

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 25.1%

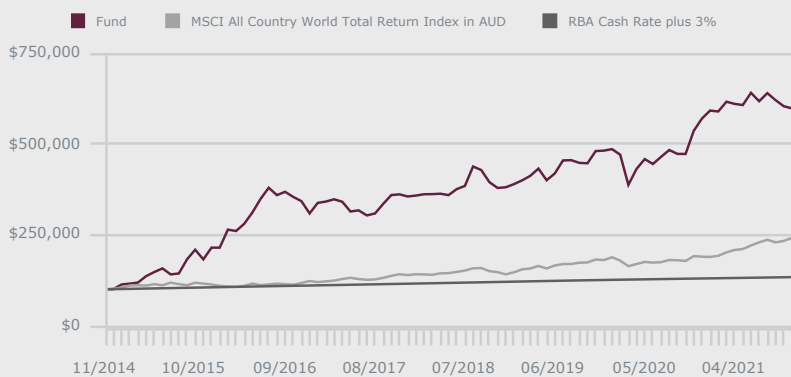
NUMBER OF STOCKS 19

BETA⁴ 0.59

MAXIMUM DRAW DOWN -20.2%

PERFORMANCE TABLE
NET PERFORMANCE FOR PERIODS ENDING 30 Nov 2021¹

	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	-1.0%	11.5%	11.5%	16.4%	11.8%	29.2%
MSCI All Country World Total Return Index in AUD	3.6%	26.6%	15.3%	18.0%	15.6%	13.5%
RBA Cash Rate plus 3% p.a.	0.3%	3.1%	3.2%	3.6%	3.9%	4.2%

PERFORMANCE CHART
NET PERFORMANCE SINCE INCEPTION²

TOP HOLDINGS (ALPHABETICALLY)

Lamb Weston Holdings Inc	Consumer Staples
NEC Electronics	Information Technology
Rakuten Inc	Consumer Discretionary
Subaru Corp	Consumer Discretionary
Telix Pharmaceuticals Ltd	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	23.9%
Consumer Staples	5.6%
Health Care	25.8%
Industrials	2.3%
Information Technology	21.2%
Real Estate	4.4%
Communication Services	3.5%
Cash	13.4%

CAPITALISATION BREAKDOWN

Under 5bn USD	41.7%
In between 5bn - 10bn USD	15.6%
In between 10bn - 100bn USD	29.3%
Cash	13.4%

REGION BREAKDOWN

North America	32.7%
Europe ex-UK	10.1%
Australia/New Zealand	18.3%
Japan	21.4%
UK	4.2%
Cash	13.4%

CONTRIBUTORS AND DETRACTORS

COMMENTARY

The Fund fell 1.0% in the month of November.

In this month's commentary we provide insight into some of the portfolio's largest contributors and detractors.

US COVID vaccine developer **Novavax** rose 48% after Indonesia became the first country to approve the vaccine. The Australian government and European Union have both hinted that approval for the vaccine is imminent. The company will have an Omicron-specific vaccine ready by January, which is likely to be in high demand as a booster shot given that existing vaccines seem less effective with the mutation. Novavax is also conducting a phase 1 combination study of its combined flu and COVID shot where the company has a lead over competitors.

US optical equipment producer **Ciena** rose 18% on little news and is up another 19% MTD in December after reporting excellent results where it raised its long term revenue growth from 4-6% to 6-8% benefiting from surging internet data traffic. The stock is reasonably priced on 21x PE with no debt.

US optical component (lasers) producer **Lumentum** rose 11% after reporting positive results. The company is experiencing similar trends due to its major customer Ciena, namely explosive data traffic growth fueling the need for more lasers in networks. The company is also attractively valued on 15x PE with no debt and will have substantial synergies from the acquisition of competitor Neophotonics, which is due to close mid-next year.

Australian radiation therapy producer **Telix** rose 11% after the Australian Therapeutic Goods Association, the drug regulator, approved Telix's first product Illuccix, which is used to diagnose Prostate cancer. The US Food and Drug Administration (FDA) is expected to approve the product on or before the 23rd of December.

Japanese semiconductor producer **Renesas** rose 9% following strong results at end of October and a continued global shortage of semiconductors, which is likely to last until mid-2022. The company is well-positioned in the Auto market where the semiconductor content per car is expected to rise strongly in the future.

On the negative side Advertising technology company, **Magnite** fell 30% after reporting weaker than expected results. Although they were not a long way short of expectations, then the news came hot on the heels of a very upbeat annual investor day some weeks earlier when the company gave upbeat long-term revenue growth forecasts of 25% per annum. The short-term cause of the weakness was the loss of TV advertising by auto dealerships, which had no cars to sell thanks to the semiconductor shortage, and travel companies, which suffered from COVID restrictions. These factors should resolve themselves in 2022 along with expected strong mid-term election political advertising in the USA. The shares are now trading on 22x PE for 2022, which is very attractive for a company growing in the neighborhood of 25% per annum for the next 5 years fueled by a move from linear TV advertising to App-based advertising (CTV) on Apps such as NineNow and SevenPlus.

Norwegian bladder cancer diagnostic producer **Photocure** fell 19% after weaker than expected results due to COVID restrictions keeping patients away from clinics. We expect the situation to normalize in 2022.

Fitness company **F45** also fell over COVID concerns and after reporting a small miss on revenue. We like the company because it has already signed up a large number of gyms in the US, which are yet to open due to supply chain issues. The company is very attractively valued in our view on 9x EV/EBITDA, which is much lower than other US franchise businesses which generally trade on 20-30x.

Australian Cancer immunotherapy company **Immutep** fell 15% despite reporting positive news. The company has

now fully enrolled its Tacti-002 study for its key drug Eftilagimod, an immunotherapy agent which is being combined with the world's leading immunotherapy drug Keytruda from Merck in Lung cancer and Head and Neck Cancer. Results from the study will most likely be reported in May next year. Lung cancer represents a USD20bn opportunity and Head and Neck cancer USD2bn. Early results were encouraging, and the US FDA has given fast-track approval to the drug in Head and Neck Cancer, and a new larger Head and Neck cancer trial Tacti 003 also started recruitment this month, which should report initial results for some patients late next year. The market cap of the company is AUD400mln with approximately \$100mln of cash, which will see it through until late 2023.

✓ FEATURES

APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 1.1543
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\$ 45.79m
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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