

PENGANA GLOBAL SMALL COMPANIES FUND

DESCRIPTION

The Fund invests principally in small and midcap listed (or soon to be listed) global equities. Its investment objective is to obtain returns greater than the MSCI All Country World Index SMID Cap unhedged in Australian dollars ('Index') over rolling 3 year periods after fees. The Fund's investment manager, Lizard Investors LLC, uses a value oriented investment approach that seeks to identify and invest in quality businesses that create significant value but are mispriced, overlooked, or out-of-favour. The investment manager believes that unique opportunities exist due to limited available research, corporate actions, or unfavourable investor perception.

STATISTICAL DATA

VOLATILITY³ 12.9%

NUMBER OF STOCKS 39

BETA⁴ 0.73

MAXIMUM DRAW DOWN -29.1%

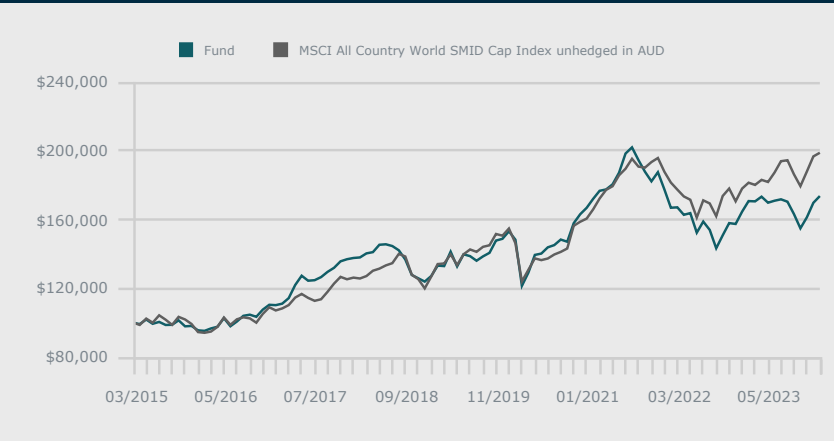
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jan 2024¹

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	2.3%	5.5%	-1.1%	1.4%	6.4%	6.4%
MSCI All Country World SMID Cap Index unhedged in AUD	1.1%	11.7%	2.9%	7.4%	9.4%	8.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Computacenter PLC	Information Technology
ePlus Inc	Information Technology
IONOS Group SE	Information Technology
Next 15 Group PLC	Communication Services
Sendas Distribuidora S/A	Consumer Staples

CAPITALISATION BREAKDOWN

Under 2bn USD	45.5%
In between 2bn - 5bn USD	33.6%
Above 5bn USD	19.7%
Cash	1.2%

REGION BREAKDOWN

Europe ex UK	22.7%
North America	19.5%
Asia ex Japan	6.2%
Japan	17.7%
UK	21.7%
Middle East / Africa	2.9%
Latin America	8.2%
Cash	1.2%

GLOBAL EQUITY MARKETS MADE FURTHER GAINS

COMMENTARY

- Global equity markets made further gains in January upon positive corporate earnings reports and rising hopes of an economic soft landing, despite stronger economic data pushing back expectations of interest rate cuts.
- Smaller companies were slightly weaker in local currency terms in January, but a stronger US dollar helped deliver a positive return when expressed in Australian dollar terms.
- The Fund returned 2.3% in January, while the benchmark returned 1.1%.

Market Commentary

Stronger-than-expected US economic data pushed back market expectations for the timing of the Federal Reserve's first interest rate cut. The US labour market remained strong, creating 216,000 new jobs in December, which helped keep the unemployment rate at just 3.7%. The US economy expanded 3.3% annualised in the December quarter, driven by continued strong consumer spending. Strong levels of economic activity helped push inflation back up slightly to 3.4% in December, reversing the downward trend seen throughout most of 2023.

This helped drive US equity markets higher, the S&P 500 rising 5.3% to reach an all-time high in January. However, concerns that interest rates would remain 'higher for longer' reduced investor appetite for smaller companies, the small-cap Russell 2000 index falling 0.4%. However, a stronger US dollar pushed up investor returns in Australian dollar terms.

The size of the European economy remained unchanged during the December quarter of 2023, having contracted during the previous period. The stagnation has been driven by higher energy costs and Germany's sharp fourth quarter slowdown. The war in the Middle East has begun to disrupt shipping in the Red Sea, a critical trade route between Asia and Europe. This threatens to apply upward pressure on consumer prices in Europe over time if it impacts supply chains.

Meanwhile Japan's Nikkei 225 share market index ended January at a 34-year record high. Investors seem to be rewarding Japanese companies' efforts to improve corporate governance and to allocate capital more effectively. Furthermore, mild but positive inflation has encouraged consumer spending and driven wage growth higher, after Japan has been trapped in a deflationary spiral for decades. The service industry expanded sharply in January, which offset the slight fall in manufacturing as sentiment continues to improve in the land of the rising sun.

Portfolio Highlights

The Fund outperformed its benchmark during January. It benefitted from strong stock performance in information technology and consumer staples and its zero weighting to the underperforming real estate and materials sectors. This was somewhat offset by weaker stock performance in the Fund's industrial and consumer discretionary holdings.

The Fund's two strongest contributors to relative returns were recent additions to the portfolio. The position in **IONOS Group**, the German-based internet business which delivers web hosting, domain and cloud computing services was established in November. It continued to outperform in January after announcing faster than expected margin improvement.

Meanwhile, the Fund's holding in Korea's market leading gaming and video streaming service **AfreecaTV**, which was only established in December, also outperformed strongly. Investors continued to anticipate strong revenue growth following the exit of key competitor Twitch from the South Korean streaming market.

Next 15, a UK-based, technology-focused public relations and consulting business performed strongly, in line with a rebound in broader sentiment towards the UK technology sector. The stock had underperformed in 2023 despite solid business fundamentals.

The Fund's largest detractor from relative returns in January was UK-based travel agent **On the Beach**, which focusses on short and medium haul flight and hotel package holidays to Continental Europe. It underperformed after delivering significant December gains. The company is currently valued at an attractive multiple of earnings and it is expected to deliver strong earnings growth over the coming quarters.

The Fund established a new position in US-based online dating business **Match Group**, which provides multiple dating websites worldwide. It is the undisputed leader in its niche market and is well positioned to continue to benefit from the secular growth trend of online dating. The company owns a range of leading global brands including Match.com, Hinge, Tinder and Bumble. The company delivers high levels of recurring revenue and excellent positive free cash flow.

The Portfolio is currently valued at an aggregate multiple of 14.1 times its forecast 2024 earnings, which are expected to grow at over 15% per year and to deliver a return on equity above 25%.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A\$ 1.4811
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 131.36m
STRATEGY INCEPTION DATE	1 April 2015
BENCHMARK	MSCI All Country World SMID Cap Index unhedged in AUD

FUND MANAGERS



Jon Moog
CIO and Portfolio 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. 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 April 2015.

3. Annualised standard deviation since inception.

4. Relative to MSCI All Country World SMID Cap index unhedged in AUD.

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

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