

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

VOLATILITY³ 13%

NUMBER OF STOCKS 40

BETA⁴ 0.74

MAXIMUM DRAW DOWN -24.6%

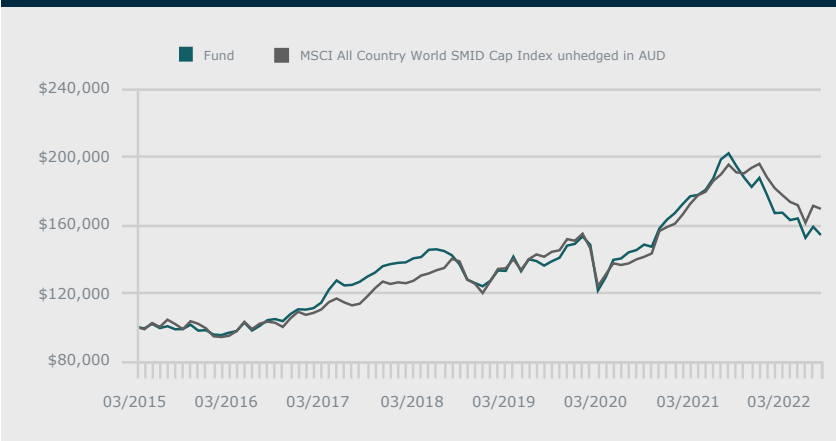
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 2022¹

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	-3.1%	-23.8%	3.0%	4.2%	4.0%	6.0%
MSCI All Country World SMID Cap Index unhedged in AUD	-1.1%	-13.3%	10.1%	6.2%	8.3%	7.4%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

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

CAPITALISATION BREAKDOWN

Under 2bn USD	48.7%
In between 2bn - 5bn USD	28%
Above 5bn USD	12%
Cash	11.3%

REGION BREAKDOWN

Europe ex UK	26.9%
North America	20.2%
Asia ex Japan	12.8%
Japan	8.4%
UK	10.2%
Middle East / Africa	1.3%
Latin America	8.9%
Cash	11.3%

MACRO-ECONOMIC ISSUES UPSTAGE COMPANY-SPECIFIC FACTORS

COMMENTARY

- Global equity markets fell in August upon fears that inflationary pressures would require interest rates to increase to higher levels and remain elevated for longer than previously expected
- The Fund returned -3.1% net of fees in August, while the MSCI All Country World SMID Cap Index unhedged in Australian dollars returned -1.1%
- The August return was largely driven by macro-economic issues rather than company-specific factors

Equity markets in developed countries were generally weaker in August. The Fund returned -3.1% net of fees for the month, while the MSCI All Country World SMID Cap Index unhedged in Australian dollars returned -1.1%.

While Global and US shares fell, Emerging Markets made a positive gain during the month. Oil prices posted a third successive monthly drop, falling by more than 12%, whilst remaining much higher than a year ago. The US dollar strengthened further as investors reduced their exposure to the yen and euro. Overall, the economic outlook remains bleak, but many markets appear to have been oversold.

US: The share market made positive gains over most of the month, benefitting from a growing market belief that the peak in US interest rates was already reflected in market valuation levels.

However, hawkish commentary from US Federal Reserve (Fed) Chair Jay Powell at its Jackson Hole gathering caused the equity market to sell off aggressively. The Fed appears to be committed to its prior strategy of sustained increases in interest rates, acknowledging that it would create some "unfortunate costs of reducing inflation."

Subsequent economic data suggested that the US economy hasn't yet slowed sufficiently for the Fed to consider easing the pace of interest rate increases. The Fed's next meeting on 20-21 September is expected to give more indication of the likely path of interest rates.

Europe: August consumer price inflation (CPI) increased to 9.1% from 8.9% in July, compared to the market expectation of 9.0%.

Europe's energy crisis intensified in August when Russia announced it would halt the flow of natural gas through the Nord Stream 1 pipeline for three days from 31 August. However, the pipeline remains shut "indefinitely" due to political tensions with Western European countries following Russia's invasion of Ukraine.

It seems increasingly likely that Germany will need to ration energy use during the upcoming northern winter. This is expected to reduce consumption and industrial production in the EU's traditional economic powerhouse.

UK: The resignation of the Prime Minister Boris Johnson halted any major new policy initiatives until the appointment of a new leader in early September. Consumers are expected to be given some relief from higher energy prices, possibly at the partial expense of energy companies.

However, consumers in the UK will be challenged until energy prices eventually fall. The Consumer Discretionary sector underperformed in August upon fears that incomes will be squeezed by rising prices.

Japan: The share market followed a similar path to that of the US, rising during the first half of August before falling back later in the month. The yen continued to weaken relative to the US dollar.

Core CPI edged up just 2.4% in July, but significantly higher inflation is expected eventually as the yen reaches multi-decade lows, impacting consumers. There is concern that the Bank of Japan is not tightening monetary policy quickly enough.

Asia: US-China tensions rose further when Taiwanese forces fired warning shots at Chinese civilian drones. In economic developments, Chinese factory activity shrank for the second successive month amidst power shortages and further COVID outbreaks and lockdowns.

At the end of August, the top ten holdings accounted for 42% of the Fund's assets, with the largest position Serco Group representing 5.6% of the portfolio. The Fund's cash weighting increased by 2.0% to 6.35%.

Irish Continental Group (ICG) reported strong earnings results as the freight and passenger ferry business continued to grow passenger numbers. The Fund has held the position since April 2021 and continues to expect it to significantly improve earnings under its impressive management team.

Assai, the Brazilian discount food retailer, was again the Fund's best performing stock as it continued to grow earnings.

Meanwhile, Canadian software group Open Text underperformed the market after announcing the acquisition of UK-based Micro Focus. This appears to be a poor capital allocation decision and so the Fund exited its position in the company.

The Fund's five best performing stocks contributed 2.2% to the overall return this month, while the five weakest stocks detracted 2.0%. This implies that the broad-based sell-off in the market impacted a large part of the portfolio towards the end of the month. The August return was largely driven by macro-economic issues rather than company-specific factors.

FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A\$ 1.3301
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 138.15m
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.

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