



MONTHLY REPORT

OCTOBER 2023

Unit Price and FUM

Indicative Unit Price

\$1.1520[^]

FUM Size

\$16.8 Million

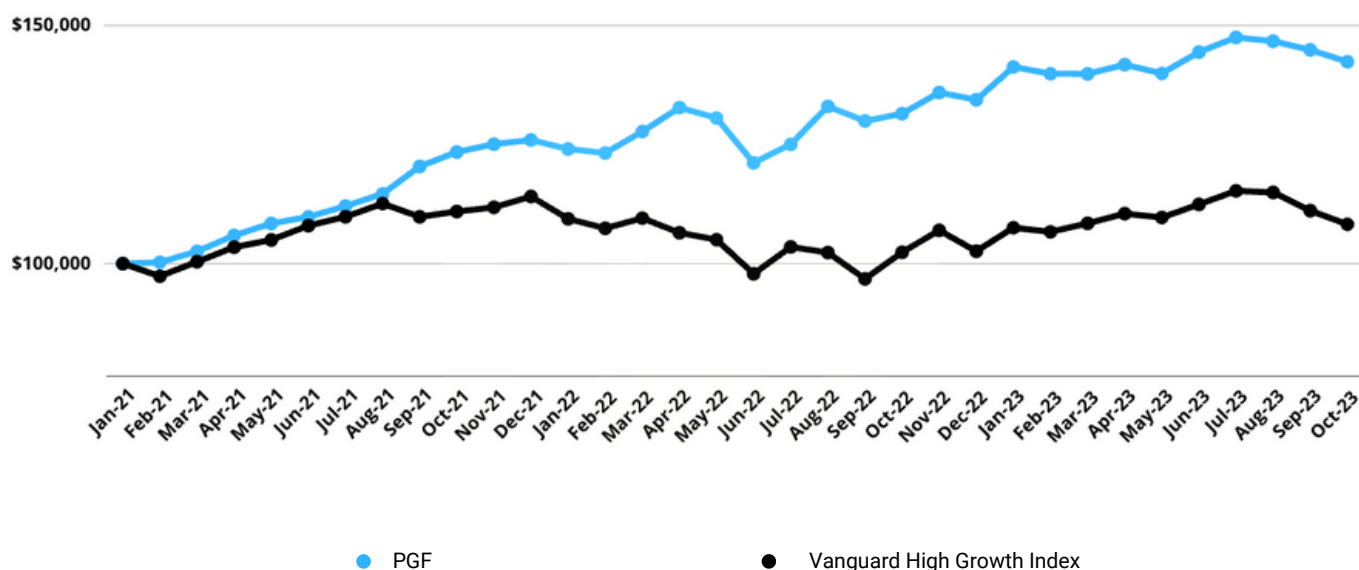
Past distributions paid: FY23: 9.61c, FY22 5.12c, FY21 8.91c.

Performance Table Net of Fees

As at 31 October 2023	PGF	Vanguard High Growth Index Fund	Difference
1 Month	-1.70%	-2.57%	0.87%
3 Months	-3.48%	-6.09%	2.61%
1 Year	7.96%	5.74%	2.22%
3 Years p.a.	-	-	-
Since Inception*	42.34%	8.70%	33.64%

Monthly Performance Net of Fees and Growth of \$100,000

Return %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021	-	0.28	2.28	3.28	2.36	1.28	2.06	2.29	5.02	2.52	1.33	0.70	25.95
2022	-1.48	-0.68	3.80	4.10	-1.62	-7.21	3.21	6.80	-3.09	1.54	3.08	-1.12	6.72
2023	5.12	-1.01	-0.02	1.38	-1.30	3.21	2.13	-0.54	-1.28	-1.70 [^]			5.91



*Inception date is 8 February 2021

[^]The latest monthly unit prices and return figures are provided on an estimated basis only and may be subject to change.

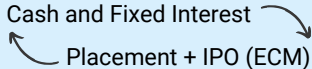
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Past performance is not indicative of future performance. Specific risks of the Fund may impact on the possibility of such a return in future.

Top 10 Listed Equity Positions

Stock Name	Portfolio Weight
Partners Group Global (ASX:PGG)	6.4%
Santos (ASX:STO)	2.2%
Neuren Pharmaceuticals (ASX:NEU)	2.0%
Meta Platforms (NASDAQ:META)	2.0%
S&P Biotech ETF (ASX:CURE/NYSE:XBI)	1.8%
NB Global Income (ASX:NBI)	1.7%
NextDC (ASX:NXT)	1.6%
VanEck Gold Miners (ASX:GDX)	1.6%
Entain (LON:ENT)	1.5%
Stanmore Resources (ASX:SMR)	1.5%

Exposure Allocation

Strategy Bucket Allocation	Portfolio Weight
#1 Cash and Fixed Interest 	27.4%
Placement + IPO (ECM)	7.3%
#2 High Conviction Stocks	43.1%
#3 Options Account	9.1%
Managed Funds	5.0%
Unlisted Investments	8.1%

Fund Analytics

# of Positive Months	21/33 (63.6%)
Upside Capture	0.79
Downside Capture	0.16

Fund Commentary

PGF's estimated October return is -1.70%, outperforming the Vanguard High Growth Index Fund's -2.57%. The ASX 200 Index decreased by -3.78% and the MSCI World Ex-Aus Index dropped by -0.98% during the same period. Again, smaller companies fared much worse, with both the ASX Small Ordinaries and the ASX Emerging Companies down around 5%.

In our Bucket #1 strategy this month, PGF engaged in only 13 placements and IPOs. From these transactions, we anticipate receiving free attaching options for just one deal. ECM activities have notably decelerated, prompting us to adopt a more conservative approach in our bidding process. This shift has naturally led to a reduction in the number of deals we participated in. Key contributors to Bucket #1's performance included Centaurus Metals (ASX:CTM) block trade +5.0%, Auteco Minerals (ASX:AUT) +13.9%, Errawarra Resources (ASX:ERW) +24.2%, Magnetic Resources (ASX:MAU) +36.6% and Dimerix options (ASX:DXBO) at an impressive +242.6%. On the other hand, the main detractors were Blue Star Helium (ASX:BNL) -5.2% and Devex Resources (ASX:DEV) -11.0%. Deal flows picked up late in the month as market sell-off stabilised.

Our Bucket #2 high-conviction portfolio negatively impacted the fund's overall return, yet it still showed strong performance compared to the broader market. The gains were primarily driven by our energy and gold holdings, including Stanmore Resources (ASX:SMR) +2.7%, Whitehaven (ASX:WHC) +3.5%, VanEck Gold Miners (ASX:GDX) +7.3%, and Predictive Discovery (ASX:PDI) +23.7%. The primary detractors were Neuren Pharma (ASX:NEU) -3.0%, Santos (ASX:STO) -3.0%, NextDC (ASX:NXT) -5.2%, Charter Hall (ASX:CHC) -8.6%, Biotech ETF (ASX:CURE) -10.7%, and Regal Partners (ASX:RPL) -25.5%. Throughout the month, we implemented several changes in Bucket #2, including completely divesting from New Hope (ASX:NHC), Origin Energy (ASX:ORG), and Pacific Current Group (ASX:PAC), while initiating new positions in Regal Partners and Richemont (SIX:CFR).

Our journey with PAC, held since PGF's early days, culminated recently following a bid from Regal and GQG. A competitive battle ensued, driving PAC's price from \$7.80 pre-bid in July this year to a peak of \$11.35. We liquidated our entire stake in October around \$9.50, following news that Regal had withdrawn from the bid process. Our decision was influenced by our past experience with Ramsay Healthcare, where we learnt the importance of timely exits when deal momentum fades. Concurrently, we closely examined Regal Partners. Understanding the industry dynamics and Regal's product offerings well, we recognised its undervaluation and the suppression of its share price due to the bid as well as a range of other factors. We believe Regal has successfully diversified its business across products and talent. Phil King's strategy of leveraging the listed entity to acquire competitors at reasonable valuations is compelling. Convinced by Regal's growth prospects, we began building a position.

Understanding Two-Tranche Placements on the ASX

For ASX-listed companies seeking to raise capital beyond 15% of their existing issued share capital, obtaining shareholder approval is a regulatory necessity ([LINK](#)). For instance, if a company with 100 million shares outstanding aims to raise \$30 million at \$1 per share, it would need to issue 30 million new shares. In such cases, a special resolution is typically required, which is voted on at the company's Annual or Extraordinary General Meeting (AGM/EGM).

Why Companies Opt for Two-Tranche Placements?

Consider the previously mentioned company planning to issue 30 million shares to raise \$30 million so it can acquire another company. It can initially issue 15 million shares at \$1 each to raise \$15 million. The subsequent issuance of the remaining 15 million shares, aimed at raising another \$15 million, would be contingent upon shareholder approval. Given that organising and conducting a vote process can take up to two to three months, the capital raise thus need to be split as follows:

- Tranche 1: Immediate issuance of 15 million shares at \$1.
- Tranche 2: Issuance of another 15 million shares at \$1, scheduled for two to three months later.

Occasionally, capital raises are bolstered by the involvement of a substantial, strategic investor. The magnitude of their investment and any special rights or privileges often necessitate shareholder approval, thereby companies have to structure the raise into two tranches and often with the strategic investor's shares allocated only in the second tranche. In rare cases, companies might also price the second tranche higher to tranche one investor due to the significance of the investors involved. This is because larger blocks of shares are typically acquired at a premium.

Investor Considerations in Two-Tranche Placements

For investors participating in such capital raises, two-tranche placements introduce additional market risk. The interim period between tranches exposes investors to potential share price volatility due to market dynamics or company-specific factors. With the inherent uncertainties associated with two-tranche placements, we have observed a trend where companies tend to provide more favourable terms to investors, such as larger discounts or complimentary options, compared to single-tranche capital raises. This approach is often adopted as an incentive to offset the additional risk and to make the offer more attractive to potential investors.

From an investor's perspective, the second tranche of a placement presents a unique strategic opportunity. The delay between tranches allows for the effective utilisation of funds over several months for other opportunities. However, this approach necessitates meticulous record-keeping and vigilant tracking of timelines to ensure investors are fully prepared for the issuance of second-tranche shares. Keeping a detailed record is crucial to manage investments effectively and to capitalise on the timing of these tranches.

If the capital raise includes free attaching options, these typically require shareholder approval too and are hence issued with a delay of two to three months. Given that most AGMs occur in November, for our fund, a significant influx of options and second-tranche placement settlements is anticipated towards late November or early December.

Considering the complexity of ECM deals in general, we have developed a sophisticated deal flow monitoring system and process over the years. Our system enables us to meticulously track various aspects of PGF's ECM deal exposure, including settlement timing, option terms, broker allocations amongst others.

Fund Information

PGF was established in February 2021 with the goal of generating an above equity net return for its unitholders. It is designed as an absolute return fund with capital growth as the key focus, achieved by using an unconstrained approach via investing in a wide range of investable assets. Refer to fund Information Memorandum for more information.

Portfolio Manager

Jack Hu, CFA | jack@pgf.net.au

Responsible Manager

Benjamin Peters | ben@pgf.net.au

Fund Guideline

- Maximum Single Holding Size: 20% at Cost
- Maximum Unlisted Holdings: 30% at Cost
- Buy Sell Spreads: Nil
- Distribution Frequency: Annually
- Minimum Investment: \$100,000

Application and Redemptions

<https://www.registrydirect.com.au/offer/phoenix-growth-fund/>

Website

<https://www.pgf.net.au/>

*The target return figure provided is a target only and may not be achieved. Investors balance may even fall in value.

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There are risks involved in investing in the Emerald Capital's strategy. All investments carry some level of risk, and there is typically a direct relationship between risk and return. We describe what steps we take to mitigate risk (where possible) in the Fund's Information Memorandum. It is important to note that despite taking such steps, Emerald Capital cannot mitigate risk completely.

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