

## CASHED-UP CONSUMERS

The Australian stock market had a slow start to the new year, ending up 0.3% for the month of January 2021. In comparison, **the Fund was down 0.9%** for the same period. **For the 12 months to end January, the Fund returned 3.1% compared to the market that yielded a negative -0.7%.** The RBA cash rate yielded 0.3% for the year.

Global markets in the US and Europe were mostly down between 1% to 3% for the month, but Asian markets, in particular the Chinese MSCI, were very strong at 7.4% for the month.

The domestic Discretionary Retail, Communications, and Financials sectors performed strongly during the month whilst the defensive sectors, most notably REITS, Industrials, and Healthcare underperformed. Companies exposed to discretionary spending released robust earnings upgrades courtesy of cashed-up consumer – the Covid induced stimulus and spending patterns certainly found its way into the local economy. As mentioned in previous newsletters we are cautious about extrapolating these trends past the potential “fiscal cliff” otherwise known as Jobkeeper payments ceasing in March. However, cyclically the current elevated revenue and profit levels may have some momentum given the January 2020 bushfire season (yes it does seem like a distant memory!) as well as the ultra-low interest rates. The large miners also upgraded as they benefited from a prolonged period of high commodity prices. **Iron ore** continued its very strong trajectory underpinned by Brazilian supply issues, sustained Chinese demand, and recovery of the European auto sector.











The Fund’s main contributors during January were **Telstra, Super Retail, NAB, and Woolworths** whilst **Mirvac, Credit Corp, NIB Holdings, and Waypoint REIT** retraced some of their prior periods’ gains to be the main detractors. The Fund added to existing positions in **Ancor, Dalrymple Bay Terminal, and CSL**. We trimmed our positions in **Westpac, Cleanaway** (the CEO announced his unexpected resignation), **Accent Group, and Charter Hall**. Cash levels at month-end were marginally above 5%. While the latter is definitely at the lower end of the Fund’s historical levels, we believe we have found a good balance between the low returns on offer in cash and compellingly priced hard assets.

Looking forward the half-year reporting season starts in February and is expected to provide substantial insight on gross margin expansion and operating leverage for the stronger companies. We anticipate that this should highlight the attractively priced companies that have been overlooked in a bifurcated market.

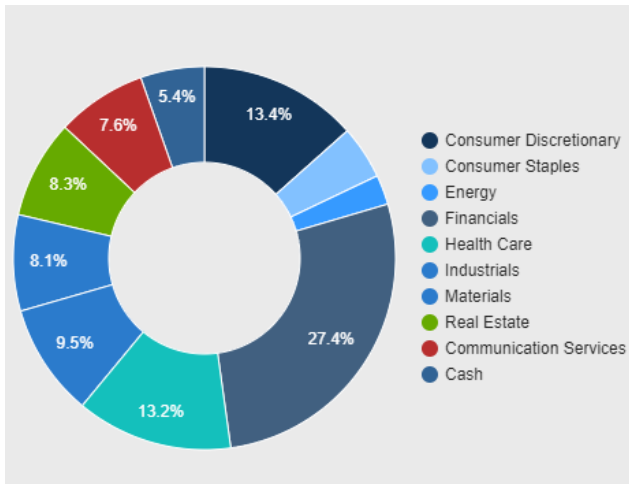
We remain focused on our investment methodology of using sustainable after-tax cash earnings yields generated by good business, managed by competent and honest management to craft our portfolio in a disciplined and conservative manner.

## TOP HOLDINGS (ALPHABETICALLY)

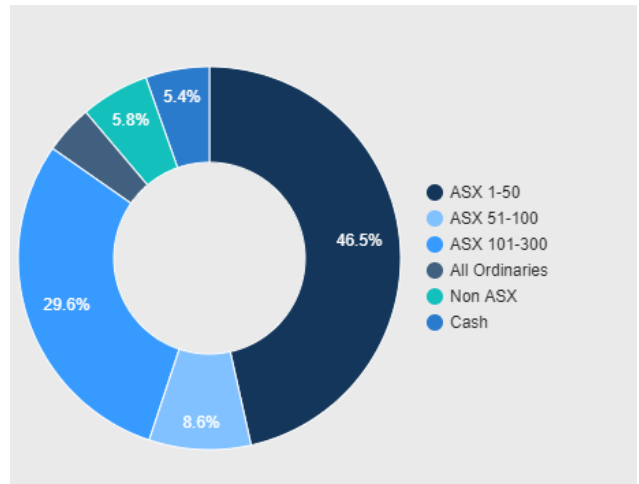
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	Accent Group	Australia	Consumer Discretionary
	Credit Corp	Australia	Financials
	CSL	Australia	Health Care
	Evolution Mining	Australia	Materials
	NAB	Australia	Financials
	SG Fleet	Australia	Industrials
	Super Retail Group	Australia	Consumer Discretionary
	Telstra	Australia	Communication Services
	Waypoint REIT Ltd	Australia	Real Estate
	Woolworths	Australia	Consumer Staples

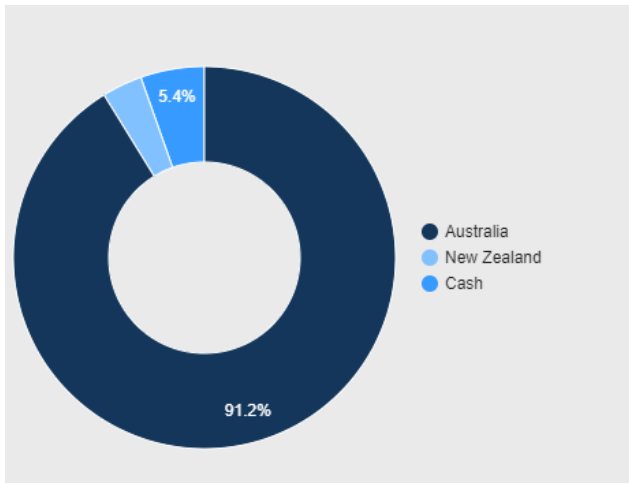
## SECTOR BREAKDOWN



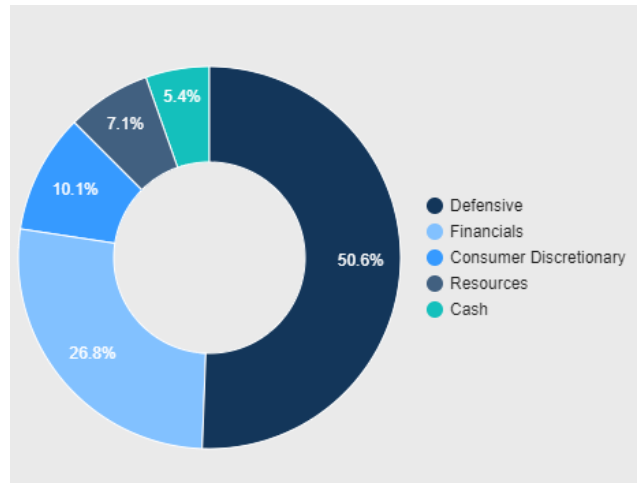
## CAPITALISATION BREAKDOWN



## COUNTRY BREAKDOWN



## CUSTOM SECTOR BREAKDOWN



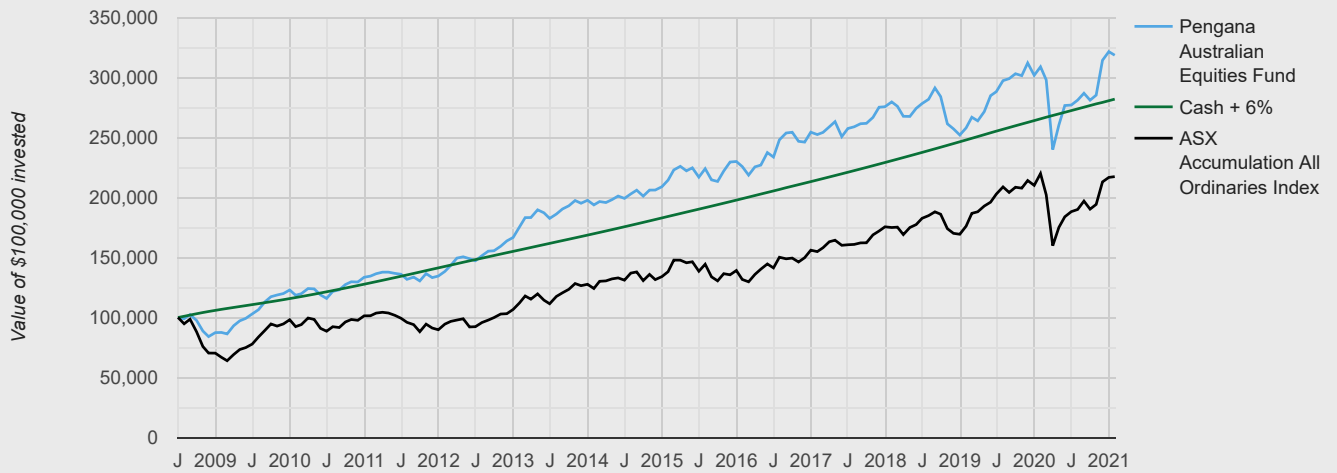
## FUND PERFORMANCE

## NET PERFORMANCE FOR PERIODS ENDING 31 JAN 2021<sup>1</sup>

	1 MONTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION
Fund	-0.9%	3.1%	4.4%	7.1%	9.0%	9.6%
RBA Cash Rate	0.0%	0.3%	1.0%	1.2%	2.1%	2.6%
ASX Accumulation All Ordinaries Index	0.3%	-0.7%	7.7%	10.5%	7.9%	6.4%

## FUND PERFORMANCE

## NET PERFORMANCE SINCE INCEPTION<sup>2</sup>



**PERFORMANCE TABLE**

**FUND PERFORMANCE (A\$, NET OF FEES)**

YEAR	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FUND FYTD	RBA CASH RATE FYTD	ASX ALL ORDS FYTD
2020/2021	1.5%	2%	-2%	1.5%	10.2%	2.3%	-0.9%						15%	0.1%	16%
2019/2020	3.2%	0.6%	1.4%	-0.5%	3.5%	-3.3%	2.3%	-3.5%	-19.5%	8.5%	6.2%	0.1%	-3.9%	0.7%	-7.2%
2018/2019	1.3%	3.4%	-2.5%	-8%	-1.6%	-2%	2.4%	3.4%	-1.1%	2.9%	4.9%	1.2%	3.6%	1.5%	11%
2017/2018	0.6%	1%	0.1%	1.9%	3.2%	0.1%	1.5%	-1.3%	-3%	-0%	2.5%	1.5%	8.1%	1.5%	13.7%
2016/2017	6.1%	2.3%	0.3%	-3%	-0.3%	3.4%	-0.8%	0.7%	1.8%	1.7%	-4.7%	2.7%	10.2%	1.5%	13.1%
2015/2016	3.3%	-4.2%	-0.6%	4.1%	3.4%	0.2%	-1.8%	-3.2%	3.1%	0.7%	4.6%	-1.6%	7.7%	2%	2%
2014/2015	1.9%	1.5%	-2.4%	2.5%	0%	1.4%	2.6%	4%	1.3%	-1.7%	1.1%	-3.5%	8.9%	2.4%	5.7%
2013/2014	2%	2.3%	1.4%	2.3%	-1.2%	1.3%	-2%	1.4%	-0.4%	1.2%	1.5%	-1%	9.1%	2.5%	17.6%
2012/2013	2.9%	2.5%	0.2%	2.4%	2.8%	1.8%	5.2%	4.4%	0%	3.5%	-1.3%	-2.5%	24%	3.1%	20.7%
2011/2012	-3.1%	1.4%	-2.4%	4.7%	-2.4%	1%	2.9%	3.6%	4.2%	0.7%	-1.1%	-1.1%	8.3%	4.4%	-7%
2010/2011	5.1%	1.1%	3.6%	1.8%	-0.1%	3%	0.7%	1.5%	1%	0%	-0.8%	-0.5%	17.4%	4.7%	12.2%
2009/2010	3.5%	6.1%	3.8%	1.2%	1%	2.5%	-3.6%	1.1%	3.6%	-0.2%	-4%	-2.5%	12.5%	3.7%	13.8%
2008/2009	-1%	3.5%	-4.7%	-9%	-5.3%	3.9%	0.2%	-1.4%	7.9%	4.4%	2.1%	3.8%	3%	4.8%	-22.1%

VOLATILITY <sup>3</sup>	11.5%	NUMBER OF STOCKS	36
BETA (USING DAILY RETURNS) <sup>4</sup>	0.62	MAXIMUM DRAW DOWN	-23.1%

FUND MANAGERS



*Rhett Kessler*  
 CIO and Senior Fund Manager



*Anton du Preez*  
 Deputy CIO and Fund Manager

FEATURES

PORTFOLIO MANAGERS	Rhett Kessler Anton du Preez
APIR CODE	PCL0005AU
REDEMPTION PRICE	A\$ 1.8409
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$20,000
FUM AT MONTH END	A\$ 922.93m
STRATEGY INCEPTION DATE	1 July 2008
BENCHMARK	The RBA Cash Rate Target plus Australian equity risk premium.

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.

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. 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.  
 \*(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.

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services license number 226566) is the issuer of units in the Pengana Australian Equities Fund (ARSN 146 346 929) (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.

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