

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.

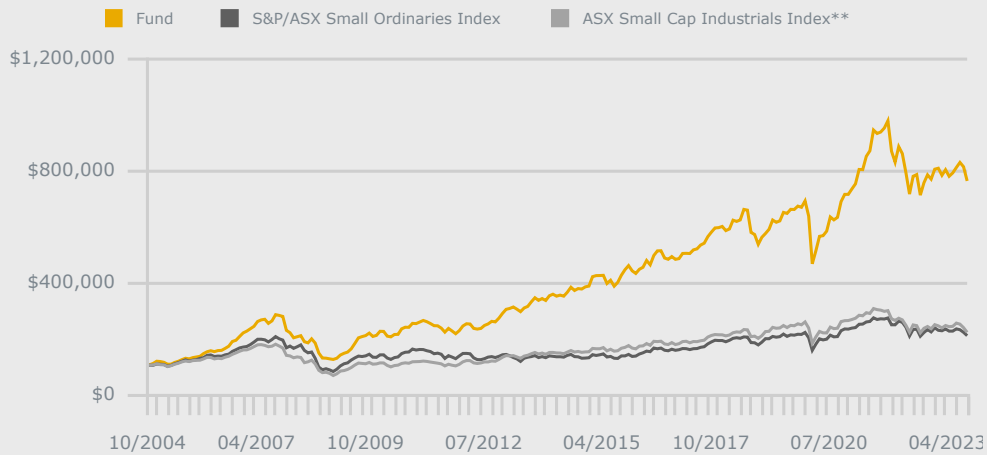
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Oct 2023¹

| | 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 | -6.2% | 0.9% | 6.5% | 5.7% | 8.3% | 11.6% | 11.3% |
| S&P/ASX Small Ordinaries Index | -5.5% | -5.1% | 0.5% | 2.5% | 4.3% | 5.3% | 3.9% |
| Outperformance | -0.8% | 6.0% | 5.9% | 3.1% | 4.0% | 6.3% | 7.3% |
| ASX Small Cap Industrials Index** | -7.0% | -6.1% | -2.1% | 1.5% | 4.0% | 6.6% | 4.2% |
| Outperformance | 0.8% | 7.0% | 8.6% | 4.2% | 4.2% | 5.0% | 7.0% |

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



OCTOBER REPORT

COMMENTARY

The Fund fell 6.2% in October, outperforming the Small Industrials by 0.8% and underperforming the Small Ordinaries by 0.8%. For the 12 months to October, the Fund was up 0.9%, outperforming the Small Industrials Index by 7.0% and outperforming the Small Ordinaries Index by 6.0%.

We recently recorded a Portfolio and Investment Update webinar, which is available below for your review. CPD points are applicable for Australian Financial Planners [HERE](#).

The US market fell 2.2% in October, capping off a weak three-month period where markets have fallen over 9% since July. Bond yields continued to rise, with US ten-year yields rising to around 5% from below 4% three months ago. This is due to concerns over the US debt position and potentially excessive fiscal strategies. The US economy has proven resilient to higher interest rates, prompting fears that this strong economic activity, fuelled by fiscal largesse, will prove inflation much harder to eradicate without further interest rate rises. A similar situation is seen in Australia, with persistent inflation and a tight labour market likely to stimulate further rate rises. Oil prices have retraced following a strong rally in the September quarter.

The Australian market fell 3.9%, while small caps fell 5.5% – resources stocks were stable, with most of the pain felt in industrial stocks.

Our positive contributors in October included:

Chrysos (+9%) won a major global deal with Barrick, which is a top 4 gold miner; a strong validation of the photon assay technology. **Kelsian** (+5%) provided an update at its AGM showing earnings growth in line with expectations, and a slight improvement in staff availability. **Propel Funerals** (+4%) revealed an informal takeover offer had been shown from private equity. **Gentrack** (+1%) bucked the weak market given its superior earnings growth outlook. **Healthia** (+1%), which is currently under a cash takeover offer, saw a mild drift upward as the deal comes nearer to closing.

Our negative contributors in October included:

Smartpay (-17%) drifted in a vacuum of company-specific information, with a competitor showing slightly softer earnings growth. **Netwealth** (-16%) revealed quarterly flows that were slightly below market expectations. **Mainfreight** (-13%) fell on fears of slower global trade volumes, however bounced strongly after month-end following a reasonably strong interim result in early November. **Seven Group** (-11%), retraced in a weak market having risen 83% in the past twelve months. **EQT Holdings** (-11%) fell in a weak market given its earnings leverage to equity markets.

TOP HOLDINGS (ALPHABETICALLY)

| | |
|-----------------------------|------------------------|
| ALS Ltd | Industrials |
| AUB Group Ltd | Financials |
| carsales.com Ltd | Communication Services |
| EQT Holdings Ltd | Financials |
| Hansen Technologies Ltd | Information Technology |
| Lifestyle Communities Ltd | Real Estate |
| Propel Funeral Partners Ltd | Consumer Discretionary |
| Seven Group Holdings Ltd | Industrials |
| Webjet Ltd | Consumer Discretionary |
| Worley Ltd | Industrials |

FEATURES

| | |
|-------------------------|--|
| APIR CODE | PER0270AU |
| REDEMPTION PRICE | A\$ 1.9812 |
| FEES * | Management Fee: 1.3340% Performance Fee: 20.5% of the performance above the benchmark |
| FUM AT MONTH END | A\$ 629.84m |
| 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. 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 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

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com



PENGANA.COM

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.