

PENGANA ALPHA ISRAEL FUND

DESCRIPTION

The Pengana Alpha Israel Fund invests in listed Israeli companies that produce cutting edge – both high and low tech – technologies. These Israeli listed companies have developed solid intellectual property coupled with strong global distribution.

The Fund offers Australian investors diversification within global equity exposure to a unique and promising market that is very much skewed to industries and technologies that are either limited, or do not exist, in the Australian market place, such as: the semiconductor industry, solar and water treatment technology, aerospace and electronic defence industries, and cyber security technologies.

STATISTICAL DATA

VOLATILITY³ 11.3%

NUMBER OF STOCKS 36

BETA⁴ 0.58

MAXIMUM DRAW DOWN -15.7%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 28 Feb 2023¹

Alpha Israel Fund Class A (AUD)

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class A	-4.5%	-14.7%	-4.3%	0.4%	5.2%
Tel Aviv Stock Exchange 125 Index	-5%	-15.7%	3.9%	3.9%	4.7%

Alpha Israel Fund Class B (USD)

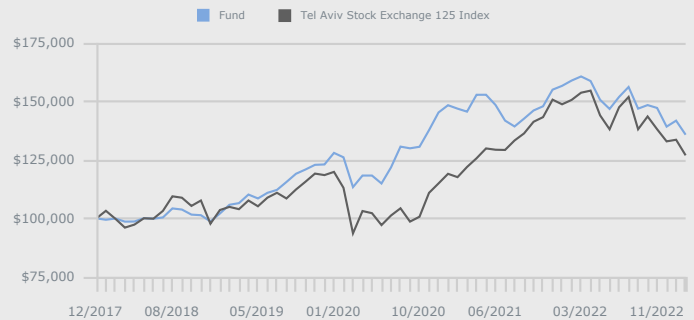
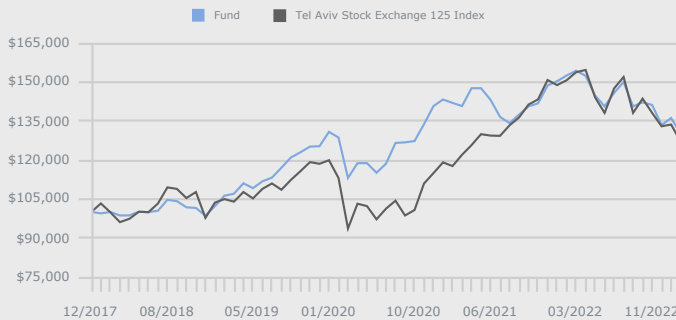
	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	-4.2%	-14.6%	-3.9%	2.5%	6.1%
Tel Aviv Stock Exchange 125 Index	-5%	-15.7%	3.9%	3.9%	4.7%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²

Class A

Class B



TOP HOLDINGS (ALPHABETICALLY)

Bank Hapoalim BM	Diversified Banks
Check Point Software Technologies	Systems Software
Mizrahi Tefahot Bank Ltd	Diversified Banks
Oil Refineries Ltd	Oil & Gas Refining & Marketing
Payton Planar	Electronic Components

SECTOR BREAKDOWN

Consumer Discretionary	2.6%
Financials	21.6%
Health Care	8.7%
Industrials	10.9%
Information Technology	15.6%
Materials	4.1%
Real Estate	12.3%
Consumer Staples	0%
Energy	9.1%
Options	0.4%
Cash	14.7%

CAPITALISATION BREAKDOWN

Under 100m USD	8.4%
In between 100 - 1bn USD	30.1%
In between 1bn - 5bn USD	20.4%
Above 5bn USD	26%
Derivatives	0.4%
Cash	14.7%

FEBRUARY REPORT

COMMENTARY

The Fund returned -4.5% (Class A, AUD) and -4.2% (Class B, USD) in February, while the TA 125 Index returned -5%.

Global share markets fell back in February following the strong gains made in January. Global bond yields rose when US Federal Reserve Chair Jerome Powell spoke about the need to continue raising interest rates.

Israel's share market weakened upon elevated political uncertainty which had not been anticipated by markets. This aggravated the impact of weaker global forces on sentiment, although signs emerged at the end of February of a possible political compromise.

Market Review

Annual inflation in Israel increased to 5.4% in January from 5.3% in December, above market expectations that it would remain unchanged. Inflation rose 0.3% month-on-month, ahead of the 0.1% market forecast. This reflected rising services inflation in Israel, global supply-demand imbalance, and the impact of China's re-opening on price levels.

However, there are signs that Israel's wage pressures are moderating and global supply chain issues are being resolved. This should help contain inflationary pressures over the next few months.

High domestic services inflation, the tight labour market, the weaker shekel, and – most importantly – rising inflation expectations are expected to lead the Bank of Israel to increase interest rates by 0.25% – 0.50% at its next meeting. The market is currently pricing in a 0.5% hike from the current 4.25%. It is now forecast to peak at 5.02%, which is a full 1.0% above market expectations of a month ago.

Global credit rating agency 'Fitch' maintained Israel's A+ credit rating with a 'stable' outlook – the country's highest ever. The agency noted the country's current account surplus, decline in debt to GDP ratio, strong ability to meet its financial obligations, strong 6.4% GDP growth last year, and expectations that inflation will slow to 3.0% by the end of 2023. It noted that political developments and any potential impact on the judiciary would be closely monitored.

Portfolio Commentary

The Fund's main contributor to relative returns in February was the overweight position in the semiconductor sector, including the holding in **Camtek**, which develops surveillance products.

The Fund's main detractor from relative performance was its exposure to the real estate sector, such as **Electra Group** (diversified) and **Medipower** (retail). Those companies with the highest exposure to rising interest rates saw the greatest level of underperformance. However, the market is seeing increased dispersion between companies.

While the real estate sector remains under pressure in the short term, the Fund's holdings are well positioned to create value over the medium term. The Fund has no exposure to residential real estate which faces particular challenges in this economic environment.

The Fund took the opportunity to increase exposure to financials during February to 16.5%, as these stand to grow earnings in the higher interest rate environment.

The Fund continues to hold companies in the Value segment of the portfolio that have strong balance sheets and net cash positions that leave them less sensitive to rising interest rates. **FMS** is a global group that specialises in advanced ballistic protection technology, which holds 35% of its market value in cash, delivers strong profits, and remains debt-free.

During February the Fund shifted most of its portfolio protection towards the Israeli market index, to protect the holdings from short-term volatility in the local market. The Fund has maintained some longer-dated contracts on US markets to provide longer-term protection from the impact of any global recession.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 0.9399
FEES *	Management Fee: 1.50% p.a. paid monthly in arrears Performance Fee: 20% above the Hurdle with a high water mark, paid semi-annually in arrears
MINIMUM INITIAL INVESTMENT	\$250,000
STRATEGY INCEPTION DATE	1 January 2018
BENCHMARK	The goal of the Fund is to achieve long term capital growth by investing in Israeli and Israeli related companies, generating returns that consistently outperform the relevant benchmarks. Returns are not guaranteed.

FUND MANAGERS



Gabi Dishi
Founder & CEO



Michael Weiss
Founder & Managing Partner



Aviran Revivo
Managing Partner



Sagi Ben Yosef
Managing Partner

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Performance figures are calculated using net asset values after all fees and expenses, and assume reinvestment of distributions. Index returns shown are in ILS (Israeli Shekel). 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 January 2018.

3. Annualised Standard Deviation since inception

4. Relative to Tel Aviv Stock Exchange 125 Index

Please note: This fund is only open to Wholesale Investors.

PENGANA ALPHA ISRAEL FUND

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PENGANA.COM

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