

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.

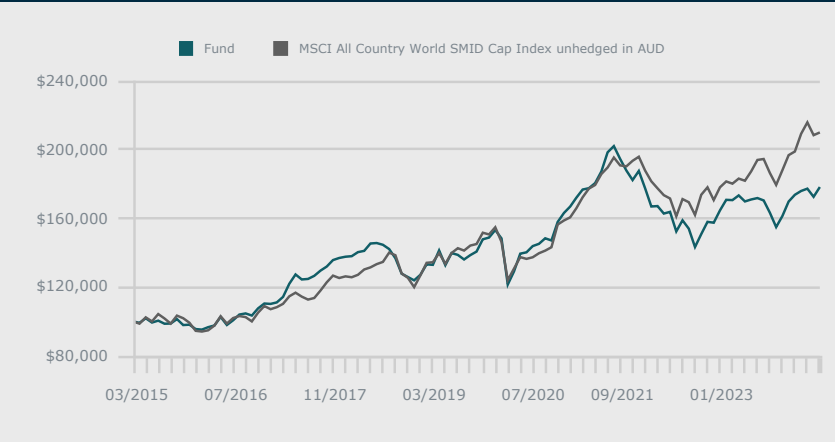
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 May 2024¹

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	3.3%	4.9%	4.3%	-0.4%	6.1%	6.5%
MSCI All Country World SMID Cap Index unhedged in AUD	0.8%	15.4%	10.6%	5.4%	9.5%	8.4%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Glanbia PLC	Consumer Staples
Infocom Corp	Communication Services
Next 15 Group PLC	Communication Services
Qualitas Controladora SAB de C	Financials
Sapiens International Corp NV	Information Technology

CAPITALISATION BREAKDOWN

Under 2bn USD	52.1%
In between 2bn - 5bn USD	21.2%
Above 5bn USD	22.4%
Cash	4.3%

REGION BREAKDOWN

Europe ex UK	16.6%
North America	26.4%
Asia ex Japan	5.2%
Japan	13.4%
UK	21.3%
Middle East / Africa	6.3%
Latin America	6.6%
Cash	4.3%

STATISTICAL DATA

VOLATILITY³ 12.8%

NUMBER OF STOCKS 37

BETA⁴ 0.73

MAXIMUM DRAW DOWN -29.1%

GLOBAL EQUITY MARKETS STRENGTHENED IN MAY

COMMENTARY

- Global equity markets strengthened in May upon hopes that moderating inflation will allow major central banks to begin cutting interest rates later this year.
- Smaller companies in aggregate continued to underperform the broader share market, although some high-quality stocks rebounded during the month.
- The Fund returned 3.3% in May, while the benchmark returned 0.8%.

Market Commentary

Global equity markets bounced back in May, reaching new highs upon stronger US corporate earnings, growing expectations that interest rates will begin to fall later this year and lower oil prices.

US stocks performed well, despite sticky inflation remaining above the Federal Reserve's (Fed) 2.0% target. Fed Chair Jerome Powell commented that there had been a "lack of progress" in bringing inflation down, but that interest rates were unlikely to rise further.

Eurozone equities also made strong gains, in anticipation of the European Central Bank (ECB) beginning to cut interest rates at its June meeting. The German labour market remains tight, with collectively negotiated wages rising 6.3% year-on-year during the first three months of 2024. Eurozone purchasing managers' index (PMI) data showed a 12-month high in activity levels across manufacturing and services, indicating economic expansion.

Meanwhile, overseas buyer interest has driven bid activity for UK-listed companies to its highest level since 2018. This has boosted hopes that international investors' perception of the UK equity market may have reached a turning point, following years of underperformance.

In Japan, the persistently weak currency and conservative corporate earnings guidance for this fiscal year weighed on equity market sentiment in May. However, full-year earnings results were stronger than expected, highlighting sales growth, pricing power and cost control across various sectors.

Emerging market equities delivered positive returns (in US dollar terms) during May, although they lagged developed markets. This was driven by weaker US macroeconomic data which raised hopes of early interest rate cuts and improved performance by Chinese stocks.

Portfolio Highlights

The Fund returned 3.3% in May, outperforming the MSCI All Country World SMID Cap Index which returned 0.8%.

While larger caps outperformed small and mid-sized companies in May, good stock selection drove the outperformance over the month. The Fund's strong stock performance in communications services, Asia and sub-US\$2 billion market cap companies contributed to relative returns. This was somewhat offset by weaker stock performance in information technology.

High quality companies at the smaller end of the small cap universe appear to be regaining favour amongst investors. This has started to drive a reversal of the small cap underperformance seen over recent quarters.

The Fund's holding in Japan-based **Infocom**, which distributes online Manga through subscriptions was the largest contributor to relative returns in May. The Fund established a position in the company in August 2023, attracted by its strong business fundamentals and highly attractive valuation level. The company was subject to a ¥280 billion (A\$2.7 billion) takeover bid by US private equity group Blackstone, bringing a return of 76% over May.

The Fund's second largest contributor to relative returns was its position in Japan-based audio equipment manufacturer **Noritsu Koki**. The company, under its Pioneer DJ brand, has a 70% share of the global DJ equipment market. Its March quarter earnings were well ahead of market expectations, with EBITDA increasing 300%. The recent global semiconductor shortage had constrained revenue growth, but this now appears to have been resolved. The transformation in the company's underlying business mix is still not fully understood by the market, which currently values the stock at an undemanding six times earnings before tax.

During May, the Fund established a position in Canada-based **North West Company**, a food retailer operating mainly in Canada's remote western provinces and northern territories. The stores are typically the only ones in the towns they serve, but provide customers with excellent value and a good range of goods from an efficient supply chain. Little competition has enabled the business to deliver sustained earnings growth over a long period, which we expect to continue.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A\$ 1.5197
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 104.67m
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.

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