

**PENGANA HIGH CONVICTION EQUITIES FUND**
**DESCRIPTION**

The Pengana High Conviction Equities Fund (the Fund) invests globally in a concentrated portfolio of up to 20 stocks. The Fund can invest in both small and large cap stocks and is diversified across countries and sectors. We avoid investment in companies that are currently, in our opinion, unnecessarily harmful to people, animals or the environment.

**STATISTICAL DATA**
**VOLATILITY<sup>3</sup>** 24.9%

**NUMBER OF STOCKS** 18

**BETA<sup>4</sup>** 0.62

**MAXIMUM DRAW DOWN** -28.4%

**PERFORMANCE TABLE**
**NET PERFORMANCE FOR PERIODS ENDING 31 Aug 2022<sup>1</sup>**

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Equities Fund Class A	-3.5%	-25.0%	-0.4%	1.7%	9.2%	22.5%
MSCI World Total Return Index (net, AUD)	-2.5%	-9.5%	9.0%	8.1%	11.0%	10.4%
RBA Cash Rate plus 3%	0.4%	3.4%	3.3%	3.4%	3.8%	4.2%

**PERFORMANCE CHART**
**NET PERFORMANCE SINCE INCEPTION<sup>2</sup>**

**TOP HOLDINGS (ALPHABETICALLY)**

Ciena Corp	Information Technology
Eckert & Ziegler Strahlen- und	Health Care
Kornit Digital Ltd	Industrials
Lumentum	Information Technology
Telix Pharmaceuticals Ltd	Health Care

**SECTOR BREAKDOWN**

Consumer Discretionary	6%
Consumer Staples	3.8%
Health Care	36.7%
Industrials	5.6%
Information Technology	17.6%
Materials	4.9%
Real Estate	3.4%
Communication Services	6.3%
Cash	15.8%

**CAPITALISATION BREAKDOWN**

Under 5bn USD	56.7%
In between 5bn - 10bn USD	18.2%
In between 10bn - 100bn USD	9.2%
Cash	15.8%

**REGION BREAKDOWN**

North America	36.5%
Europe ex-UK	9.8%
Australia/New Zealand	27.2%
Middle East / Africa	9.5%
UK	1.2%
Cash	15.8%

## CONTRIBUTORS AND DETRACTORS

### COMMENTARY

The Fund fell 3.5% percent in the month of August.

Strong performance was recorded by US software company **Walkme**, which rose 27% after quarterly results highlighted plans to reach free cashflow breakeven in 2023. We like the company, it is trading on a low multiple of sales compared to peers and one third of its market cap is in cash, which is far more than it needs to reach breakeven. The company expects to achieve US federal government certification for its products at the end of 2022, which will create significant future opportunities.

**Ardent Leisure**, owner of the Dreamworld theme parks, rose 19% in the month after selling its US business and returning capital to shareholders. Visits to **Dreamworld** are running well ahead of 2019 levels despite poor weather and lack of some foreign tourists, which in aggregate account for 20% of revenue, although New Zealand represents the largest portion of this.

US listed fabric and fashion printer company **Kornit Digital** rose 16% after reporting results that exceeded low expectations following a profit warning in July. The company has 50% of its market cap held in cash, which allowed it to announce a \$75mln share buy back. The company will benefit from internet and fashion groups shortening their supply chains.

On the negative side, our healthcare holdings performed poorly following a strong previous month including **Photocure** -9%, **Immutep** -16%, **Tenant Healthcare** -13%, **Eckert and Ziegler** -8% and **Telix** -16%.

Australian listed radiation therapy and diagnostic producer **Telix** was the largest detractor after announcing full year results in which the company reported sales of its newly reimbursed prostate cancer diagnostic **Illucix** only for the first month of the new financial year, namely July, rather than give any forecasts. We expect sales of the product will continue to ramp strongly over the coming months and look forward to the company's update for the September quarter late in October. We also expect the approval of the product in Europe by the end of September, and data from the Phase 3 renal cancer diagnostic study and Phase 2 data from the brain cancer therapeutic study provide additional short-term catalysts. Brain cancer has a high unmet need for new therapies given the limited treatment options and poor prognosis which could potentially make this their first therapeutic product to reach the market. We still view **Telix**' market value of USD1.2bn as being greatly undervalued compared to its main competitor **Lantheus**, which has a market cap of USD5.8bn. Although **Lantheus** had a 7 month head start in the prostate cancer diagnostic market, we believe **Telix** can close the gap and has a much stronger pipeline of products.

FEATURES	
APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 0.9308
FEES *	Management Fee: 1.80% p.a. (Class A)   1.25% p.a. (Class B) Performance Fee: 15.38% (Class A)   20% (Class B)
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 38.74m
STRATEGY INCEPTION DATE	11 December 2014
BENCHMARK	RBA Cash Rate + 3%

### FUND MANAGERS



**James McDonald**  
Portfolio Manager



**Jeremy Bendeich**  
Portfolio Manager

1. Net performance figures are shown are those of Class A Units, 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 11 December 2014.
  3. Annualised standard deviation since inception.
  4. Relative to MSCI World. Using daily returns.
- \* For further information regarding fees please see the PDS available on our website.

## PENGANA HIGH CONVICTION EQUITIES FUND

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### PENGANA.COM

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