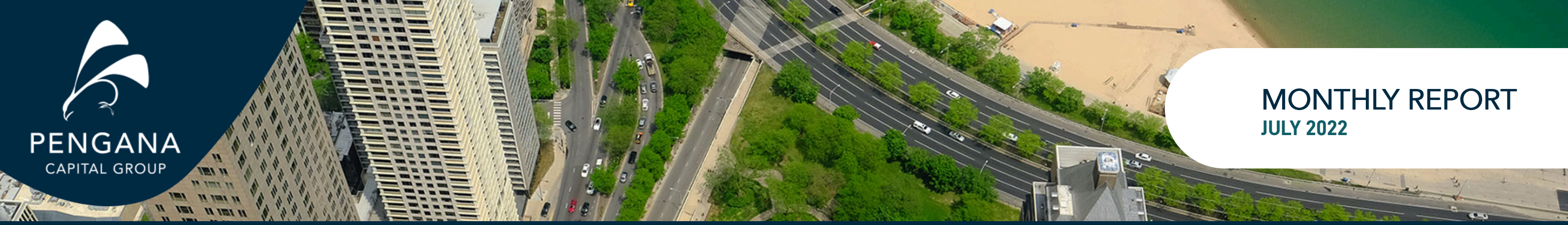


PENGANA CAPITAL GROUP

MONTHLY REPORT
JULY 2022

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.

STATISTICAL DATA

VOLATILITY[3]	NUMBER OF STOCKS	BETA[4]	MAXIMUM DRAW DOWN
13%	39	0.74	-24.6%

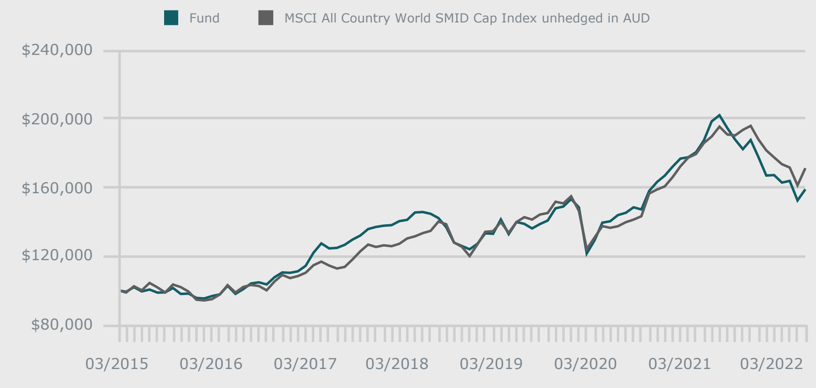
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jul 2022[1]

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	4.2%	-19.9%	5.1%	4.6%	5.0%	6.5%
MSCI All Country World SMID Cap Index unhedged in AUD	6.2%	-9.7%	11.6%	6.3%	8.7%	7.6%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Cogeco Communications	Communication Services
Irish Continental Group PLC	Industrials
Sendas Distribuidora SA	Consumer Staples
Serco Group PLC	Industrials
TietoEVRY Oyj	Information Technology

CAPITALISATION BREAKDOWN

Under 2bn USD	46.6%
In between 2bn - 5bn USD	32.5%
Above 5bn USD	14.7%
Cash	6.1%

REGION BREAKDOWN

Europe ex UK	28.1%
North America	23.3%
Asia ex Japan	13.1%
Japan	8.5%
UK	10.2%
Middle East / Africa	1.4%
Latin America	9.3%
Cash	6.1%

EQUITY MARKETS STRENGTHENED IN JULY

COMMENTARY

- Equity markets strengthened in July upon hopes that inflation was peaking and that interest rates would rise by less than had been previously expected
- Share prices continue to be supported by company earnings, which remain surprisingly strong
- The Fund returned 4.2% in July, but trailed the index by 2.0% (the index having risen by 6.2%)

The major equity market indices saw upward rebounds in July, with US stocks seeing a sharper bounce back than their global counterparts. The US S&P500 rose 9.1% in July, bringing its year-to-date return to -13.3% while the MSCI Europe gained only +5.0% and the MSCI Emerging Markets grew by a modest 2.4%.

Overall, corporate earnings have been surprisingly positive despite gloomy economic forecasts. Furthermore, facing record high inflation, central banks all over the world are expected to raise interest rates further. The Bank of Japan remains the exception due to the country's very low level of inflation.

The US: While the US Federal Reserve (the Fed) raised interest by 0.75% for the second consecutive month, this was below the market's expectation of a 1.00% hike. Inflation is showing signs of coming under control; US CPI came down to 8.5% in July from 9.1% in June, while core inflation remained steady at 5.9%, having peaked at 6.5% in March. The US entered a technical recession, with a second consecutive quarter of falling GDP and manufacturing data that continues to be weak.

A less-hawkish Fed interest rate policy is now expected by investors, which has been positive for the equity market, and offers some explanation for the strong equity market performance in July. However, should the Fed feel that it is forced to raise rates further and hold them higher for longer, another challenging period for the equity markets is to be expected.

Europe: In June, Eurozone unemployment increased for the first time in 14 months. Furthermore, S&P Global survey data indicates that the manufacturing sector contracted in July, and new orders fell the most since the Eurozone sovereign debt crisis in 2012. This limited the rebound in share prices during July.

Japan: The Bank of Japan continues its highly accommodative monetary policy, while a government panel agreed to a record hike in the average minimum wage for this fiscal year. These developments are expected to prove negative for corporate earnings. They are likely to be forced to raise prices faster (something they have not done in many years) to offset higher inflation and rising wages.

China: The economy weakened in July, with the lowest level of factory output and new orders over the past 12 months. The government's zero-COVID policy is showing no sign of easing, delaying the economic recovery.

The Fund's overweight position in non-US equities was the main drag on relative performance during July. Fundamentals across the portfolio remain solid, as corporate earnings have held up well with little sign yet of a slowdown.

At the end of July, the top ten holdings accounted for 43% of the Fund's assets, with the largest position, Serco Group, representing approximately 6% of the portfolio. The top five positions remain unchanged from June. Assai, a Brazilian discount food retailer, performed well this month having announced solid earnings results. It continues to be one of the largest positions in the Fund.

The Fund also materially increased its exposure to Concentrix, a US-based customer relationship management business. It has a relatively low profile, with only one analyst covering the stock. The business is expected to grow solidly over time as secular trends driving outsourcing in customer communication are expected to be sustained.

The stock has sold off meaningfully since the market began to correct at the start of the year. This has created the opportunity to increase the position size and make it a top 10 holding. The equity is trading at under 11 times its annual earnings, which are expected to grow at 8-10% a year, while generating meaningful free cash flow for shareholders. The Fund believes the stock is well positioned to outperform the market as more investors begin to discover this consistent, cash-generative, growing business.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A$ 1.372
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 143.36m
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

David Li
Head of Research 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. 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.

PENGANA GLOBAL SMALL COMPANIES FUND

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