

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

VOLATILITY³ 24%

NUMBER OF STOCKS 16

BETA⁴ 0.64

MAXIMUM DRAW DOWN -32.1%

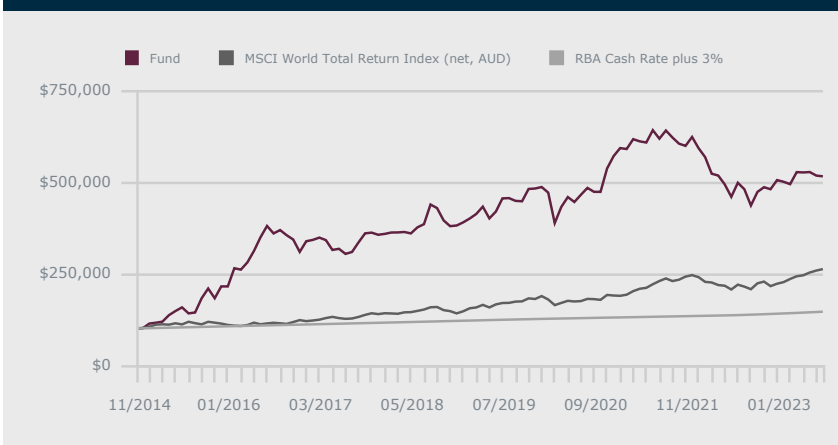
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 2023¹

	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	-0.4%	7.3%	-10.3%	2.1%	3.3%	20.7%
MSCI World Total Return Index (net, AUD)	1.6%	22.4%	5.3%	13.3%	10.7%	11.7%
RBA Cash Rate plus 3%	0.6%	6.3%	4.9%	4.3%	4.2%	4.4%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Eckert & Ziegler Strahlen- und	Health Care
Immutep Ltd	Health Care
IperionX Ltd	Materials
Telix Pharmaceuticals Ltd	Health Care
Tenet Healthcare Corp	Health Care

SECTOR BREAKDOWN

Health Care	40.2%
Information Technology	12.7%
Materials	14.9%
Communication Services	13.3%
Cash	18.9%

CAPITALISATION BREAKDOWN

Under 5bn USD	59.9%
In between 5bn - 10bn USD	11.4%
In between 10bn - 100bn USD	9.8%
Cash	18.9%

REGION BREAKDOWN

North America	21.1%
Europe ex-UK	18%
Australia/New Zealand	39.7%
Middle East / Africa	2.4%
Cash	18.9%

ADDING CLARITY PHARMACEUTICALS

COMMENTARY

The Fund fell 0.4% in August.

- New holding in Clarity Pharmaceuticals with a 17% return in September.
- Ciena rose 24% and IperionX rose 10% following Lockheed Martin's contract and environmental permits.
- German solar cell and module producer Meyer Burger fell 23% and Opthea fell 20% after announcing a capital raising.

The Fund recently added a new holding, Australian radiotherapy company **Clarity Pharmaceuticals**, via a placement at \$1/share which, has returned a pleasing 17% so far in September. The company has developed a radiation diagnostic and therapy platform based on its proprietary patented copper-64 and copper-67 isotopes. Copper isotopes have a long shelf life, which creates logistical advantages over existing Gallium and Fluorine isotopes. The copper isotopes are highly targeted to diagnose and treat cancer cells in the body.

The company has five products with the most interesting being its prostate cancer therapeutic, SAR-bisPSMA. This drug is currently undergoing a phase 2 dose-escalation study called SECURE. Early results demonstrate extremely strong efficacy with low side effects albeit from a small number of patients. The current standard of care Pluvicto from Novartis requires a course of 6 doses of radiation. Clarity has been able to generate better responses with a single dose. We expect continual news flow from this study over the next several months. The company listed in August 2021 at a price of \$1.4/share so, despite its recent 50% rally, at today's price of \$1.17 it is still trading well below that level. Novartis acquired Endocyte in 2018 for USD2.2bn (AUD3.4bn) to gain the leading prostate radiotherapy drug Pluvicto just as it was commencing its Phase 3 clinical studies, a position Clarity should be in by the end of next year. The current market value is AUD\$310mln.

Optical equipment producer Ciena rose 24% after reporting strong quarterly results. The shares have been weak in recent months as telecom and major cloud companies digested excess inventory after over-ordering during a period of supply chain shortages in 2022. The company reported its cloud company customers have resumed growth with telecom to follow in mid-2024. We see the company benefitting from strong global data growth, rising global market share at the expense of China's Huawei, and an improving mix of high-margin software and routing business. The shares are attractively valued at 13x PE compared to an average historic multiple of 18x.



The Fund's largest holding, titanium refining technology company IperionX, rose 10% after reporting two very positive developments. Firstly, the company announced a contract with Lockheed Martin, the world's largest defense contractor, to supply titanium plates for evaluation in future products. Although only small initial volumes will be sold, it is important given Lockheed is one of the largest users of titanium globally with increasingly large amounts of the metal used in aircraft such as the F-35, which is 25% titanium by weight.

Secondly, the company announced the granting of environmental permits for its titanium mineral sands mining project "Titan" in Tennessee. This is important as many mining projects in the US are held up over environmental permits. The company states in its press release that multiple strategic partners are undertaking due diligence on the project for sales offtake or investment purposes. We believe the value of the mining tenements exceeds the market value of the current company.

German solar cell and module producer **Meyer Burger** fell 23% despite increasing the size of its US production plans by diverting capacity from Europe. There is currently a large glut of more than 1000GW of Chinese solar panels in Europe selling well below production cost. The US placed tariffs on Chinese solar cells some years ago and has recently added significant production credits and grants by way of the Inflation Reduction Act (IRA) to create a domestic solar supply chain. Europe is likely to follow suit. We believe the current valuation does not reflect the future attractive nature of the company's US business where production will commence at the end of 2024.

Ophthalmology company **Opthea** fell 20% after announcing a capital raising. The company is currently recruiting for two major global phase 3 studies for its lead drug OPT-302 in Wet Aged Macular Degeneration (WetAMD), which impacts 200 million people globally. However, recruitment has taken longer than expected (currently 75% enrolled) requiring more capital. We have added to our holding and expect the share price to improve as the company fully recruits the studies in Q1 2024, and reports results 12 months later. A further capital raising will be required before the study is completed. If successful, the company stands to earn billions of dollars in revenue compared to the current USD180mln market cap.

FEATURES	
APIR CODE	HHA0020AU
REDEMPTION PRICE	A\$ 0.9957
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\$ 36.71m
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. Please refer to the PDS for information regarding risks. 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.

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