

## PENGANA HIGH CONVICTION EQUITIES FUND

### DESCRIPTION

The Pengana High Conviction Equities Fund (the Fund) invests globally in a concentrated portfolio of up to 20 stocks. The Fund can invest in both small and large cap stocks and is diversified across countries and sectors. We avoid investment in companies that are currently, in our opinion, unnecessarily harmful to people, animals or the environment.

### STATISTICAL DATA

VOLATILITY<sup>3</sup> 24.3%

NUMBER OF STOCKS 16

BETA<sup>4</sup> 0.63

MAXIMUM DRAW DOWN -32.1%

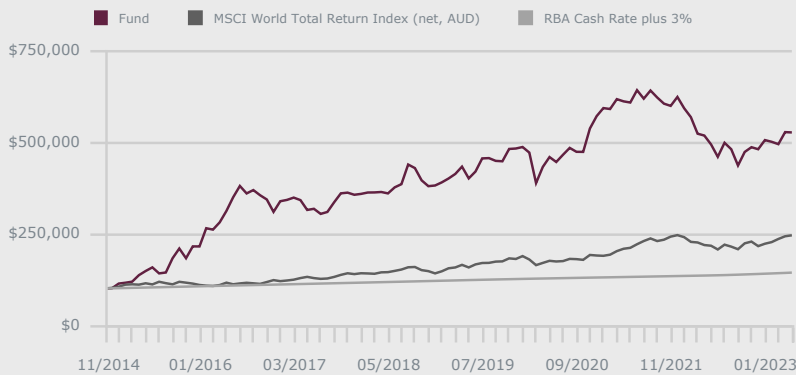
### PERFORMANCE TABLE

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

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Equities Fund Class A	-0.2%	6.6%	-7.0%	4.7%	7.9%	21.6%
MSCI World Total Return Index (net, AUD)	1.1%	13.1%	7.8%	11.9%	11.2%	11.2%
RBA Cash Rate plus 3%	0.6%	5.6%	4.4%	4.0%	4.0%	4.3%

### PERFORMANCE CHART

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



### TOP HOLDINGS (ALPHABETICALLY)

Eckert & Ziegler Strahlen- und	Health Care
Immutep Ltd ADR	Health Care
IperionX Ltd	Materials
Telix Pharmaceuticals Ltd	Health Care
Tenet Healthcare Corp	Health Care

### SECTOR BREAKDOWN

Consumer Discretionary	0.9%
Health Care	41%
Information Technology	18.1%
Materials	12.4%
Communication Services	15%
Cash	12.6%

### CAPITALISATION BREAKDOWN

Under 5bn USD	62.2%
In between 5bn - 10bn USD	12.9%
In between 10bn - 100bn USD	12.3%
Cash	12.6%

### REGION BREAKDOWN

North America	27.5%
Europe ex-UK	21%
Australia/New Zealand	35.8%
Middle East / Africa	3%
Cash	12.6%

## IPERIONX ENTERS THE PORTFOLIO

### COMMENTARY

The Fund had some stand out performers this month and saw the addition of IperionX to the Portfolio. Overall the Fund was slightly down 0.2% for the month of May.

- Telix Pharmaceuticals rose 15% as UBS initiated coverage with a \$14 target price and highlighted the efficacy of its renal cancer diagnostic product.
- Spotify increased by 14% due to positive momentum from their quarterly results, resulting in analysts raising their target prices and expectations of cost-cutting and better pricing.
- Immutep surged 25% after reporting strong survival data in its phase 2 study, allowing the company to proceed with a larger trial and receiving positive feedback from the FDA.

**Telix Pharmaceuticals**, the Fund's largest holding had another strong month rising 15% after UBS initiated coverage of the company with a \$14 target price. The company also presented further data at the American Urological Associations Annual meeting in Chicago highlighting the efficacy of its renal cancer diagnostic product TLX250-CDX in detecting small lesions of less than 2cm, which is considered important for driving the uptake of the product when it is approved later this year or early next year.

**Spotify** rose 14% building on positive momentum stemming from their late April quarterly result. Through May analysts lifted their target prices from \$132 to around \$155 on average as they reassessed the company's prospects. Expectations of further cost-cutting/greater efficiency/better pricing also grew post the company conducting post result briefings.

**Immutep** rose 25% after reporting strong overall survival data from its ongoing phase 2 study in Non-Small Cell Lung Cancer (NSCLC), the largest cancer indication. This data will allow the company to commence a larger Phase 2/3 trial, named Tacti-004, in this indication. The FDA has given positive feedback on the trial design as well as granted fast-track status for the drug Eftilagimod in NSCLC, which will allow expedited approval if the results are positive.

US optical component company **Lumentum** rose 12% after Nvidia, the leading AI semiconductor company, reported positive earnings results. Lumentum and Nvidia are jointly developing photonics products to connect Nvidia's semiconductors at much higher speeds within the data centre, but these products are unlikely to drive earnings until later in 2024. The company is attractively valued but the shares have performed poorly recently following weak results, which have been impacted by excess inventory at Amazon, a key customer. We believe this is a temporary issue.

German medical and industrial radioisotope producer **Eckert and Ziegler** fell 16% after reporting Q1 results. The medical isotope division grew revenue a pleasing 20% yoy while industrials products grew 16%. Net profit fell 29% due to charges relating to currency movements and inflation in Argentina. Guidance has not changed but we view it as very conservative following the appointment of a new CEO who is likely to have set a low hurdle in his first year.

The Fund added a new holding during the month, **IperionX**, which is dual listed in Australia and the US, although all the company's operations are located in the USA. The company has two value drivers, firstly a technology to process titanium metal at lower cost and carbon emissions than the existing Kroll process, and secondly titanium mineral sands mining tenements in Tennessee. Currently, nearly 80% of the world's titanium metal is produced in China and the Former Soviet Union (Russia, Kazakhstan, and Ukraine). For supply chain security reasons, exacerbated by Russia's invasion of Ukraine, the US government is keen to re-establish titanium metal production in the USA. In addition, titanium metal cannot currently be recycled however IperionX's process makes this possible allowing the company to draw on huge stocks of cheap scrap titanium and boost demand from companies keen to boost their ESG credentials with recycling projects. Already the company has announced agreements with a division of watch maker Richemont and bicycle maker Canyon. We expect more agreements in the coming months.



One area of particular interest is making longer life electrolyzers for the green hydrogen industry. The company is in the process of building production facilities in Virginia after successful small-scale production at the University of Utah where inventor Dr Zak Fang is based. In May the company released forecasts projecting USD100mln in cashflow (EBITDA) in 2026, which, if achieved, is attractive relative to the current market valuation of just USD150mln. The company forecasts USD100mln in capex will be required to reach this level, which may be funded via further capital raisings, partnerships, or government grants.

**Wet AMD** company Opthea fell 14% on little news.

**Major Drilling** fell 11% as the market became concerned that faltering global macro indicators will translate into lower-than-expected demand for drilling services in the near term as junior miners struggle with financing. Weather also delayed a restart of some drilling programs. At its recent June result, Major Drilling announced that, based on discussions with existing customers, it was increasing capex to build capacity for demand in 2024. Despite this, the market is focused on short-term demand, which so far is still holding up very well.

**Stroer** reported organic revenue up 7.3% for the quarter, with their out-of-home business outperforming the German advertising market by nearly 10%. Management expects this outperformance relative to the overall advertising market to continue through the next quarter but refused to give full year guidance on the back of economic uncertainty. This uncertainty continues to be the underlying driver of share underperformance. We have taken a medium-term view and see great value in their unique businesses, value that will be better appreciated after economic conditions become clearer.

FEATURES	
APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 1.0254
FEES *	Management Fee: 1.80% p.a. (Class A)   1.25% p.a. (Class B) Performance Fee: 15.38% (Class A)   20% (Class B)
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 38.89m
STRATEGY INCEPTION DATE	11 December 2014
BENCHMARK	RBA Cash Rate + 3%

FUND MANAGERS	
	<b>James McDonald</b> Portfolio Manager
	<b>Jeremy Bendeich</b> Portfolio Manager

1. Net performance figures are shown are those of Class A Units, 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 11 December 2014.
  3. Annualised standard deviation since inception.
  4. Relative to MSCI World. Using daily returns.
- \* For further information regarding fees please see the PDS available on our website.

## PENGANA HIGH CONVICTION EQUITIES FUND

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### PENGANA.COM

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