.1 x
UK FTSE 250 Mid-caps	6.4%	12.9 x
US S&P 500 Large Caps	6.3%	22.6 x

Greater political stability following the UK general election in June should give investors more certainty. Underinvestment in small caps is expected to be addressed by the introduction of tax-advantaged investment vehicles and encouraging pension schemes to invest more domestically, including into small caps.

More immediately, the UK equity market is benefitting from a wave of M&A activity. This brought takeover premiums which averaged 54% in 2023, a trend that has continued this year. Furthermore, many UK companies are actively considering relocating their listings to the US to enhance valuation multiples to US levels.

This set of circumstances in the UK provides a unique opportunity for global small cap investors. The Fund is well positioned to take advantage of this situation, with a significant overweight to UK equities.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A\$ 1.4791
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 98.49m
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.

PENGANA GLOBAL SMALL COMPANIES FUND

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

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Global Small Companies Fund (ARSN 604 292 677) (the "Fund"). A Product Disclosure Statement (PDS) and Target Market Determination are available and can be obtained from our distribution team. A person should obtain a copy of the Product Disclosure Statement and should consider the Product Disclosure Statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the Fund is subject to investment risk including a possible delay in repayment and loss of income and principal invested.