

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%

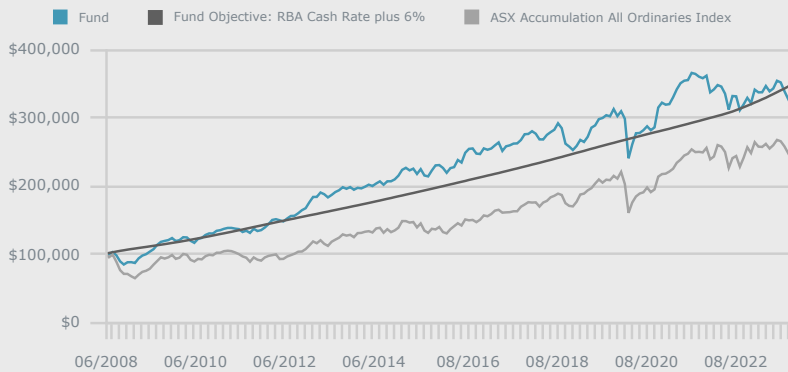
NUMBER OF STOCKS 25

BETA⁴ 0.63

MAXIMUM DRAW DOWN -23.1%

PERFORMANCE TABLE
NET PERFORMANCE FOR PERIODS ENDING 30 Nov 2023¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	3.9%	3.5%	2.7%	5.7%	5.7%	8.3%
Fund Objective: RBA Cash Rate plus 6%	0.8%	9.8%	7.6%	7.3%	7.6%	8.4%
ASX Accumulation All Ordinaries Index	5.2%	1.7%	6.9%	9.0%	7.5%	6.4%

PERFORMANCE CHART
NET PERFORMANCE SINCE INCEPTION²

TOP HOLDINGS (ALPHABETICALLY)

BHP Group Ltd	Materials
CSL Ltd	Health Care
Evolution Mining Ltd	Materials
Medibank Pvt Ltd	Financials
National Australia Bank Ltd	Financials
nib holdings Ltd/Australia	Financials
ResMed Inc	Health Care
SG Fleet Group Ltd	Industrials
Telstra Group Ltd	Communication Services
Woolworths Group Ltd	Consumer Staples

SECTOR BREAKDOWN

Consumer Discretionary	10.9%
Consumer Staples	6.8%
Financials	26.8%
Health Care	15.2%
Industrials	4.1%
Materials	12.4%
Real Estate	2.1%
Communication Services	7%
Utilities	3.4%
Options	0%
Cash	11.2%

CAPITALISATION BREAKDOWN

ASX 1-50	53.1%
ASX 51-100	14.1%
ASX 101-300	9.8%
All Ordinaries	5.2%
Non ASX	6.5%
Derivatives	0%
Cash	11.2%

CUSTOM SECTOR BREAKDOWN

Defensive	48.4%
Financials	21.4%
Consumer Discretionary	9.3%
Resources	9.5%
Options	0%
Cash	11.2%

HEALTHCARE-LED RECOVERY IN NOVEMBER RESTORES POSITIVE EQUITY MARKET MOMENTUM

COMMENTARY

The Fund generated a +3.9% return in November. By way of comparison, the Australian stock market climbed +5.2%, whilst the (annual) return of the RBA cash rate plus 6% equated to approximately +0.8%. Calendar year to date, the fund has achieved a return of +5.9%, which compares favourably to the Australian stock market at +5.2%, although following the recent market correction, is tracking below the cash plus 6% benchmark of +9.0% for the 11 months.

Global equity markets rallied in November, with Australian dollar returns magnified further following a strengthening of the A\$ during the month. The ASX rose 5% in November and over 9% in USD terms. Lower inflation expectations and increasing confidence that central banks may have peaked led to a risk-on environment following three consecutive previous monthly declines. The market's recovery was led by the Health Care and Real Estate sectors, whilst Energy (lower oil prices) and utilities underperformed. US and Australian Bond yields saw a reversal in their previous upward trajectory, falling by approximately 50bps through November. Domestically, the RBA increased the cash rate by a further 25bp at the start of the month to 4.35%. Retail sales data moderated slightly, whilst headline inflation for October decelerated more meaningfully from 5.6% in September to 4.9% in October, fuelling the market's optimism that the rate cycle may have peaked.

There were only 2 notable detractors for the portfolio in November. The first was the value of the put options, which had risen substantially over the previous month's correction, doing their job of providing a buffer for the portfolio in that period, before falling again in the recent market strength. The second was the value of the Funds holding in **SG Fleet** which saw its share price fall due to a large placement of shares from the holding company of Lease Plan. Operationally, the business continues to be in good health, we were able to acquire some shares at very attractive prices in the placement, and we expect the underlying cash flows to once again, translate into share price performance in the short and medium term.

On the positive side, the Fund benefited from its Healthcare exposure with both **CSL** and **Resmed** contributing strongly to performance, as fundamentals continue to remain solid, and some perspective begins to take hold regarding the exposure to the GLP-1 thematic. Other contributors included **Evolution Mining** (positive Gold momentum) and **James Hardie Industries**. Having reached our valuation milestones, the fund exited its position in James Hardie during the month. Other notable trading activity focused on adding to our position in **Telstra**, taking advantage of more attractive entry points in the health insurers **Medibank** and **NIB**, and rounding out our holding in **CSR**.

Thematically, we expect inflation to continue to percolate through the global economy. Whilst inflation may have peaked, we expect it to remain elevated and therefore see little scope for rate relief in the medium term. From a valuation perspective, this environment typically favours investments in companies whose valuation is predominately focused on current earnings and cash flows (supportive of our process), as opposed to those whose valuations are more dependent on *future* earnings and cash flows. Our cash balance remains healthy and ready to deploy should future opportunities present.

We continue to believe that the Fund is well positioned to navigate the existing volatility and deliver on our objectives of cash plus 6% in the medium term, given its defensive positioning, with solid balance sheets and focus on businesses generating cash now. By month end the portfolio was generating a cash yield of 6.7% – which is to say, we expect the companies that we are invested in to generate an incremental return of almost 7% of the portfolio's value in free cash over the next 12 months. Together with earnings growth and capital returns, this elevated cash yield underpins our medium-term investment objectives.

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\$ 1.7177
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 609.33m
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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PENGANA.COM

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