

**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**

VOLATILITY<sup>3</sup> 13.1%

NUMBER OF STOCKS 36

BETA<sup>4</sup> 0.73

MAXIMUM DRAW DOWN -29.1%

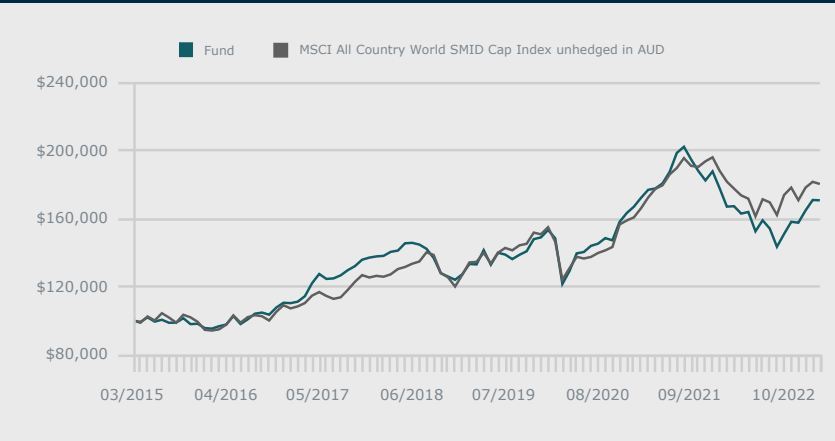
**PERFORMANCE TABLE**

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 2023<sup>1</sup>

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	-0.1%	2.1%	-1.8%	12.0%	4.0%	6.9%
MSCI All Country World SMID Cap Index unhedged in AUD	-0.7%	1.5%	2.3%	13.3%	7.2%	7.6%

**PERFORMANCE CHART**

NET PERFORMANCE SINCE INCEPTION<sup>2</sup>



**TOP HOLDINGS (ALPHABETICALLY)**

Freni Brembo SpA	Consumer Discretionary
Innodisk Corp	Information Technology
Irish Continental Group PLC	Industrials
Majorel Group Luxembourg SA	Industrials
Orion Engineered Carbons	Materials

**CAPITALISATION BREAKDOWN**

Under 2bn USD	46.8%
In between 2bn - 5bn USD	30.6%
Above 5bn USD	11.3%
Cash	11.3%

**REGION BREAKDOWN**

Europe ex UK	29.7%
North America	20.1%
Asia ex Japan	11.5%
Japan	6.9%
UK	14.4%
Middle East / Africa	1.4%
Latin America	4.8%
Cash	11.3%

## MEANINGFUL OPPORTUNITIES IN THE SMALL-CAP SPACE

### COMMENTARY

- Global smaller companies were moderately weaker in March as cautious investors tilted their asset allocation towards more liquid larger company stocks
- Strong stock performance in Asia and an underweight position in Financials contributed to relative returns during March
- The Fund returned -0.1% in March, while the benchmark returned -0.7%

Global smaller companies were slightly weaker during March, but this was somewhat offset by a weaker Australian dollar. Small cap weakness largely reflected investor preference for more liquid, larger stocks – especially the mega tech companies – rather than any change in their fundamental view of smaller companies.

The Fund returned -0.1% net of fees in Australian dollar terms during March, outperforming the MSCI All Country World SMID Cap Index, which declined by 0.7%.

Strong performance by large-cap stocks during March, globally but especially in the US, leaves smaller caps valued at an even greater discount to their larger peers. This provides an attractive investment opportunity in smaller companies for long-term investors.

Global share markets grew more volatile for a period during the middle of the month, following banking sector uncertainty in early March. Fortunately for smaller company investors, credit availability remains reasonably good, despite rising interest rates.

Headline inflation in the Eurozone fell from 8.5% in February to 6.9% in March, mainly driven by falling energy and food prices (i.e. core inflation was little changed over the month). The UK equity market rose despite the housing market falling at its fastest annual rate since the 2007–2008 global financial crisis.

Japan's business sentiment reached its lowest level in more than two years, reflecting slowing global growth and rising living costs. Furthermore, from July 2023 the government will require export clearance for all leading-edge semiconductor manufacturing equipment. This follows US pressure to align with its own export controls. Japan's government will need to carefully balance its strategic priorities and the needs of its export-driven economy.

The Fund outperformed its benchmark by 0.6% in March due to strong stock selection in Asia and in the health care and materials sectors. Returns also benefitted from the underweight to financials, the overweight to technology and the zero weight to real estate.

Taiwan-based, high-value, low-volume flash memory producer **Innodisk** was a strong contributor to relative returns in March. The company released separate sales data related to artificial intelligence, which is expected to grow rapidly.

**RayCo**, a Korean-based dental radiation equipment manufacturer, was the Fund's second largest contributor to relative returns as sales activity in Korea and China accelerated.

**Melrose**, a UK-based investment holding company was another strong contributor to relative returns. This followed the company providing details concerning the planned spin-off of the auto and aerospace businesses, which were well received by investors.

Switzerland-based software company **Software One** underperformed in March. This reflected weak investor sentiment, despite the lack of any change to the company's fundamentals.

**Brazilian-based** Sendas Distribuidora (also known as **Assai**) operates Assai-branded cash and carry stores in Brazil and various supermarket brands in Columbia, Uruguay and Argentina. It underperformed when its strategic shareholder reduced its interest in the company and local investors allocated more funds to fixed income.

## FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A\$ 1.4735
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 159.31m
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



**David Li**  
Head of Research 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.

## PENGANA GLOBAL SMALL COMPANIES FUND

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### PENGANA.COM

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