

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.

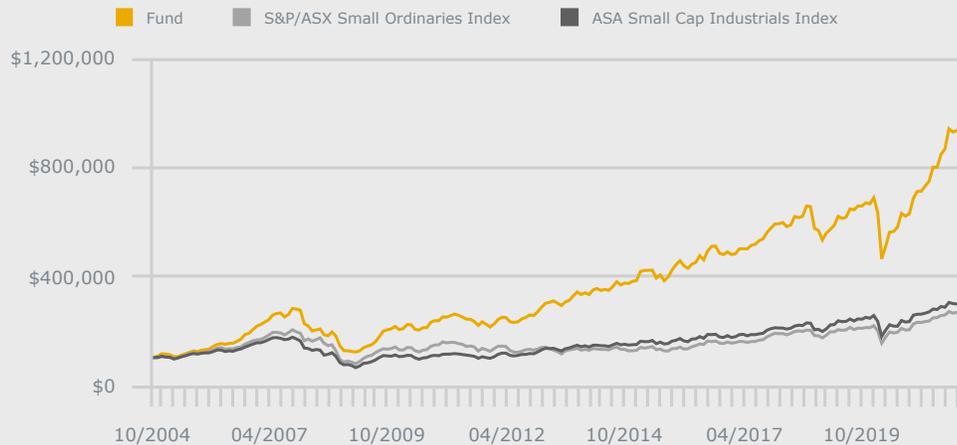
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Dec 2021¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Emerging Companies Fund	2.8%	36.9%	22.2%	14.7%	16.3%	14.2%
S&P/ASX Small Ordinaries Index	1.4%	16.9%	15.7%	11.2%	8.0%	6.0%
Outperformance	1.3%	20.0%	6.5%	3.6%	8.3%	8.2%
ASA Small Cap Industrials Index**	0.8%	13.7%	14.4%	10.2%	11.5%	6.6%
Outperformance	1.9%	23.2%	7.8%	4.6%	4.8%	7.6%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



DECEMBER REPORT

COMMENTARY

The fund rose 2.8% in December, outperforming the Small Industrials by 1.9% and outperforming the Small Ordinaries by 1.3%. Over the full 2021 calendar year, the Fund was up 36.9%, outperforming the Small Industrials Index by 23.2% and outperforming the Small Ordinaries Index by 20.0%.

Global markets finished 2021 strongly suggesting investors are not overly concerned by the global rise in COVID cases as new details emerged that the Omicron variant is less harmful to health than previous variants. COVID treatment pills approved by the FDA for both Pfizer and Merck also assisted with the positive sentiment. Whilst global supply chains continue to remain constrained, due to the pandemic, there is evidence to support the view that these are beginning to free up slowly leading to improved global supply. Inflation remains a key focus for markets but there are some early signs it may be moderating with recent US PMI data indicators being encouraging. Nevertheless, a sustained escalation in inflation probably presents the greatest threat to market returns for 2022.

The broader Australian market rose 2.7%, with miners (+7.2%) being particularly strong following a 19% rise in the Iron Ore price as China shifted to an easing bias and the oil price rising 14% in recognition that economic activity remains strong despite the worsening COVID situation. Technology stocks were generally the worst performers with a 5.2% fall as bellwether Afterpay declined 24% over the month.

Over what has proven to be a very strong year for the Fund we were pleased to report the following positive contributors for the month of December:

Australian Clinical Labs (+46%) benefited from both the high demand for PCR tests that their labs are processing and the completion of NSW and QLD pathology acquisitions. **Johns Lyng Group** (+23%) announced their entry into the US market with the acquisition of Reconstruction Experts. **AUB Group** (+13%) rose following the company increasing their profit guidance for the 2022 financial year due to buoyant conditions in the insurance broking space. **EBOS Group** (+11%) rallied after announcing the highly accretive acquisition of medical device distributor Lifehealthcare. **Charter Hall Group** (+8%) rose in response to increasing fund flows into their various property funds management vehicles.

Our worst contributors were:

Aussie Broadband (-9%) weakened after rising by a similar amount in November. **City Chic** (-8%) was sold down due to short-term nervousness around the company's ability to source inventory due to ongoing supply chain disruptions. **Megaport** (-13%) and **EML Payments** (-10%) both drifted lower along with many technology stocks (note that both of these stocks are very small positions in the Fund). **Hansen Technologies** (-4%) gave back some of its strong gains from the year with a small fall but still managed to rise a pleasing 43% over the year.

During these continuing uncertain and volatile times, we are reminded of the importance of keeping a clear head so as not to be caught out by the latest investment craze circling the market. Disciplined investing is not about buying high-flying technology stocks that are yet to turn a profit or speculating on cryptocurrencies and commodity prices. The proven approach to investing is to raise your eyes and invest for the long term by appraising companies with proven business models that generate strong cash flows, only then can a company's prospects be truly understood and attempted to be valued.

We look forward to the upcoming February reporting season for another opportunity to meet management and discuss their approaches in dealing with both the shorter-term influences of the pandemic and growth prospects beyond the pandemic.

Stay safe and we wish you and your family a happy and prosperous 2022.

TOP HOLDINGS (ALPHABETICALLY)

AUB Group	Financials
Carsales Com LTD	Communication Services
Charter Hall Group	Real Estate
EBOS Group Ltd	Health Care
Hansen Technologies	Information Technology
Healius Ltd	Health Care
Johns Lyng Group Ltd	Industrials
MA Financial Group Ltd	Financials
Pinnacle Investment Management	Financials
Uniti Wireless Ltd	Communication Services

FEATURES

APIR CODE	PER0270AU
REDEMPTION PRICE	A\$ 3.1317
FEES *	Management Fee: 1.3340% Performance Fee: 20.5% of the performance above the benchmark
FUM AT MONTH END	A\$ 956.32m
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. 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.

