

PENGANA AUSTRALIAN EQUITIES FUND

DESCRIPTION

The Pengana Australian Equities Fund aims to enhance and preserve investor wealth over a 5-year period via a concentrated core portfolio of principally Australian listed securities. The Fund uses fundamental research to evaluate investments capable of generating the target return over the medium term. Essentially, we are in the business of seeking to preserve capital and make money – we are not in the business of trying to beat the market. We remain focused on acquiring and holding investments that offer predictable, sustainable and well-stewarded after-tax cash earnings yields in excess of 6% that will grow to double digit levels as a percentage of our original entry price in five years. We believe that building a well-diversified portfolio of these “gifts that keep on giving” represents a meaningful way to create and preserve financial independence for our co-investors.

STATISTICAL DATA

VOLATILITY³ 11.5%

NUMBER OF STOCKS 26

BETA⁴ 0.63

MAXIMUM DRAW DOWN -23.1%

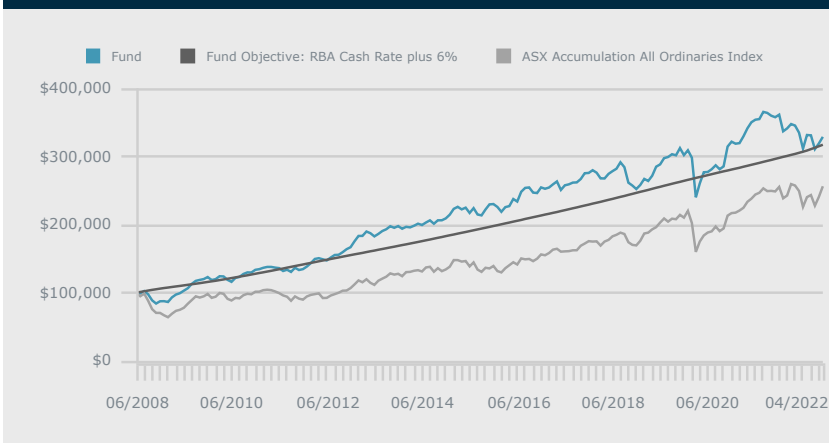
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Nov 2022¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	3.0%	-8.1%	1.7%	3.6%	7.2%	8.6%
Fund Objective: RBA Cash Rate plus 6%	0.7%	7.0%	6.5%	6.8%	7.5%	8.3%
ASX Accumulation All Ordinaries Index	6.4%	3.0%	6.3%	8.4%	9.5%	6.7%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Aristocrat Leisure	Consumer Discretionary
BHP Group Ltd	Materials
CBA	Financials
Credit Corp	Financials
CSL	Health Care
NAB	Financials
NIB Holdings	Financials
ResMed	Health Care
Telstra	Communication Services
Woolworths	Consumer Staples

SECTOR BREAKDOWN

Consumer Discretionary	11.2%
Consumer Staples	4.4%
Financials	25.8%
Health Care	14.9%
Industrials	4.1%
Materials	13.8%
Real Estate	2.7%
Communication Services	7.1%
Utilities	2.5%
Options	0.2%
Cash	13.3%

CAPITALISATION BREAKDOWN

ASX 1-50	57.2%
ASX 51-100	3.8%
ASX 101-300	15.7%
All Ordinaries	4.6%
Non ASX	5.3%
Derivatives	0.2%
Cash	13.3%

CUSTOM SECTOR BREAKDOWN

Defensive	46%
Financials	22.7%
Consumer Discretionary	9.3%
Resources	8.5%
Options	0.2%
Cash	13.3%

CAUTION REQUIRED: BUILDING LIQUIDITY, CASH AND PROTECTION**COMMENTARY**

The Fund generated a +3.0% return in the month of November. By way of comparison, the (annual) return of the RBA cash rate + 6% equated to approximately +0.7% for the month, whilst the Australian stock market improved by +6.4% over the month.

The main positive contributors to performance in November were BHP (iron ore recovery), Evolution Mining (improvement in Gold and Copper prices), Accent Group (positive trading update), and CSL. The main detractors were Ryman Healthcare, SG Fleet, James Hardie, and Aristocrat. Portfolio activity in the month saw a position re-established in Ramsay Healthcare, as well as trimming positions in Mirvac, Smart Group, and NAB. Cash holdings were steady at 13.1% on November 30.

The market performance in November was again primarily driven by the Materials sector, contributing over half of the market's return in the month. Financials also performed strongly, driven by CBA and Macquarie Bank. At the other end of the spectrum, Telecoms were the smallest contributor, with Telstra up c1.5% over the month. For much of the year, we have been observing a gradual de-rating of PE multiples, from 17.7x for the market in December 21 to a low in September of 12.5x. With forward earnings estimates broadly holding at existing levels, the market strength in October and November has seen an uptick again in trading multiples, with the market PE now back to 14.2x forward earnings at 30 November.

Investors remain on watch for evidence of household stress following rising interest rates and inflationary pressures. Our feedback from retailers indicate a very strong trading period across the key Black Friday and Cyber Monday weekend – a sales period which has become almost as important as Christmas and Boxing Day itself. It is becoming increasingly apparent that any such stress is unlikely to manifest itself prior to Christmas, with any potential impact now more likely to occur in calendar 2023.

In the meantime, we continue to operate in an environment where forecast error remains elevated. Whilst we refrain from predicting changes in the pace of rate hikes, we still to expect the trajectory of central bank rates to trend higher. With this in mind, we continue to focus the portfolio accordingly, with an emphasis on business models with pricing power and low levels of price elasticity (to combat inflation) as well as those who benefit from a rising interest rate environment.

Despite an elevated level of volatility in markets, we remain as focused as ever on our primary objectives of capital preservation and generating a reasonable real return for our investors. We continue to believe this is best served by a disciplined approach and consistent investment methodology. A variety of good businesses run by honest and competent management teams at the right price will create a well-diversified portfolio of ever-growing cash earnings streams.

✓ FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A\$ 1.7653
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 755.35m
STRATEGY INCEPTION DATE	1 July 2008
BENCHMARK	The RBA Cash Rate Target plus Australian equity risk premium.

👤 FUND MANAGERS



Rhett Kessler
CIO and Senior Fund Manager



Anton du Preez
Deputy CIO and Fund Manager

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. The benchmark of cash rate plus 6% p.a. is included in the chart as it relates to the Fund's investment objective and performance fee. The Fund may invest up to 100% of its assets in equity securities. The greater risk of investing in equities is reflected in the addition of a margin above the cash rate. 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 July 2008.

3. Annualised standard deviation since inception.

4. Relative to ASX All Ordinaries Index. Using daily returns.

*(including GST, net of RITC) of the increase in net asset value subject to the RBA Cash Rate & High Water Mark. For further information regarding fees please see the PDS available on our website.

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