MONTHLY REPORT
OCTOBER 2023

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[3]	NUMBER OF STOCKS	BETA[4]	MAXIMUM DRAW DOWN
24%	14	0.64	-32.1%

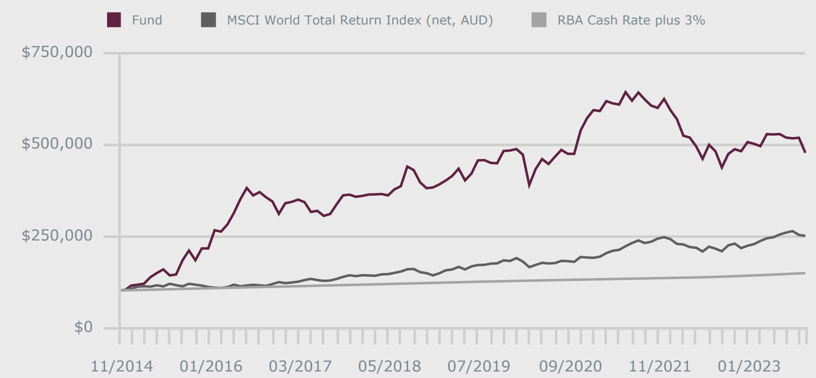
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Oct 2023[1]

	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	-7.9%	0.7%	-11.3%	0.2%	3.8%	19.2%
MSCI World Total Return Index (net, AUD)	-1.0%	11.6%	3.4%	12.0%	10.7%	10.8%
RBA Cash Rate plus 3%	0.6%	6.6%	5.2%	4.5%	4.2%	4.5%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Clarity Pharmaceuticals Ltd	Health Care
Eckert & Ziegler Strahlen- und	Health Care
Immutep Ltd	Health Care
IperionX Ltd	Materials
Telix Pharmaceuticals Ltd	Health Care

SECTOR BREAKDOWN

Health Care	41.1%
Information Technology	3.3%
Materials	16.3%
Communication Services	7.4%
Options	0.4%
Cash	31.4%

CAPITALISATION BREAKDOWN

Under 5bn USD	58.7%
In between 5bn - 10bn USD	4.8%
In between 10bn - 100bn USD	4.7%
Derivatives	0.4%
Cash	31.4%

REGION BREAKDOWN

North America	8.3%
Europe ex-UK	13.7%
Australia/New Zealand	44.9%
Middle East / Africa	1.2%
Options	0.4%
Cash	31.4%

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COMMENTARY

The Fund fell 7.9% percent in October but has recovered 7% month to date in November (as of the 16th). Last month the "higher for longer" interest rate narrative along with concerns over war in the Middle East leading to rising oil prices, inflation, and government spending caused bond yields to rise, which pressured share markets. A reversal of these trends is happening in November. The Fund was also negatively impacted by some stock-specific issues last month and positively this month.

The Fund's largest holding, US titanium technology company **IperionX**, delivered the good news in the form of a development partnership with GKN, one of the world's largest aerospace suppliers with strong relationships with the US Defense Department, as well as an $11.5mln loan from the US ExIm Bank to help finance equipment purchases at its new plant in Virginia. The stock fell 17% as the market fretted over the company's finances. However, on the 1st of November, the US Department of Defense announced a $12.7mln grant and the company completed a $16.7mln capital raising in which the Fund participated. The shares have since recovered their losses in November. We see the company as extremely well positioned now they are funded to build the first 125 tonnes of capacity. Further funding is required for the next $50mln capacity expansion (1000 tonnes) however we feel many funding opportunities will be available in the future. The company forecasts USD$100mln of EBITDA within the next three years, which compares favorably to the current market value of USD230mln.

Australian radiation therapy company **Telix** fell 22% after reporting slightly weaker than expected revenue for its lead product, prostate cancer diagnostic Illucix, however pleasingly it continues to take share from competitor Lantheus and the overall market is still growing. More disappointing though was early data from the Prostact Select clinical trial, which is studying Telix's lead therapeutic drug to treat prostate cancer TLX591. Although the safety of the product was better than expected, declines in PSA scores, sometimes used as a predictor of longer-term survival, were less impressive than other competitors such as Clarity Pharmaceutical (another portfolio holding). Telix argues that PSA scores are not a reliable indicator of efficacy and that their drug is based on an antibody, not a small molecule, which stays in the cancerous cells for much longer (weeks rather than days) than small molecules. Telix did report excellent survival data in an early phase 2 study so it's too early to write the product off, but the data is certainly a source of controversy. Given Clarity has a market value of $300mln compared to $3 billion at Telix, albeit with a much more diversified business model generating free cash flow, we feel the risk-reward is more in favour of Clarity, and we continue to own both stocks.

US hospital operator **Tenet Healthcare** fell 16% partly pressured by rising bond yields but also after giving guidance for 2024 that highlighted headwinds, particularly around labour costs and lack of benefits received in 2023, such as insurance payouts and covid subsidies. We believe the stock is still attractive due to its strong free cash flow generation and structural growth in its daycare surgical centres, which are far cheaper than hospitals.

European solar panel producer **Meyer Burger** fell 33% due to weak global solar panel prices driven by a glut of 100GW of Chinese solar panels sitting in European warehouses. We expect European governments to announce support packages for the domestic industry over the coming months following the US lead in protecting this important supply chain, however, these packages have taken longer than expected to materialize.

On the positive side German medical isotope manufacturer **Eckert and Zeigler** rose 17% after reporting strong quarterly results and the separation of its loss-making drug development business. Currently, Telix, discussed above, is the largest customer of the company for its gallium generators used to produce prostate cancer diagnostic Illucix. In the future, drugs based on isotopes of Lutetium and Actinium, are expected to become the mainstay of the business. The company is supplying isotopes into many clinical programs, which should start to become commercial drivers in 2025 and beyond including Lantheus, which is expecting imminent Phase 3 data on a prostate cancer therapeutic. We believe this is likely to be a catalyst for the shares.

Spotify (+8.6%) reported strong results demonstrating better-than-expected new user numbers, total subscribers, and EBIT. Profitability arrived 1Q earlier than expected and is now likely to continue each quarter as cost-cutting combined with price rises are durable. Importantly, the ability to increase prices and grow subscribers has reassured the market. Growing podcasting profitability will provide another leg to growth. The launch of Audiobooks may help with unbundling family plans and therefore higher medium-term ARPU, albeit in the short term it is not clear if this product is earnings additive. Overall, the market reacted positively to this result.

FEATURES

APIR CODE	HHA0020AU
REDEMPTION PRICE	A$ 0.9206
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$10,000
FUM AT MONTH END	A$ 33.61m
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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