MONTHLY REPORT
MAY 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.

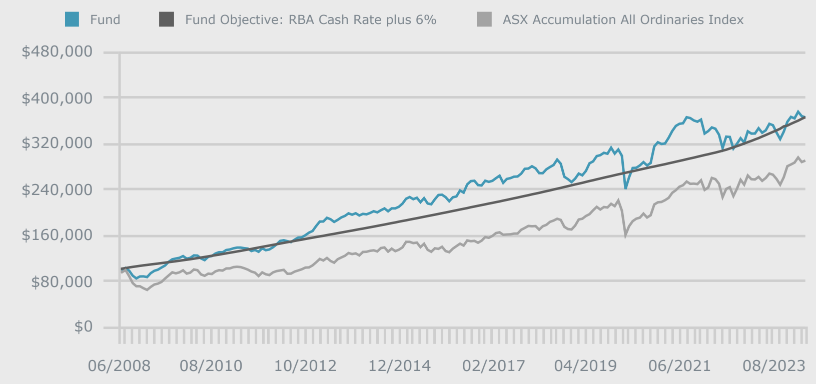
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 May 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	-0.6%	7.9%	1.4%	5.1%	6.1%	8.5%
Fund Objective: RBA Cash Rate plus 6%	0.8%	10.2%	8.3%	7.6%	7.7%	8.5%
ASX Accumulation All Ordinaries Index	0.9%	13.9%	6.8%	8.2%	8.1%	6.9%

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	10.1%
Consumer Staples	9.2%
Financials	23.5%
Health Care	15%
Industrials	6.1%
Materials	12.1%
Real Estate	2.7%
Communication Services	6.5%
Utilities	3.9%
Cash	11%

CAPITALISATION BREAKDOWN

ASX 1-50	52.2%
ASX 51-100	13.9%
ASX 101-300	11.9%
All Ordinaries	5.6%
Non ASX	5.4%
Cash	11%

CUSTOM SECTOR BREAKDOWN

Defensive	49.5%
Financials	19.6%
Consumer Discretionary	11%
Resources	8.9%
Cash	11%

STATISTICAL DATA

VOLATILITY[3]	NUMBER OF STOCKS	BETA[4]	MAXIMUM DRAW DOWN
11.4%	28	0.63	-23.1%

FUND WELL POSITIONED TO NAVIGATE THE EXISTING VOLATILITY

COMMENTARY

The Fund generated a -0.6% return in May. By way of comparison, the Australian stock market rose by 0.9%, whilst the return of the RBA cash rate plus 6% equated to approximately +0.8% for the month. Calendar year to date, the Fund has achieved a return of +2.2%, compared to the market growth rate of +3.5% and the cash plus 6% benchmark of +4.2% over the same period.

Volatility was a key feature of trading in May for the Australian market. After a weaker month in April, May began positively with the market up over 3% at its highs, before softer labor numbers and (another) stronger than expected monthly CPI print saw the index retreat to +0.9% by months end. The market's return was almost entirely driven by Financials with the banks alone contributing 80bps to the market's performance. At a sector level, Technology stocks substantially outperformed (+5.5%), along with Utilities (+3.4%), Financials (+2.6%), whilst REITS (+1.8%) recovered some of their April losses. Communications was the softest sector during the month, primarily driven by declines in Telstra and Seek.

The Fund's "underweight" position in the banks and lack of exposure altogether to the higher multiple tech space drove much of the relative underperformance during the month. From an absolute perspective, the Fund benefited from its exposure to **Aristocrat Leisure** (strong 1H results in May), **Contact Energy** (Rio contract update), and **BHP** (broader materials resilience). The main detractors during May were **Telstra**, **SG Fleet**, **Super Retail Group,** and **Resmed**.

Our holding in Contact Energy, a NZ-based geothermal and hydro gentailer, benefited from the long awaited announcement that Rio Tinto will continue to operate ("the stay decision") an aluminium smelter on the South Island of New Zealand. This was an important event for the electricity industry, as the smelter consumes 13% of NZ's total generation. Not only did the decision create a further 20-year secure supply agreement, but the terms were also much more favorable than the existing contract. Contact is a highly defensive business with a 95% renewable generation profile and a c5% dividend yield.

The weakness in Telstra resulted from an announcement by the company that they were removing the automatic annual CPI price increase from their mobile plans, with immediate effect. This announcement alarmed investors as the built in pricing mechanism was a key driver of forecast medium term mobile earnings growth. Whilst the market has been quick to factor in virtually no more price increases in the near term as a result, our discussions with the company and assessment of the broader competitive landscape has led us to believe that Telstra continues to have firm intentions to put through price increases in the near term, however sought to remove a mechanism that flagged to its competitors exactly when and by how much they would put up prices each year. Such a mechanism may have been useful as Telstra led a restoration of rationality to the sector in recent years, but we believe management has now assessed it as being strategically counterproductive, and have instead opted for more flexibility as to when and by how much to price. Whilst disappointing from a short term trading perspective, we believe the fundamentals remain intact, and continue to see attractive return metrics from the stock.

Having been an active purchaser in the April weakness, the main trading activity in May was on the sell side, exiting our stake in Amcor following stronger share price performance since the first quarter trading update, as well as taking profits in **Aristocrat**, **Contact Energy,** and **CSL**. The Fund continued to add to its recent entry in **Endeavour Group**.

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. 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.

Our long held view that inflation will continue to percolate through the global economy has now been adopted by consensus, following more dovish expectations year to date. 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.

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$ 1.8135
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 563.63m
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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