

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.

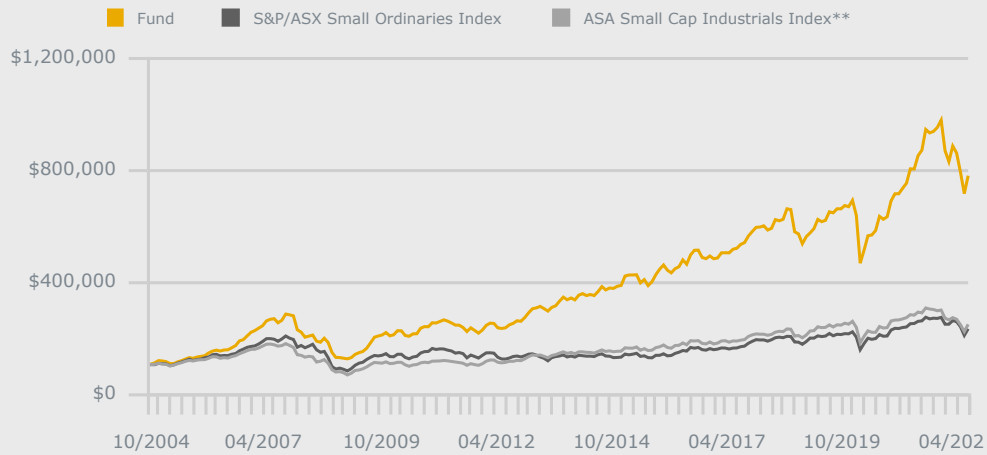
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jul 2022¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	15 YEARS P.A.	SINCE INCEPTION P.A.
Emerging Companies Fund	8.9%	-10.5%	6.2%	8.5%	12.8%	7.4%	12.2%
S&P/ASX Small Ordinaries Index	11.4%	-10.9%	2.5%	7.3%	6.5%	1.2%	4.8%
Outperformance	-2.5%	0.4%	3.7%	1.1%	6.2%	6.2%	7.4%
ASA Small Cap Industrials Index**	11.8%	-14.2%	0.3%	5.7%	8.3%	2.4%	5.2%
Outperformance	-2.9%	3.7%	5.9%	2.7%	4.4%	5.0%	7.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



JULY REPORT

COMMENTARY

The Fund rose 8.9% in July, underperforming the Small Industrials by 2.9% and underperforming the Small Ordinaries by 2.5%. For the 12 months to July, the Fund was down 10.5%, outperforming the Small Industrials Index by 3.7% and outperforming the Small Ordinaries Index by 0.4%.

Markets rebounded remarkably in July as bond yields fell back on fears of a recession. On one hand, interest rates are rising to curb inflation (which has created the market rout so far this year), and on the other, if the interest rate rises increase the risk of a recession, this may cause central banks to slow the pace of rate rises, which has positive implications for bond markets. The situation remains fluid, as inflation continues to rise, raising the ugly prospect of stagflation where rate rises are less effective at curbing inflation but ultimately create a recession anyway. We remain wary about extrapolating trends from monthly gyrations given this uncertainty.

In the short term, falling bond yields tend to aid interest rate-sensitive sectors and high-growth areas. The tech and real estate sectors were both primary beneficiaries of this bounce in July, with mining and energy stocks under pressure given their exposure to global economic growth. The US market rose 9.3%, European markets rose 7.0%, while emerging markets were flat due to cyclical concerns.

The Australian market rose 5.7% driven by the interest rate-sensitive stocks (tech and real estate), with smallcap stocks rising over 11%. No doubt, tax loss selling in June added to the pressure which was released in July, resulting in some individual stocks bouncing over 50% this month.

Our key contributors in July were:

Genex (+87%) received a takeover offer from an investment group aligned with a major shareholder and rallied accordingly. This offer, in our view, does not reflect the true value of renewable energy assets. **Pinnacle investments** (+42%) and **MA Financial** (+37%) both bounced from oversold positions as their earnings are especially correlated with overall market movements. **Lifestyle Communities** (+24%) was another stock that we believe was oversold in recent market weakness, where short-term nerves often overrule calm assessments of superior earnings streams. **City Chic** (+27) also bounced strongly after a period of underperformance in recent months.

Our key detractors in July were:

The following stocks were largely flat over July due to their defensive earnings streams and hence underperformed a rapidly bouncing market. These stocks had all strongly outperformed during the prior 3-4 months of market volatility as earnings certainty was favoured over more speculative stocks. Given the remarkable relief rally in July, we are not surprised that stocks like these were left behind. **EQT Holdings** (-2%), **NIB Holdings** (-2%), **Propel Funerals** (-1%), **EBOS** (flat) and **Metcash** (flat).

TOP HOLDINGS (ALPHABETICALLY)

ALS Ltd	Industrials
AUB Group	Financials
Charter Hall Group	Real Estate
EQT HOLDINGS LTD	Financials
Hansen Technologies	Information Technology
Healius Ltd	Health Care
Lifestyle Communities	Real Estate
NIB Holdings	Financials
Propel Funeral Partners Ltd	Consumer Discretionary
Uniti Wireless Ltd	Communication Services

FEATURES

APIR CODE	PER0270AU
REDEMPTION PRICE	A\$ 2.1854
FEES *	Management Fee: 1.3340% Performance Fee: 20.5% of the performance above the benchmark
FUM AT MONTH END	A\$ 693.21m
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.

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