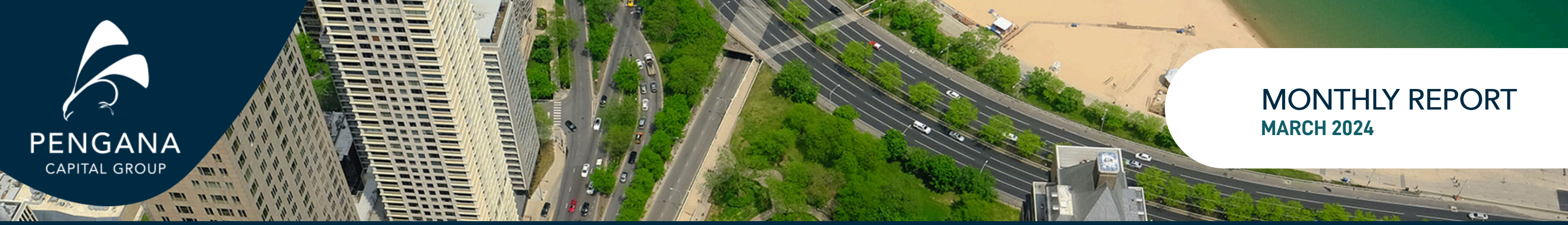


PENGANA CAPITAL GROUP

MONTHLY REPORT
MARCH 2024

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.

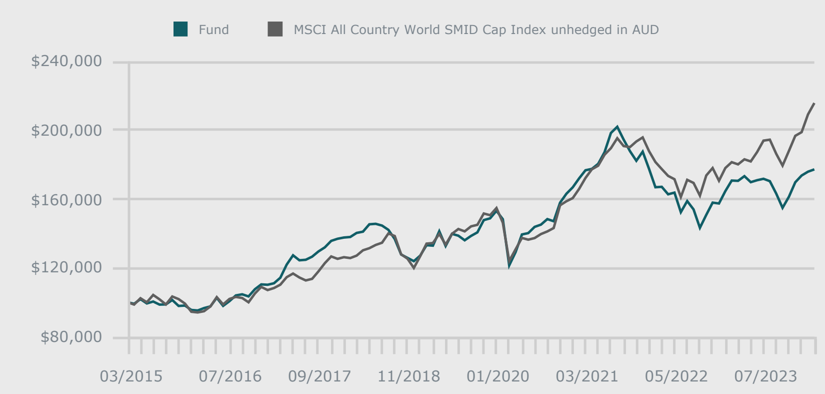
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 2024[1]

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	0.8%	3.9%	3%	0.1%	5.9%	6.6%
MSCI All Country World SMID Cap Index unhedged in AUD	3.2%	19.8%	10.3%	7.8%	9.9%	8.9%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Gamma Communications PLC	Communication Services
Glanbia PLC	Consumer Staples
Qualitas Controladora SAB de C	Financials
Sapiens International Corp NV	Information Technology
Wizz Air Holdings Plc	Industrials

CAPITALISATION BREAKDOWN

Under 2bn USD	51.3%
In between 2bn - 5bn USD	22.8%
Above 5bn USD	16.9%
Cash	9.1%

REGION BREAKDOWN

Europe ex UK	16.8%
North America	19.1%
Asia ex Japan	8%
Japan	18.3%
UK	19.6%
Middle East / Africa	3.4%
Latin America	5.9%
Cash	9.1%

STATISTICAL DATA

VOLATILITY[3]	12.8%
NUMBER OF STOCKS	37
BETA[4]	0.73
MAXIMUM DRAW DOWN	-29.1%

MARCH REPORT

COMMENTARY

- Large cap global equities continued to make strong gains in March as the global economy remained resilient and inflation continued to moderate, supporting hopes that interest rates will begin to fall this year.
- Smaller companies performed well in aggregate, but gains were again concentrated at the larger end of the small cap investment universe.
- The Fund returned 0.8% in March, while the benchmark returned 3.2%, as the Fund's overweight position to smaller stocks delivered returns below the small and mid cap benchmark.

Market Commentary

Large cap global equity markets continued to make solid gains during March. The global economy remained robust, with the US economy expected to have expanded by around 3.0% – which is above its trend rate of growth – in the first quarter of this year.

Core US inflation nudged down to 3.8% in February, although this was a smaller fall than markets had expected. The economy created more new jobs than forecast, but unemployment edged up to a still very low 3.9%, helping wage inflation moderate to 4.3%. While markets still predict that US interest rates will begin falling this year, strong economic data later in the month pushed back expectations of the timing and number of rate cuts.

Economic activity remains subdued in Europe, with manufacturing activity again contracting in March. However, equity valuations appear attractive relative to other regions and lower energy costs should support manufacturing as global demand recovers. Furthermore, many commentators now expect the European Central Bank to begin reducing interest rates ahead of the US Federal Reserve. This Swiss National Bank became the first major central bank to cut rates, reducing them by 0.25% to 1.50% in March.

Japan's share market performed well as the yen weakened and its economic recovery continued, with revised fourth quarter GDP data showing the economy avoided a technical recession. Stronger retail sales, economic surveys which indicated a solid March quarter, and inflation above its 2.0% target were all received positively. Yen weakness should support manufacturing.

Global smaller company stocks performed well at an asset class level, supported by the economic recovery. However, returns were much stronger at the larger end of the small cap spectrum, with smaller stocks more impacted by interest rates remaining higher for longer than expected.

Portfolio Highlights

The Fund maintains a strong overweight to smaller stocks (<US$5 billion). This detracted from relative returns as larger companies (US$5-10 billion) outperformed the smallest (<US$1 billion) by over 4.0% in March. When there is greater clarity on the downward path of global interest rates, smaller stocks are expected to perform very strongly and narrow the historically wide discount to larger cap stocks.

The stocks in the portfolio are fundamentally sound, having delivered good profitability through the recent earnings season. The contraction in valuations relative to earnings – despite strong fundamentals – is expected to reverse as interest rates begin to normalise.

The Fund's holding in Japan-based Infocom – which provides enterprise software and distributes Manga online via subscriptions – was the most significant contributor to relative returns in March. This followed speculation that it would be acquired by its parent, which would allow the company to improve its capital allocation and create value for shareholders. It highlights the slowly improving corporate governance changes now taking place in Japan.

UK smaller companies – which are valued at particular low earnings multiples – delivered better performance in March. The Fund's holdings in UK supplier of data and voice products Gamma Communications and Ireland-based food ingredients business Glanbia both delivered strong returns. These reflected improved fundamental business performance and the highly attractive valuation levels. This area of the market has significant opportunity to outperform as it recovers.

The Fund's holding in Polish discount grocery store chain Dino Polska has delivered strong returns over a long period. However, it was the most significant detractor from relative returns in March as foot traffic in stores slowed as the Polish grocery market becomes more competitive. This is expected to bring slower revenue growth and pressure on margins over the next 12-24 months. Accordingly, the Fund has decided to exit the position.

The Fund is currently valued at an attractive 13.8 times earnings, down from 14.4 times at the end of the previous month. Its earnings are expected to grow at more than 15% per year and to deliver returns on equity above 25%. This provides excellent opportunities to outperform over the medium term.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A$ 1.5115
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 125.34m
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.

PENGANA GLOBAL SMALL COMPANIES FUND

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com

PENGANA CAPITAL GROUP

PENGANA.COM