

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 10.6%

NUMBER OF STOCKS 40

BETA⁴ 0.54

MAXIMUM DRAW DOWN -13.6%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Apr 2022¹

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	-1.2%	3.2%	13.3%	11.1%	10.2%
Tel Aviv Stock Exchange 125 Index	0.6%	23%	22.4%	12.8%	10.6%

Alpha Israel Fund Class B (USD)

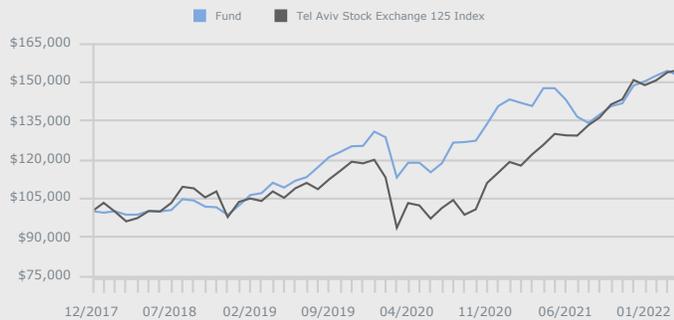
	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	-1.2%	3.8%	15.8%	12.9%	11.3%
Tel Aviv Stock Exchange 125 Index	0.6%	23%	22.4%	12.8%	10.6%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²

Class A

Class B



TOP HOLDINGS (ALPHABETICALLY)

Alony Hetz Properties	Real Estate Operating Companies
FMS Enterprises Migun	Aerospace & Defense
Kenon Holdings Ltd	Independent Power Producers & Energy Traders
Medi Power	Diversified Real Estate Activities
Telsys	Technology Distributors

SECTOR BREAKDOWN

Communication Services	3.6%
Consumer Discretionary	4.6%
Financials	10.6%
Health Care	8.1%
Industrials	11.8%
Information Technology	20.2%
Materials	2.1%
Real Estate	18.1%
Utilities	6.6%
Energy	7.1%
Other	0.1%
Options	0.4%
Cash	6.5%

CAPITALISATION BREAKDOWN

Under 100m USD	5%
In between 100 - 1bn USD	43.2%
In between 1bn - 5bn USD	31.2%
Above 5bn USD	13.6%
Derivatives	0.4%
Cash	6.5%

APRIL 2022 - MONTHLY REPORT

COMMENTARY

In April the Israeli stock market maintained the positive momentum seen in the first quarter of 2022, despite a continued melt down in the Nasdaq, which included a number of Israeli tech companies. The Fund fell -1.2% during the month, compared to the TA 125 index which was up at 0.6%.

Since 1 January of this year, the Fund is up 2.5% (Class A) and 2.4% (Class B), versus the TA 125 index which is down -1.9%, and the NASDAQ which is down -18.8%.

The Fund's downside protection strategy drove a couple of changes over the month:

1. A significant increase in the investment of put options at the beginning of the month. Given that the market is already under pressure, we invested in put spread options, closer to the money and for a shorter term.
2. The realization of profits from the put options on the Nasdaq towards the end of the month.
3. A reduction in the Beta of the portfolio by decreasing the equity exposure and selling down a few positions. The exception to this was in gas stocks, where we started the month with a weight of 5% and ended up with about 7.2% due to appreciation in the sector.

The main contributors this month were the natural gas segment composed of **Ratio**, which was up 16%, and **Delek** up +18%. Both companies together added about 1% to the Fund for April.

The main detractors this month were in our tech exposure segment, with **Inmode**, dropping by 30%, and **Checkpoint**, which was down by 10%

Kenon/ Zim – we believe that shipping transportation prices are far from being in decline, and as long they are stable (or even 15% down) Zim looks like a very attractive position. If there is further stress on the company, we are partly protected with out-of-the-money put options. During the month we sold in-the-money puts and bought new ones out-of-the-money instead. In addition, we added a further 1% to the long position in Kenon.

InMode – InMode released pleasing financial reports in line with our expectations, but at this stage of the market sell off, the results were seemingly 'not enough'. Our position in InMode detracted 0.75% from the Fund's April returns, but we maintain our positive outlook for this company in the mid to long term. We believe the current stock price is attractive, with the company trading at a 10x multiple on the year's results, net of cash. However, we are not yet increasing our holding in the company, given that the business received a large tailwind from Covid and the multiple may not be entirely accurate. We will continue to monitor the business to assess how the interest rate increases affect the demand for its products, and may look to increase our holdings once we are confident that the company has stabilised post-Covid.

Check Point – we have continued to increase our position in **Checkpoint Software Technologies**, which is now 4% of the Fund. The company reported mixed financial reports, showing growth in revenue but an increase in operating expenses primarily due to an increase in marketing activity and a growing sales team. We believe that the company is transitioning from 'defensive' to 'offensive', which should lead to higher growth in the future. The company is still priced attractively, and it is clear that the market is still undergoing a significant contraction of multiples.

Ratio – the company is trading at a 9 x multiple based on current results of the Leviathan reservoir production, and

with the option to double the profits if the Whale production is indeed increased. However, this decision that has not yet been made, and even so would only have an effect on Ratio's reports in three years' time.

Stock in focus

In this month's report we will discuss our position in the Cyber sector with our holding of **Checkpoint Software Technologies** (Listed on the Nasdaq, symbol CHKP)

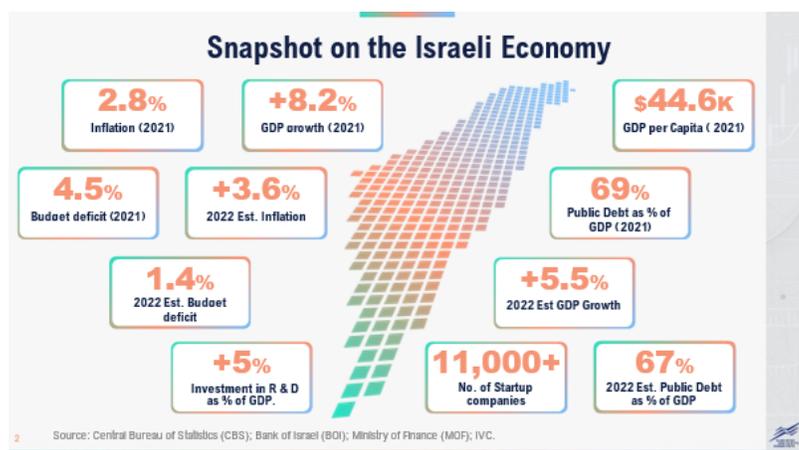
Most people will know Checkpoint as the inventor of the first "Firewall" (a network security system that monitors and controls incoming and outgoing network traffic based on predetermined security rules). Today, Checkpoint is a leading provider of cyber security solutions to governments and corporate enterprises globally. Its solutions protect customers from 5th generation cyber-attacks with an industry leading catch rate of malware, ransomware and other types of attacks. Checkpoint offers multilevel security architecture through "Infinity" Total Protection, with Gen V advanced threat prevention, which defends enterprises' cloud, network and mobile device held information. Checkpoint provides the most comprehensive and intuitive one point of control security management system and now protects over 100,000 organizations of all sizes.

The main reasons that brought us to invest in the company at the beginning of 2022 were:

- The cybersecurity market has a long period of growth ahead
- Checkpoint addresses companies' problem of coordinating between multiple cyber vendors in the organization
- Checkpoint is now a one-stop shop for cybersecurity solutions for enterprises
- Its growth rate accelerated from 3-4% Y/Y to +6% with billings growing in double digits
- It is a highly profitable business with market capitalization of \$19 billion USD, negative net debt of \$8B USD, and enterprise value of \$15.2B USD
- Trading at P/E 22 and EV/FCF 12.

Macro developments

The following slide summarises the official economic data for 2021 along with key forward looking estimates, and we believe best illustrates Israel's unique macro-economic situation:



We believe that these impressive figures explain why Israel is in such a strong position to enjoy continued growth at

these crucial times as the world emerges from the Covid pandemic.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.4221
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. 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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