

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.

STATISTICAL DATA
VOLATILITY³ 11.5%

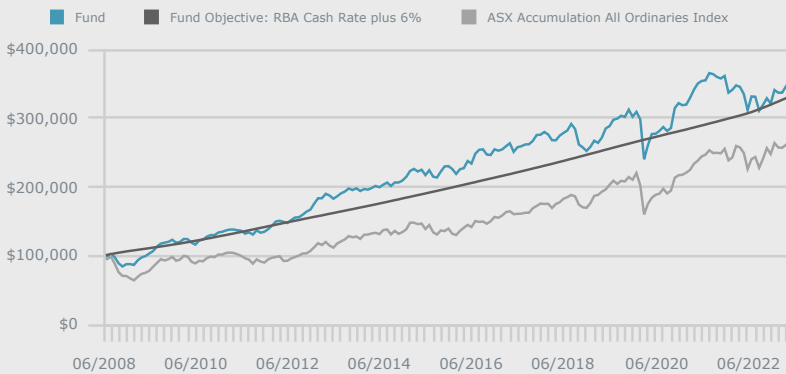
NUMBER OF STOCKS 24

BETA⁴ 0.63

MAXIMUM DRAW DOWN -23.1%

PERFORMANCE TABLE
NET PERFORMANCE FOR PERIODS ENDING 31 May 2023¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	-2.3%	1.0%	6.9%	4.3%	6.1%	8.5%
Fund Objective: RBA Cash Rate plus 6%	0.8%	8.6%	7.0%	7.0%	7.5%	8.4%
ASX Accumulation All Ordinaries Index	-2.6%	2.0%	11.6%	7.6%	8.3%	6.5%

PERFORMANCE CHART
NET PERFORMANCE SINCE INCEPTION²

TOP HOLDINGS (ALPHABETICALLY)

BHP Group Ltd	Materials
CBA	Financials
CSL	Health Care
Evolution Mining	Materials
Medibank Private	Financials
NAB	Financials
NIB Holdings	Financials
ResMed	Health Care
Telstra	Communication Services
Woolworths	Consumer Staples

SECTOR BREAKDOWN

Consumer Discretionary	10.1%
Consumer Staples	6.4%
Financials	27.7%
Health Care	15.9%
Industrials	3.6%
Materials	14.6%
Communication Services	6.9%
Utilities	2.9%
Options	0.2%
Cash	11.7%

CAPITALISATION BREAKDOWN

ASX 1-50	56.1%
ASX 51-100	12%
ASX 101-300	8.7%
All Ordinaries	5.1%
Non ASX	6.2%
Derivatives	0.2%
Cash	11.7%

CUSTOM SECTOR BREAKDOWN

Defensive	47%
Financials	22.2%
Consumer Discretionary	9.3%
Resources	9.5%
Options	0.2%
Cash	11.7%

AS INFLATION PERSISTS, REAL RETURNS REMAIN CHALLENGING AND AFTER TAX CASH EARNINGS YIELDS BECOME MORE VALUABLE

COMMENTARY

The Fund returned -2.3% in May. By way of comparison, the Australian stock market declined by -2.6%, whilst the (annual) return of the RBA cash rate plus 6% equated to approximately +0.9% for the month. Calendar year to date the Fund has now generated a return of +5.3%, which compares favourably to our benchmark return of +3.8%, and almost double the overall market return of +2.7% over the same period. We are encouraged that over this period of time, the Fund has shown that a portfolio of defensive, hard assets have delivered a healthy, positive real return in difficult market conditions.

Following an April pause, the RBA resumed its hiking trajectory, raising the cash rate by 25bps to 3.85% in May. The majority of the market decline during May occurred following the April CPI print which at +6.8% was ahead of both consensus expectations and the previous quarters print (+6.3%). This is consistent with our expectations, namely that once high levels of inflation enter the system, they can be difficult to eliminate, particularly when it begins to show up in labour costs and residential accommodation costs.

We recently recorded a Portfolio and Investment Update webinar, which is available below for your review. CPD points are applicable for Australian Financial Planners [HERE](#).



The main positive contributors to the Fund's performance in May were **Ryman Healthcare** (following a well-received half year trading update), **NIB Insurance**, **James Hardie**, and **CSL**. The main detractors in the month were discretionary retailers including **Accent Group** and **Super Retail Group**, as well as **NAB** and **BHP**. Capitalising on broader based weakness (in particular amongst the banks), we commenced a position in **ANZ** during the month and added to our position in **NAB**. The Fund continued to build on our position in **Metcash Limited**, whilst trimming positions in **TLS** and **Amcor**. Overall the Fund was a net acquirer during the May weakness, with the net movement in our cash holdings declining to 11.5%.

The stickiness of inflation evident in the April CPI print serves as evidence for our view that the macro environment will likely remain a headwind for equity markets in the medium term. Domestically inflation is now rising again, and still well above central bank rates globally. We expect an elevated rate environment to continue for some time yet, as opposed to the more favourable 'easing' backdrop that has supported long duration assets for much of the past 20+ years. We continue to position the portfolio with a view to navigate these challenges, ensuring exposure to business models with pricing power and low levels of price elasticity (to combat inflation) as well as those who benefit from a rising interest rate environment. In addition, our cash balance remains healthy and well above its lows from the prior year.

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\$ 1.7849
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 685.55m
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.

PENGANA AUSTRALIAN EQUITIES FUND

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PENGANA.COM

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