

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 24.9%

NUMBER OF STOCKS 20

BETA⁴ 0.59

MAXIMUM DRAW DOWN -20.2%

PERFORMANCE TABLE
NET PERFORMANCE FOR PERIODS ENDING 31 Jan 2022¹

	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	-4.9%	-0.1%	10.3%	15.0%	11.9%	28.3%
MSCI World Total Return Index (net, AUD)	-2.3%	26.9%	13.1%	17.9%	15.0%	13.0%
RBA Cash Rate plus 3%	0.3%	3.1%	3.2%	3.5%	3.9%	4.2%

PERFORMANCE CHART
NET PERFORMANCE SINCE INCEPTION²

TOP HOLDINGS (ALPHABETICALLY)

Amadeus It Group SA	Information Technology
F45 Training Holdings Inc	Consumer Discretionary
Lamb Weston Holdings Inc	Consumer Staples
Lumentum	Information Technology
Telix Pharmaceuticals Ltd	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	30.5%
Consumer Staples	7%
Health Care	23.6%
Industrials	1.4%
Information Technology	22.6%
Real Estate	5.3%
Communication Services	2.7%
Cash	6.8%

CAPITALISATION BREAKDOWN

Under 5bn USD	41.4%
In between 5bn - 10bn USD	21.1%
In between 10bn - 100bn USD	30.8%
Cash	6.8%

REGION BREAKDOWN

North America	37.8%
Europe ex-UK	10.5%
Australia/New Zealand	20.2%
Japan	19.9%
UK	4.7%
Cash	6.8%

RISING INFLATION AND UKRAINIAN RISK WEIGH ON MARKETS

COMMENTARY

The Fund fell -4.9% in January.

Rising inflation and Ukraine tensions continue to rattle markets. We took advantage of the volatility in January to add to existing names as well as some new ones.

Australian fitness franchise company **F45** rose 18.5%. The company, which has 1,600 open franchises, has presold 3,000 franchises in total giving it excellent visibility over the next 12 months. It sees an opportunity for 10,000 franchises in the USA including schools and military centers. It's attractively valued on 15x 2022 PE and 11x EV/EBITDA. Similar quality franchises trade on twice those multiples and the largest gym operator in the US, Planet Fitness, trades on 50x PE and 25 x EV/EBITDA.

Lamb Weston, the US's largest French Fry producer rose 5% after reporting strong results. We expect the company will benefit from recovering restaurant and event trades over the next 12 months. The company has instituted several price rises to cover rising potato prices.

The UK's largest bowling alley **Hollywood Bowl** performed well, as did Australia's **Ardent Leisure**, which predominantly owns amusement centers in the USA, as well as Dreamworld here in Australia. We believe spending on leisure will be very strong in 2022 as Omicron subsides.

The largest detractor was **Telix Pharmaceutical**, a long-term holding of the Fund, falling 12% after the company raised capital to fund a major phase 3 study in prostate cancer. The company now has a market value of \$1.9bn, with \$200m of cash. Its first product, a diagnostic for prostate cancer called Illucix was approved in December and a second product, a diagnostic for kidney cancer should be approved in the next 12 months, setting the company up for strong revenue growth. Illucix, the prostate cancer diagnostic has an addressable market of USD1.3bn and the kidney cancer diagnostic USD300-400m, so these first two products alone can see substantial growth. The prostate cancer therapeutic has an addressable market of USD5bn but this product is unlikely to be approved until 2025 if all goes to plan.

Covid vaccine producer **Novavax** fell 33% after the US Supreme court ruled against compulsory vaccination programs and due to concerns that the less severe Omicron strain would no longer require booster doses. We continue to hold shares as the company has a large book of committed dose sale contracts, which will generate significant cash flow over the next 12 months, leaving the company with a cash balance approaching its market value. It is still quite possible that annual booster shots will continue to be necessary, at least for older people. Australia, the UK, and European Union have all approved the shot over the last month, and we expect the USA, Canada, and Japan to follow over the next month.

Australian cancer immunotherapy producer **Immutep** fell 22% on little news. The company has a market value of \$330m and \$100m of cash. We expect significant news from its lung cancer study Tacti-002 in early June at the world's largest cancer conference ASCO in the USA and potentially from its new head and neck cancer study Tacti-003 by year-end. We believe the company could potentially sign a licensing deal over the next 12-18 months. Similar deals in the US have ranged from USD2-5bn.

Utility-scale battery distributor and battery management software developer **STEM** fell 33% on little news. The company is well-positioned in this early-stage high-growth market. The market cap is USD1.6bn. Revenues in 2022 should be approximately \$400mln and double in 2023 albeit at initially low margins.

FEATURES

APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 1.1428
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\$ 45.25m
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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