

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 24.2%

NUMBER OF STOCKS 16

BETA⁴ 0.63

MAXIMUM DRAW DOWN -32.1%

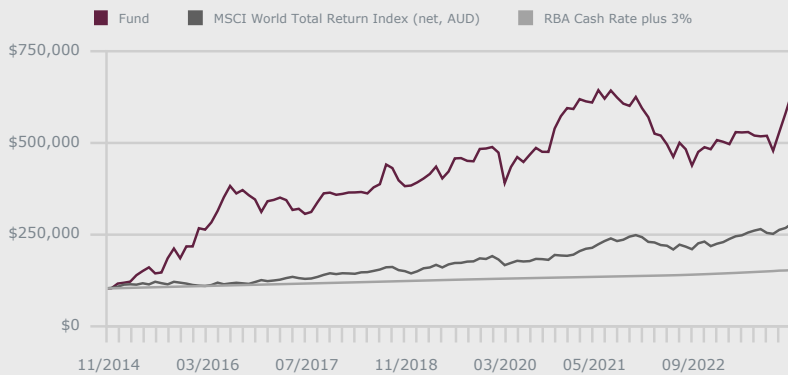
PERFORMANCE TABLE

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.
High Conviction Equities Fund Class A	9.4%	25.4%	3.4%	2.3%	10.2%	22.4%
MSCI World Total Return Index (net, AUD)	4.5%	24.7%	7.4%	13.6%	13.6%	11.8%
RBA Cash Rate plus 3%	0.6%	6.9%	5.7%	4.8%	4.4%	4.5%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Clarity Pharmaceuticals Ltd	Health Care
Eckert & Ziegler Strahlen- und	Health Care
Genetic Signatures Ltd	Health Care
Immutep Ltd	Health Care
IperionX Ltd	Materials

SECTOR BREAKDOWN

Health Care	48.8%
Materials	33.2%
Communication Services	14.5%
Options	0.6%
Cash	2.9%

CAPITALISATION BREAKDOWN

Under 5bn USD	83.5%
In between 5bn - 10bn USD	8.7%
In between 10bn - 100bn USD	4.3%
Derivatives	0.6%
Cash	2.9%

REGION BREAKDOWN

North America	9.1%
Europe ex-UK	18.9%
Australia/New Zealand	68.5%
Options	0.6%
Cash	2.9%

BOOSTING GENETIC SIGNATURES

COMMENTARY

Over January the Fund returned +9.45%.

Absolute performance was driven predominately by the Fund's two largest holdings: Titanium technology company **IperionX** up 35% and Australian radiation therapy company **Clarity Pharmaceuticals** up 24%. Notable performance was also recorded by German isotope producer **Eckert and Zeigler**, Australian radiation therapy producer **Telix Pharmaceuticals** +14%, and US hospital operator **Tenet Healthcare** + 13%.

We substantially boosted the Fund's 1% holding in Australian molecular PCR test company **Genetic Signatures** in December to approximately 7% via a discounted placement with the stock up 10% in the month of January. Genetic Signatures has a core technology that allows it to reduce the four chemical bases (represented by letters A,G,C and T) of DNA into three. This allows the company to search for more pathogens in a single test than competitors can.

The company was the leading Australian provider of COVID PCR tests and has now developed test panels for groups of diseases such as respiratory (Flu, COVID, and RSV), sexually transmitted diseases, and gut bugs. This last area is of most interest with a new panel for Enteric Protozoans awaiting approval by the US Federal Drug Agency (FDA) hopefully by the middle of the year, which will be a major catalyst for the shares. The current test, which requires viewing a stool sample through a microscope, is laborious and unprofitable for laboratories. We believe Genetic Signatures' new PCR test that searches for eight pathogens, including Cryptosporidium which is making headlines this week for causing diarrhea in Sydney pools, will rapidly penetrate the market.

There are approximately 5.5mln tests done per year in a highly consolidated market with the top five labs accounting for 50% market share, so only a small sales force is required. The reimbursement price for the laboratory is USD270 for the test, of which we expect the company to retain one third, although official guidance is for \$40. The total addressable market might therefore be as high as USD500mln (AUD770mln), which compares favourably to the current market value of AUD90mln. The gross margin on this product will be above 90% so the company will be highly profitable with scale.

IperionX is progressing towards commercial scale titanium metal production utilizing their patented technologies. During the month, and as we write this newsletter, three key scale-up milestones were disclosed to the market. Firstly, IperionX's HAMR furnace, the foundation asset to produce low-cost titanium, has completed mechanical assembly and passed/exceeded all factory acceptance tests. Secondly, installation and commissioning is on-time, with expected production of the first titanium by mid-year 2024. Thirdly, given compelling market demand from customers, IperionX will increase planned production capacity from 1125tpa to 2000tpa and at lower production costs than previously disclosed. In their quarterly report, they disclosed that a number of Japanese parties have expressed interest in sales, marketing, and investment proposals with respect to their Titan Critical Minerals Project. Combined this drove IperionX's share price up significantly in the month.


Australia listed radiotherapy company **Clarity Pharmaceutical** continued to rise, up 24% during the month, and now up nearly 300% since we invested five months ago. As we mentioned last month, global takeovers of radiotherapy companies highlighted the relative attractiveness of Clarity's potential. This month, sell side analysts released research reports highlighting this and upgrading their price targets. Competing radiation therapy company **Telix Pharmaceutical** rose 14% after a positive revenue update in the first week of January as its prostate cancer diagnostic market continues to grow.

Australian listed **Brazilian Rare Earths** gave up some of its post IPO gains in January falling 13%. However, following the release of extremely positive drilling results last week, the stock is now trading at \$2.18, up 50% from its \$1.45 IPO price. Our thesis that Brazilian Rare Earths has found one of the richest rare earth deposits is playing out. Further drilling results will be released in Q2, which may prove that the company can be by far the lowest cost producer globally.


Opthea and **Immutep** fell on little news.

FEATURES	
APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 1.2272
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\$ 43.88m
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. 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 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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