

PENGANA EMERGING COMPANIES FUND

DESCRIPTION

The Pengana Emerging Companies Fund combines the skills of highly experienced small company investors (collectively over 45 years' experience) with a limited fund size and an objective of providing above market returns over the medium term. Our benchmark is the S&P/ASX Small Ordinaries Accumulation Index. The fund managers Steve Black and Ed Prendergast are part owners of the business and investors in the Fund, providing a strong incentive to perform. The Fund has strong research ratings from all major research houses and over the period since its inception has delivered returns well above benchmark.

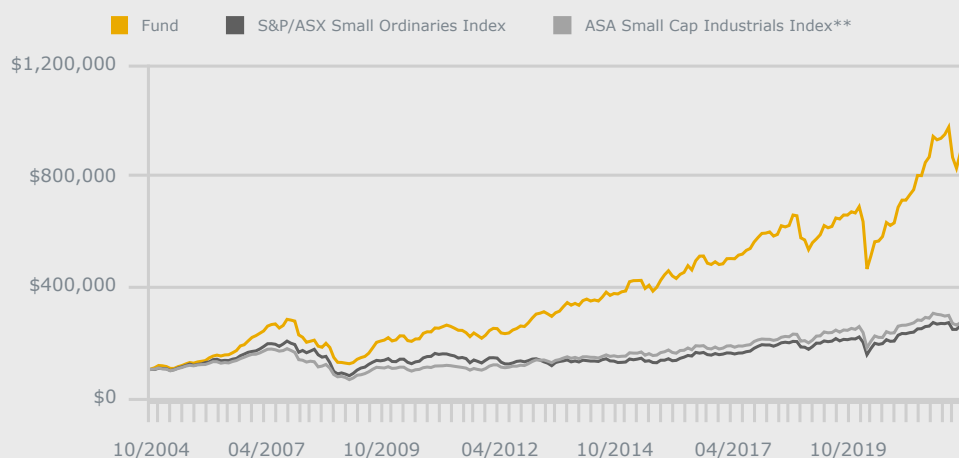
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 May 2022¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Emerging Companies Fund	-8.0%	-1.4%	8.8%	9.5%	12.9%	12.5%
S&P/ASX Small Ordinaries Index	-7.0%	-4.6%	5.5%	8.5%	6.3%	5.1%
Outperformance	-1.0%	3.2%	3.3%	1.0%	6.6%	7.4%
ASA Small Cap Industrials Index**	-7.4%	-12.2%	1.5%	6.0%	8.3%	5.2%
Outperformance	-0.6%	10.8%	7.3%	3.5%	4.7%	7.2%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



MAY REPORT

COMMENTARY

The Fund fell 8.0% in May, underperforming the Small Industrials by 0.6% and underperforming the Small Ordinaries by 1.0%. For the 12 months to May, the Fund was down 1.4%, outperforming the Small Industrials Index by 10.8% and outperforming the Small Ordinaries Index by 3.2%.

Global markets were mixed over May, with the US and Europe largely flat, Emerging markets strong, and the Australian market off 2%. As interest rates have risen, value stocks have outperformed growth stocks by 20% over the past six months (source: Macquarie). To illustrate, since the market peak in early January, the NASDAQ is off 25% and the Dow Jones has fallen only 11%.

The Australian market drift in May featured a 9% fall in the property and tech sectors, which are both typically heavily influenced by interest rates. The RBA initiated a tightening cycle in May with a 25pt rate rise, followed in early June by a 50pt increase. Inflation is clearly worse than originally expected, and it remains to be seen whether the dampening effect of higher interest rates will be enough to bring it under control. To a certain extent, many of the drivers of inflation (supply chain disruptions, China lockdowns, Russia/Ukraine, etc) are not easily contained with higher interest rates.

Our key positive movers in May were:

Propel Funerals (+7%) was firm as statistics show the death rate in Australia has recovered from two quieter years, and the market ascribes higher value to the relative certainty of its income. **Capitol Health** (+5%) was buoyed by the expectation of a resumption in scan volumes, which were postponed due to Covid. **IPH Group** (+4%) benefits from a lower A\$, and relative security in its earnings streams. **EQT Holdings** (+2%) remains a defensive financial services play and escaped the downdraught felt by other similar stocks. **Uniti Group** was flat in a falling market due to the takeover offer which is moving towards completion in mid-July.

Our key negative movers in May were:

Aussie Broadband (-25%) fell after warning of slightly lower profits due to staff shortages in its service center which impacted customer growth in the short term. **Charter Hall** (-15%) underperformed a weak property sector given its leverage to valuations through the fund management operation. **AUB Group** (-18%) was weaker as the market digested a \$350m capital raising to fund the \$880m acquisition of Tysers in the UK. **Johns Lyng** (-33%) was weaker in a market wary of excessive valuations (a reminder we had taken advantage of this overvaluation by selling most of our holding before this rapid fall). **MA Financial** (-11%) was downrated due to its earnings leverage from property prices which came under pressure.

🏆 TOP HOLDINGS (ALPHABETICALLY)

AUB Group	Financials
Aussie Broadband Pty Ltd	Communication Services
Charter Hall Group	Real Estate
EBOS Group Ltd	Health Care
EQT HOLDINGS LTD	Financials
Hansen Technologies	Information Technology
Healius Ltd	Health Care
MA Financial Group Ltd	Financials
Propel Funeral Partners Ltd	Consumer Discretionary
Uniti Wireless Ltd	Communication Services

☑️ FEATURES

APIR CODE	PER0270AU
REDEMPTION PRICE	A\$ 2.4599
FEES *	Management Fee: 1.3340% Performance Fee: 20.5% of the performance above the benchmark
FUM AT MONTH END	A\$ 765.52m
STRATEGY INCEPTION DATE	1 November 2004
BENCHMARK	S&P/ASX Small Ordinaries Accumulation Index

👤 FUND MANAGERS



Ed Prendergast
Senior Fund Manager



Steve Black
Senior Fund 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. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

² Inception 1 November 2004.

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

** The Fund does not invest in resource stocks.

PENGANA EMERGING 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.COM

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