

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 11.8%

NUMBER OF STOCKS 29

BETA⁴ 0.62

MAXIMUM DRAW DOWN -15.7%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 29 Feb 2024¹

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	5.2%	20.3%	1.3%	3.3%	7.5%
Tel Aviv Stock Exchange 125 Index	6.4%	15.9%	-1.1%	7.8%	6.5%

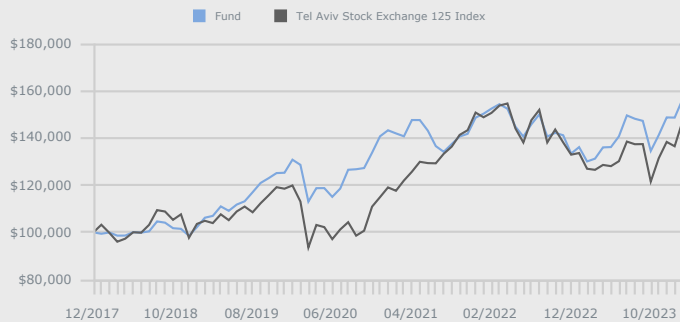
Alpha Israel Fund Class B (USD)

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	5.2%	23.3%	2.7%	4.5%	8.7%
Tel Aviv Stock Exchange 125 Index	6.4%	15.9%	-1.1%	7.8%	6.5%

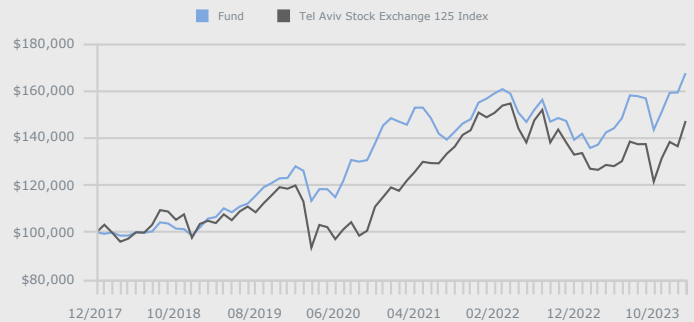
PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²

Class A



Class B



TOP HOLDINGS (ALPHABETICALLY)

Argo Properties NV	Real Estate Operating Companies
Azrieli Group Ltd	Real Estate Operating Companies
Bank Hapoalim BM	Diversified Banks
Bank Leumi LE IS	Diversified Banks
Bezeq The Israeli Telecommunic	Integrated Telecommunication Services

SECTOR BREAKDOWN

Communication Services	4.9%
Consumer Discretionary	6.6%
Financials	33.1%
Health Care	6.5%
Industrials	4.1%
Information Technology	18.7%
Real Estate	16.9%
Consumer Staples	0%
Energy	6.4%
Options	0.3%
Cash	2.6%

CAPITALISATION BREAKDOWN

Under 100m USD	2.8%
In between 100 - 1bn USD	33.9%
In between 1bn - 5bn USD	21.3%
Above 5bn USD	39%
Derivatives	0.3%
Cash	2.6%

FEBRUARY REPORT

COMMENTARY

- Israeli equities strengthened in February upon further gains in global share markets – especially in the technology sector – and rising hopes that the conflict in Gaza may soon at least pause.
- Inflation continued to fall, leading to the Bank of Israel keeping interest rates on hold at 4.50% in February.
- The Fund returned +5.2% (Class A, AUD) and +5.2% (Class B, USD), while the TA 125 Index returned +6.4% in February.

Market Review

Israel's share market delivered strong returns in February as global equities powered ahead upon expectations of continued earnings growth, especially in the technology sector.

Israel faces its own unique geo-political challenges, but the bad news appears to be already fully priced into market valuations and hopes are rising of a ceasefire in the foreseeable future.

The mobilisation of 300,000 reservists contributed to a 19.4% annualised contraction in Israel's economy during the December quarter, well ahead of the 10% expected by analysts. This was reflected in the 2.7% fall in industrial production in December.

However, there are signs that the economy has bounced back since the start of 2024, as the Composite State of the Economy index increased by 0.3% in January. Consumer credit card purchases increased 7% year-on-year during January and February, despite the sharp fall in tourism-related spending, as private consumption reaccelerated.

This strength was reflected in stronger jobs data, a steep fall in unemployment and better purchasing managers index (PMI) data. January inflation fell to 2.6% year-on-year (from the previous 3.0%) and the Bank of Israel kept interest rates on hold at 4.50% when it met at the end of February. This saw the Israeli shekel appreciate against the US dollar and other major currencies, which is being further boosted by the prospect of a ceasefire.

The cost of the war means Israel will need to raise US\$60 billion in debt this year as it increases defence spending by 85% on its prewar budget. This will have influenced Moody's decision to downgrade Israel's sovereign rating from A1 to A2, which remains high for an emerging economy. The economy has a record of bouncing back strongly from regional conflicts when the fighting ends and reservists are demobilised. This is reflected in strong technology capital raising so far this year.

Portfolio Commentary

The main contributors to relative returns were the Fund's technology holdings and its position in the Tel Aviv Stock Exchange, which gained 11% in February.

The Fund's long held position in **Payton Planners** was a major contributor to relative returns in February. The technology company develops, produces, and markets unique planar transformers for markets including electrical components, communications, aerospace, electronics, military, and semiconductor manufacturers. The company has factories in the UK and US and is dual listed on the Brussels stock exchange.

Israel's largest private equity fund FIMI acquired a 30% controlling stake in the company at a 25% premium to the

market price, bringing a 23% share price gain in February. The involvement of FIMI is expected to build on its product and technology advantage to invest in sales growth and better optimise the balance sheet, ahead of further possible acquisitions.

Global fintech **Nayex** provides a comprehensive operating system and payment platform for unattended machines (e.g. vending, office drink dispensers, laundry appliances, car wash, public transport, parking and EV charging, etc) and retailers. Its main products are point-of-sale (POS) devices that accept swipe, contact and contactless card payments as well as mobile near-field communication (NFC) payments. The stock price appreciated 10% during February.

The company issued its full year earnings report at the end of February which announced a 36% growth in revenue as gross margins expanded to 40%. Strong operational leverage delivered a profit, in EBITDA terms. It expects 38% revenue growth in 2024, reflecting the opportunity in the unattended payments market as the company reaches one million terminals.

The main detractor from relative returns during February was the Fund's option position, which is in place to protect the portfolio from market falls, and did not create value during a period of stronger equity markets.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.0844
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 and may not be repeated, 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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