

## PENGANA AXIOM INTERNATIONAL ETHICAL FUND HEDGED

### DESCRIPTION

The Pengana Axiom International Ethical Fund (Hedged) invests in companies that are dynamically growing and changing for the better, more rapidly than generally expected and where the positive changes are not yet reflected in expectations or valuation.

The Global Equity Strategy seeks dynamic growth by concentrating its investments in global developed markets, and may also invest in companies located in emerging markets.

The investment manager is Axiom Investors, a Connecticut-based global equity fund manager formed in 1998 with over US\$19billion in assets under Management.

### STATISTICAL DATA

VOLATILITY<sup>8</sup> 14.9%

NUMBER OF STOCKS 50

BETA<sup>9</sup> 0.94

### PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 28 Feb 2023<sup>1</sup>

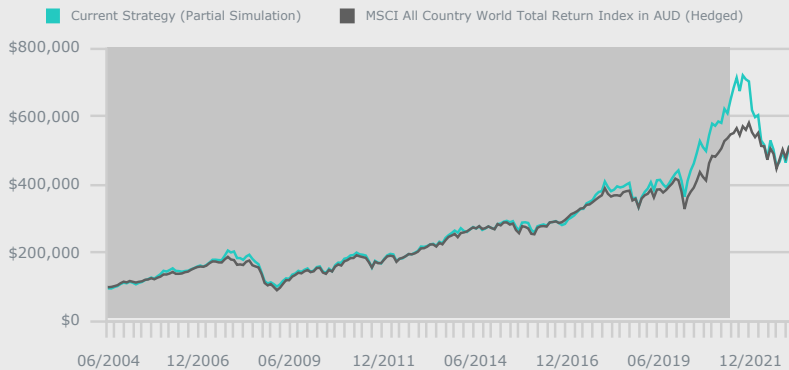
#### Pengana Axiom International Ethical Fund (Hedged)<sup>1</sup>

The Class was established in 1 July 2017. From June 2021 Axiom was appointed as the investment manager for the Fund.

	1M	1Y	Since Axiom Appointed June 2021	3Y	5Y	Since Fund Inception July 2017 <sup>3</sup>	Since Strategy Inception July 2004 <sup>4</sup>
<b>Fund: APIR (HHA0002AU)<sup>2,3</sup></b> Managed by Axiom from June 2021	-2.7%	-17.4%	-11.4%	-1.4%	2.7%	4.6%	
<b>Current Strategy (Partial Simulation)<sup>5</sup></b> Axiom Global Equity Strategy				6.3%	4.7%	6.7%	8.9%
<b>Index (Hedged)<sup>6</sup></b>	-2.0%	-7.7%	-4.1%	9.5%	6.0%	7.1%	9.0%

### PERFORMANCE CHART

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



### TOP HOLDINGS (ALPHABETICALLY)

AIA Group Ltd	Financials
Apple	Information Technology
Asml Holdings	Information Technology
Danaher	Health Care
Gartner Inc	Information Technology
Hermes International	Consumer Discretionary
Microsoft	Information Technology
Novo Nordisk	Health Care
ServiceNow Inc	Information Technology
Visa Inc	Information Technology

### SECTOR BREAKDOWN

Consumer Discretionary	17.8%
Consumer Staples	6.4%
Financials	6.3%
Health Care	18.4%
Industrials	11.5%
Information Technology	31.4%
Materials	1.1%
Real Estate	1%
Communication Services	5.2%
Cash	0.9%

### CAPITALISATION BREAKDOWN

Under 5bn USD	3.9%
In between 5bn - 10bn USD	1.2%
In between 10bn - 50bn USD	24.7%
In between 50bn - 150bn USD	27.9%
In between 150bn - 500bn USD	27.3%
Above 500bn USD	14%
Cash	0.9%

### REGION BREAKDOWN

North America	64.6%
Europe ex-UK	18.4%
Emerging Markets	6.8%
Japan	4.4%
UK	1.6%
Asia Pacific ex-Japan	3.3%
Cash	0.9%

## RETAINED FOCUS ON DYNAMIC GROWTH STOCKS

### COMMENTARY

- Global equity markets weakened in February following the strong gains in January
- The global economy appears to be in reasonable shape as inflation continues to fall
- The Portfolio returned -2.7% in February, while the benchmark returned -2.0%

Global equity markets fell back in February following the strong gains made in January, with the MSCI All Country World Index AUD (Hedged) returning -2.0%. The Fund underperformed the benchmark by 0.7% in Australian dollar terms.

US inflation continued its trend down, falling to 6.4% year-on-year in January from 6.5% in December. Economic growth trends remained consistent with those seen in January as purchasing managers' data improved across the major economies. China continues to make rapid progress on re-opening, resulting in growing expectations of a strong economic recovery.

The Fund retains its focus on dynamic growth stocks. Positive revisions to earnings-per-share (EPS) can continue to drive outperformance as the economy moves into a period of weaker overall earnings growth. The Fund continues to overweight information technology, consumer discretionary and health care, while underweighting financials, energy, and materials.

Positive stock selection in industrials and health care contributed to relative returns, while negative stock selection in consumer staples and information technology were the main detractors. Overweight positions in FTI Consulting, Tesla, and Copart were the strongest contributors to relative performance, while positions in Estee Lauder, Danaher, and Alibaba were the most significant detractors.

**FTI Consulting** recently reported fourth quarter earnings results which were well ahead of investor expectations, with revenue increasing 15% year-on-year and EPS 14% ahead of the market consensus. Initial 2023 guidance exceeded analysts' expectations for revenues by 5% and was in-line with its forecasts for EPS.

**Copart** also reported second quarter earnings results and guidance that were ahead of investor expectations. Revenues grew 10% year-on-year (3% ahead of the market consensus) following improved international vehicle sales and US vehicle services.

**Tesla** continued to perform well as year-to-date vehicle orders remain elevated and anticipation of the company's high profile investor day in March continued to grow.

**Estee Lauder** underperformed the market following its second quarter earnings results which were slightly below market estimates and it provided updated forward guidance which was below the consensus. The shortfall was largely the result of one-off impairments, such as re-ordering in China being delayed by a quarter. These timing issues should not materially impact its upside earnings potential over the next two to three years. However, the Fund considered it prudent to trim the position.

**Danaher** continued to underperform the market following its fourth quarter earnings results in mid-January, when its 2023 forecasts were below market expectations. The company has a record of conservative guidance, but there now appears to be less potential for a positive surprise, leading to the Fund reducing its position in the company.

**Alibaba** recently reported its fourth quarter earnings results, with a 2% year-on-year revenue growth (1% ahead of investor expectations) and EPS well ahead of market estimates. Despite the strong results, the stock underperformed following the solid share price gains in January. This was in line with the broader China technology sector, as tensions between China and the US grew over the course of the month.


The Fund established a position in the German national airline **Lufthansa** during the month. Prior to Covid it had the highest exposure to the Asian market of the major network carriers, which leaves it well positioned to benefit as China re-opens. Its strong balance sheet brings good opportunities to deliver outperformance as earnings growth accelerates. The stock is valued at a discount to peers and historic earnings multiples.

The Fund completed its exit from **Generac**, the US manufacturer of back-up power generation products, following recent share price outperformance. The alternative energy business is becoming more competitive and uncertainty surrounds the company's order book.


In February the Fund engaged with Swiss-based food and drink manufacturer **Nestle** over its non-reporting of healthy food contributions to its product portfolio. This led directly to the company agreeing to establish a target by mid-September and committing to two further engagement meetings over the coming months.

FEATURES	
APIR CODE	HHA0002AU
REDEMPTION PRICE	A\$ 2.212
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 41.23m
STRATEGY INCEPTION DATE	1 July 2004
BENCHMARK	MSCI All Country World Total Return in AUD (Hedged)

### FUND MANAGERS



**Bradley Amoils**  
Managing Director/Portfolio Manager



**Andrew Jacobson**  
CEO/Chief Investment Officer

1. From 4 June 2021 the capital component of the foreign currency exposure for the Fund is hedged back to Australian dollars.
  2. Axiom was appointed fund manager as of 5 May 2021. June 2021 represents the first full month of Axiom managing the Fund.
  3. Inception date 1 July 2017. Figures shown are calculated from the continuous performance of both the current and previous strategies. For performance see row labelled Fund: APIR (HHA0002AU) in the table above which is the continuous performance of both the current and previous strategies.
  4. Axiom Global Equity Strategy inception 1 Jul 2004.
  5. Prior to 1 June 2021, the Axiom Global Equity Strategy performance (labeled 'Current Strategy (Partial Simulation)' and shown in the shaded area) includes the strategy performance simulated by Pengana from the monthly gross USD returns of the Axiom Global Equity strategy. The Axiom Global Equity Strategy performance does not include the Pengana ethical screen
  6. Prior to 4 June 2021 hedged performance has been simulated by Pengana for both the Fund and Index. This was done by: 1) using 3 month rolling forwards to hedge movements in the AUD/USD spot rate, and 2) deducting the Pengana International Ethical Fund (Hedged) management fee of 1.35% p.a. from the Fund's performance.
  - From 4 June 2021, index performance is from the MSCI All Country World Total Return in AUD (Hedged). Prior to 4 June 2021, index performance is simulated from the MSCI All Country World Total Return in USD
  7. Performance for periods greater than 12 months are annualised. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. 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.
  8. Annualised standard deviation since inception.
  9. Relative to the MSCI All Country World Total Return in AUD (Hedged).
- \*For further information regarding fees please see the PDS available on our website.

## PENGANA AXIOM INTERNATIONAL ETHICAL FUND HEDGED

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### PENGANA.COM

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