PENGANA
CAPITAL GROUP

MONTHLY REPORT
OCTOBER 2024

PENGANA AUSTRALIAN EQUITIES FUND

DESCRIPTION

The Pengana Australian Equities Fund aims to enhance and preserve investor wealth over a 5- year period via a concentrated core portfolio of principally Australian listed securities. The Fund uses fundamental research to evaluate investments capable of generating the target return over the medium term. Essentially, we are in the business of seeking to preserve capital and make money – we are not in the business of trying to beat the market. We remain focused on acquiring and holding investments that offer predictable, sustainable and well-stewarded after-tax cash earnings yields in excess of 6% that will grow to double digit levels as a percentage of our original entry price in five years. We believe that building a well-diversified portfolio of these “gifts that keep on giving” represents a meaningful way to create and preserve financial independence for our co-investors.

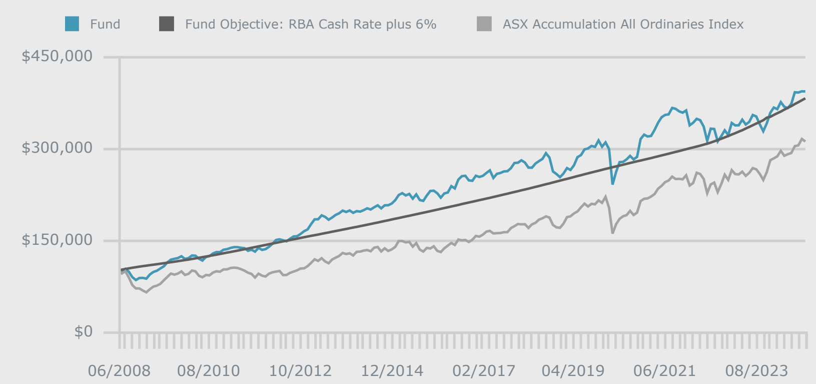
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Oct 2024 [1]

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	-0.1%	19.9%	2.9%	5.4%	6.6%	8.7%
Fund Objective: RBA Cash Rate plus 6%	0.8%	10.3%	8.9%	7.8%	7.8%	8.5%
ASX Accumulation All Ordinaries Index	-1.3%	25.4%	7.6%	8.4%	8.6%	7.2%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION [2]



TOP HOLDINGS (ALPHABETICALLY)

Aristocrat Leisure Ltd	Consumer Discretionary
BHP Group Ltd	Materials
CSL Ltd	Health Care
Evolution Mining Ltd	Materials
Metcash Ltd	Consumer Staples
National Australia Bank Ltd	Financials
nib holdings Ltd/Australia	Financials
ResMed Inc	Health Care
SG Fleet Group Ltd	Industrials
Telstra Group Ltd	Communication Services

SECTOR BREAKDOWN

Consumer Discretionary	9.6%
Consumer Staples	8.5%
Energy	1.3%
Financials	20.1%
Health Care	15.1%
Industrials	7.9%
Materials	10%
Real Estate	3.5%
Communication Services	6.9%
Utilities	3.2%
Cash	14%

CAPITALISATION BREAKDOWN

ASX 1-50	48.3%
ASX 51-100	16.5%
ASX 101-300	11%
All Ordinaries	4.8%
Non ASX	5.3%
Cash	14%

CUSTOM SECTOR BREAKDOWN

Defensive	52%
Financials	17.5%
Consumer Discretionary	6.6%
Resources	10%
Cash	14%

STATISTICAL DATA

VOLATILITY [3]	NUMBER OF STOCKS	BETA [4]	MAXIMUM DRAW DOWN
11.3%	26	0.63	-23.1%

RESILIENT PERFORMANCE IN A WEAKER MARKET, FUND REMAINS COMFORTABLY AHEAD OF ITS CASH PLUS 6% TARGET FOR THE FINANCIAL YEAR

COMMENTARY

The Fund fell by -0.1% in October. By way of comparison, the Australian stock market declined by -1.3% in the month, whilst the return of the RBA cash rate plus 6% equated to approximately +0.8% for the month. Financial year to date, the Fund has achieved a return of +5.4%, ahead of the cash plus 6% benchmark of +3.4% over the same period, whilst the broader market has returned +6.4%. We are pleased with the continued momentum for the Fund this financial year, and to be tracking comfortably ahead of our cash plus 6% benchmark.

The prevailing theme of the month was a partial reversal of the rotation from Banks to Materials that dominated the domestic market in the first quarter of the financial year. The rotation was originally triggered by the announcement of stimulus measures from China, however after some early excitement, the lack of follow through from Chinese policy makers in October somewhat disappointed, resulting in the domestic Banks recovering from their lows and Resources drifting lower into the month end. The Australian dollar once again retreated, falling almost 5% relative to the USD and Iron Ore similarly came under pressure, down 7% over the month. Discretionary consumer names also came under pressure during the month, as updates from AGM season painted a picture of a struggling consumer – suggesting that cost of living pressures may finally be impacting household spending patterns, after a prolonged period of resilience. With aggregate consensus earnings forecasts remaining broadly stable across the month, the market multiple has fallen slightly to (a still elevated) 17.9x forward earnings (vs 18.3x in September).

Evolution Mining was the largest positive contributor to the Fund during October, having delivered some consistency in its operations and benefiting fully from the ongoing strength in Gold prices. **Resmed** continued its positive contributions, with a solid first quarter trading update maintaining confidence in its operating momentum. Stocks such as **SG Fleet, Credit Corp,** and **Ryman Healthcare** all contributed strongly as their value has gradually re-emerged following previous periods of softer trading.

Detractors in October were primarily focused on the retail names, specifically **Metcash, Super Retail Group,** and **Woolworths**. As discussed above, these names reported softer trading environments throughout Q3 and we watch closely as they enter the important seasonal trading period of November and December. **BHP** was also a detractor for the Fund during the month, caught up in the reversal of resource stocks discussed above, albeit the Fund has a lower exposure to that stock, as well as the overall Resource sector, than the market.

From a trading perspective we took the opportunity to add to positions across a number of names over the quarter, in particular **Ampol Limited** and **Maas Group Holdings**. We reduced our exposure to the banks on the back of strength in October, in particular to the more expensive **CBA**, and to a lesser extent **NAB**. The Fund also trimmed positions in **Evolution Mining** and **CSL** during the month.

We continue to believe that the Fund is well positioned to navigate the existing volatility and deliver on our objective of cash plus 6% in the medium term, given its defensive positioning, with solid balance sheets, and focus on businesses generating cash now. At month end the portfolio was generating an after tax cash earnings yield of ~6% for FY25 – underpinning our focus on fundamental value. Our expectation of these earnings, combined with further earnings growth, capital returns, and potential for valuation multiple uplifts provide comfort in achieving our return objectives.

We remain as focused as ever on our primary objectives of capital preservation and generating a reasonable real return for our investors. We continue to believe this is best served by a disciplined approach and consistent investment methodology. A variety of good businesses run by honest and competent management teams at the right price will create a well-diversified portfolio of ever-growing cash earnings streams.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A$ 1.8067
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 523.83m
STRATEGY INCEPTION DATE	1 July 2008
BENCHMARK	The RBA Cash Rate Target plus Australian equity risk premium.

FUND MANAGERS

Rhett Kessler
CIO and Senior Fund Manager

Anton du Preez
Deputy CIO and Fund Manager

Mark Christensen
Fund Manager

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. The benchmark of cash rate plus 6% p.a. is included in the chart as it relates to the Fund's investment objective and performance fee. The Fund may invest up to 100% of its assets in equity securities. The greater risk of investing in equities is reflected in the addition of a margin above the cash rate. 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 1st July 2008.
3. Annualised standard deviation since inception.
4. Relative to ASX All Ordinaries Index. Using daily returns.

*(including GST, net of RITC) of the increase in net asset value subject to the RBA Cash Rate & High Water Mark. For further information regarding fees please see the PDS available on our website.

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