

PENGANA EMERGING COMPANIES FUND

DESCRIPTION

The Pengana Emerging Companies Fund combines the skills of highly experienced small company investors (collectively over 45 years' experience) with a limited fund size and an objective of providing above market returns over the medium term. Our benchmark is the S&P/ASX Small Ordinaries Accumulation Index. The fund managers Steve Black and Ed Prendergast are part owners of the business and investors in the Fund, providing a strong incentive to perform. The Fund has strong research ratings from all major research houses and over the period since its inception has delivered returns well above benchmark.

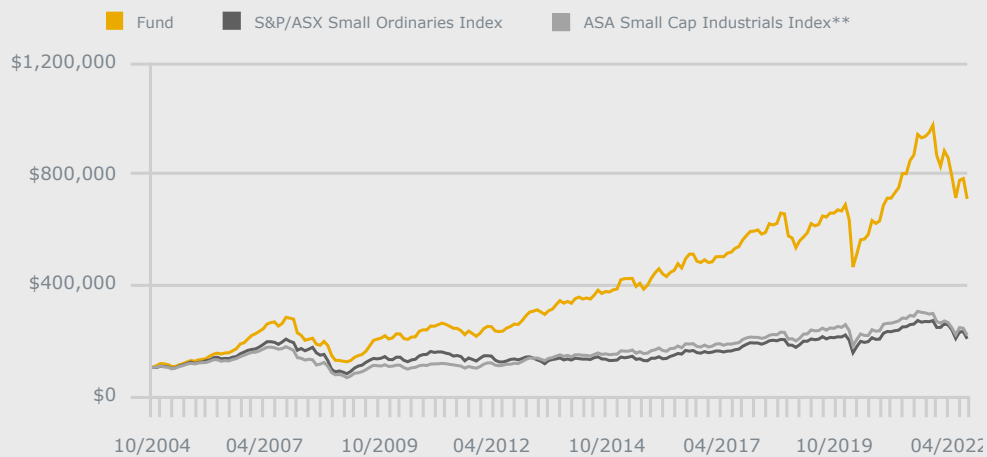
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2022¹

| | 1 MTH | 1 YEAR | 3 YEARS P.A. | 5 YEARS P.A. | 10 YEARS P.A. | 15 YEARS P.A. | SINCE INCEPTION P.A. |
|---|--------|--------|--------------|--------------|---------------|---------------|----------------------|
| Emerging Companies Fund | -9.4% | -23.7% | 2.5% | 5.7% | 11.0% | 6.9% | 11.6% |
| S&P/ASX Small Ordinaries Index | -11.2% | -22.6% | -0.8% | 4.1% | 4.6% | 0.4% | 4.1% |
| Outperformance | 1.8% | -1.1% | 3.3% | 1.6% | 6.4% | 6.5% | 7.4% |
| ASA Small Cap Industrials Index** | -10.5% | -27.5% | -3.7% | 2.6% | 6.7% | 1.7% | 4.5% |
| Outperformance | 1.1% | 3.8% | 6.2% | 3.1% | 4.3% | 5.2% | 7.1% |

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



SEPTEMBER REPORT

COMMENTARY

The Fund fell 9.4% in September, outperforming the Small Industrials by 1.1% and outperforming the Small Ordinaries by 1.8%. For the 12 months to September, the Fund was down 23.7%, outperforming the Small Industrials Index by 3.8% and underperforming the Small Ordinaries Index by 1.1%.

Markets fell heavily in September due to the expectation of higher interest rates for longer, and the increasing risk of a global recession. The US market fell 9.3% while Asian markets were worse (China off 14.1%). The Australian market fell 5.7%, with bond yields rising by 100pts indicating fears of higher local rates to combat inflation.

The UK budget, delivered by the new PM Liz Truss in late September also rattled markets with its unfunded fiscal stimulus creating cracks in long term funding for pension funds. The Bank of England stepped in with renewed QE measures to calm markets, proving the difficulty in unwinding such extreme monetary policies employed over the past few years.

The overall picture is evolving erratically, with markets whipsawing on shorter term shifts in sentiment around inflation, rates and growth. This volatility is likely to continue for some months as the situation unfolds, with stock picking taking a back seat to macro factors. While this can be unsettling for investors in our Fund, periods of dislocation are often the most prospective for disciplined stock pickers.

Over our 18 year journey, which has included the GFC, COVID, and a range of extreme market conditions, we observe that irrational fear often leaves individual stocks attractively mis-priced.

Our best performers in September included:

Gentrack (+7%) is a small holding in our Fund which provides software for utilities, and posted an earnings upgrade during the month. **Ive Group** (+2%) rose after announcing very favourable terms surrounding its acquisition of primary competitor Ovato, with an attached capital raising. **Tourism Holdings** (+1%) also rose on the back of an acquisition, with the ACCC approving a merger with Australian competitor Apollo Tourism. **EQT Group** (-1%) was relatively steady given the overall market conditions given its defensive and conservative income streams. **EBOS** (-3%) also held up reasonably well given the markets with its steady revenues, and long term growth opportunities.

Our detractors in September included:

Stocks which derive income from financial markets such as **MA Financial** (-30%), **Pinnacle Investments** (-19%), and **Charter Hall** (-15%) were hit hard given the dramatic collapse in markets globally. **ALS Corporation** (-15%) underperformed the overall market due to weakness in commodity markets given its exposure to exploration activity. **Australian Clinical Labs** (-20%) was an outlier, falling despite its relatively steady revenue streams.



**AUSTRALIAN
EMERGING COMPANIES**

REGISTER NOW

TUES, OCT 18 2022 9:00AM (AEDT)

TOP HOLDINGS (ALPHABETICALLY)

| | |
|-----------------------------|------------------------|
| ALS Ltd | Industrials |
| AUB Group | Financials |
| Charter Hall Group | Real Estate |
| EQT HOLDINGS LTD | Financials |
| Hansen Technologies | Information Technology |
| IVE Group | Communication Services |
| Lifestyle Communities | Real Estate |
| NIB Holdings | Financials |
| Propel Funeral Partners Ltd | Consumer Discretionary |
| Seven Group Holdings | Industrials |

FEATURES

| | |
|-------------------------|--|
| APIR CODE | PER0270AU |
| REDEMPTION PRICE | A\$ 1.9981 |
| FEES * | Management Fee: 1.3340% Performance Fee: 20.5% of the performance above the benchmark |
| FUM AT MONTH END | A\$ 636.38m |
| STRATEGY INCEPTION DATE | 1 November 2004 |
| BENCHMARK | S&P/ASX Small Ordinaries Accumulation Index |

FUND MANAGERS



Ed Prendergast
Senior Fund Manager



Steve Black
Senior Fund 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. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

² Inception 1 November 2004.

* For further information regarding fees please see the PDS available on our website.

** The Fund does not invest in resource stocks.

PENGANA EMERGING COMPANIES FUND

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Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services license number 226566) is the issuer of units in the Pengana Emerging Companies Fund (the "Fund"). A product disclosure statement for the Fund is 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 possible delays in repayment and loss of income and principal invested.