MONTHLY REPORT
MARCH 2024

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.

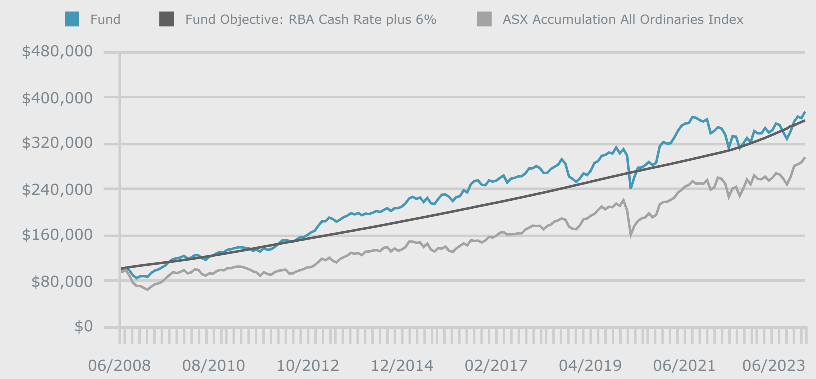
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 2024[1]

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	3.2%	11.3%	4.4%	7.3%	6.7%	8.8%
Fund Objective: RBA Cash Rate plus 6%	0.7%	10%	8%	7.5%	7.6%	8.5%
ASX Accumulation All Ordinaries Index	3.1%	15%	9.5%	9.5%	8.5%	7.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

BHP Group Ltd	Materials
Contact Energy Ltd	Utilities
CSL Ltd	Health Care
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	10.8%
Consumer Staples	7%
Financials	24.2%
Health Care	15.7%
Industrials	5.3%
Materials	12.8%
Real Estate	2.8%
Communication Services	7%
Utilities	3.8%
Cash	10.7%

CAPITALISATION BREAKDOWN

Cash	100%

CUSTOM SECTOR BREAKDOWN

Defensive	49.9%
Financials	20.1%
Consumer Discretionary	11%
Resources	8.4%
Cash	10.7%

STATISTICAL DATA

VOLATILITY[3]	NUMBER OF STOCKS	BETA[4]	MAXIMUM DRAW DOWN
11.4%	27	0.63	-23.1%

MARCH DELIVERS ROBUST RETURNS AS WELL AS A HEALTHY DOLLOP OF FULLY FRANKED DIVIDENDS

COMMENTARY

The Fund generated a +3.2% return in March. By way of comparison, the Australian stock market rose by 3.1%, whilst the return of the RBA cash rate plus 6% equated to approximately +0.7% for the month. For the March quarter, the Fund generated a return of +4.9%, almost double the cash plus 6% benchmark return of 2.4%, and compared to the market return of 5.5% for the same period. Financial year to date, the Fund has achieved a return of +9.5%, ahead of the cash plus 6% benchmark of +7.5%, and compared to the market's growth of 13.8% over the same period.

Resilient corporate earnings and a still dovish lean by central banks globally provided the impetus for further equity market gains in March. Despite its conservative positioning, including over 10% in cash, the Fund was a healthy participant in the market strength during the month. Performance remains robust and pleasingly continues to track ahead of our cash plus 6% objective for the month, the quarter and the financial year to date. That said, we are increasingly wary of the momentum driven equity rally, particularly in light of our cautious view on inflation and interest rates. We note the recent divergence in Equity, bond and currency markets, particularly given the recent stalling in early April.

It is interesting to note that the drivers of the market performance during the month were predominately a rebound in Materials (despite the significant fall in Iron Ore Prices), Real Estate (benefiting through the quarter from dovish central bank sentiment), and Energy – all traditionally sectors with volatile underlying earnings drivers and very little representation in the Fund. March performance for the Fund came from other sources with benefits largely from high conviction long term investments in **Resmed**, **NIB Insurance,** and **SG Fleet**, as well as a robust bump from **Evolution Mining** due to its Gold and Copper exposure.

Detractors during March were confined to **Aristocrat Leisure** (softening after a strong prior 12 months, particularly in January and February), and to a lesser extent, **Ryman Healthcare** and **Credit Corp**. Purchase activity was muted in the period given the equity market rally, which rather provided the opportunity to take profits in **Evolution Mining, NAB, PPM** and **CSL**.

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. Following the overall strength in markets in recent months, at month end the portfolio was generating an after tax cash earnings yield of 6.4% for FY25 – underpinning our focus on fundamental value. Our expectation of these earnings, combined with further earnings growth, capital returns, and potential for valuation multiple uplifts provide comfort in achieving our return objectives.

Thematically, we are observing mounting evidence that inflation will continue to percolate through the global economy, despite the market's increasing view (hope) that upward price pressure has passed, with rate cuts to shortly follow. Inflation may have peaked, however 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 portfolios whose valuation is predominately focused on current earnings and cash flows (such as this Fund), 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.

As we enter corporate earnings season, 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$ 1.8618
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 607.19m
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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