

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.

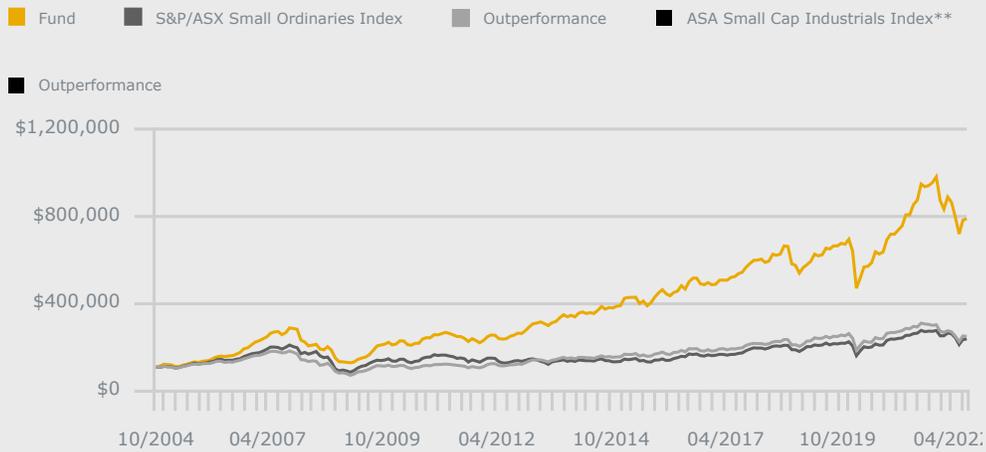
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 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	0.8%	-16.9%	6.7%	8.1%	12.3%	7.9%	12.2%
S&P/ASX Small Ordinaries Index	0.6%	-14.7%	4.1%	6.9%	6.3%	1.5%	4.8%
Outperformance	0.2%	-2.2%	2.6%	1.2%	6.1%	6.4%	7.4%
ASA Small Cap Industrials Index**	-1.0%	-20.0%	1.0%	5.1%	7.9%	2.5%	5.1%
Outperformance	1.8%	3.1%	5.7%	2.9%	4.5%	5.4%	7.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



AUGUST REPORT

COMMENTARY

The Fund rose 0.8% in August, outperforming the Small Industrials by 1.8% and outperforming the Small Ordinaries by 0.2%. For the 12 months to August, the Fund was down 16.9%, outperforming the Small Industrials Index by 3.1% and underperforming the Small Ordinaries Index by 2.2%.

Following a strong July, markets were soft in August as central banks indicated more rate rises were likely to combat inflation. Federal Reserve chairman Jerome Powell indicated at the Jackson Hole conference that it will “keep at it until the job is done”. Many of the key elements of the current inflation problem are supply-side rather than demand-side, which may dampen the effect of higher rates on inflation. Some fear that a much tougher interest rate stance may be required, sending economies into deeper recessions than otherwise would occur. The European energy crisis is also weighing on sentiment going into the northern winter.

The Australian market rose 1.2% in August, with mining and energy stocks the key positive drivers offsetting mild weakness in industrial and property shares.

August was busy for us with results season, giving us an opportunity to meet with a wide range of companies and assess the operating environment.

Our key contributors in August were:

Capitol Health (+18%) delivered a solid result notwithstanding interruptions to medical imaging volumes, together with the acquisition of FMG Group, which will likely boost EPS by 15%. Insurance brokers **AUB Group** (+15%) and **PSC Insurance** (+18%) both posted results above expectations, which further cements the industry as largely immune from uncertain economic conditions. **NIB Holdings** (+13%) showed solid underlying earnings despite weakness in their student and tourist insurance lines which should recover as normal activities resume. **Charter Hall** (+6%) posted solid profit growth despite challenging market conditions – the stock bouncing after a rough six months. **Propel Funerals** (+6%) delivered 45% profit growth following a return to larger funeral attendances, the higher death rate this year, and a successful series of acquisitions.

Our key detractors in August were:

City Chic (-29%) was penalised for slower revenue growth in Europe and elevated inventory levels, which have been built up to combat supply chain disruptions. **Aussie Broadband** (-23%) showed mildly slower than expected customer growth, and a proposed increase in operating costs, which was not well received in the short term. **Hansen Group** (-13%) posted 5% EPS growth, and a 20% higher dividend, however was marked down on milder medium term margin forecasts. **MAF Financial** (-9%) has been volatile of late given the overall market volatility, and retraced after a 37% bounce in July. **Australian Clinical Labs** (-8%) trimmed back notwithstanding a positive result, with some concerns the company is over-earning on the recent peak in Covid testing volumes.



**AUSTRALIAN
EMERGING COMPANIES**

REGISTER NOW 

TUES, OCT 18 2022 9:00AM (AEDT)

TOP HOLDINGS (ALPHABETICALLY)

ALS Ltd	Industrials
AUB Group	Financials
Capitol Health	Health Care
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

FEATURES

APIR CODE	PER0270AU
REDEMPTION PRICE	A\$ 2.2026
FEES *	Management Fee: 1.3340% Performance Fee: 20.5% of the performance above the benchmark
FUM AT MONTH END	A\$ 703.62m
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.

PENGANA EMERGING COMPANIES FUND

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Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services license number 226566) is the issuer of units in the Pengana Emerging Companies Fund (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the fund is subject to investment risk including possible delays in repayment and loss of income and principal invested.