

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 11.2%

NUMBER OF STOCKS 32

BETA⁴ 0.58

MAXIMUM DRAW DOWN -15.7%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Apr 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	3.6%	-10.7%	-4%	4.6%	5.9%
Tel Aviv Stock Exchange 125 Index	1.6%	-16.8%	1.1%	7.6%	4.8%

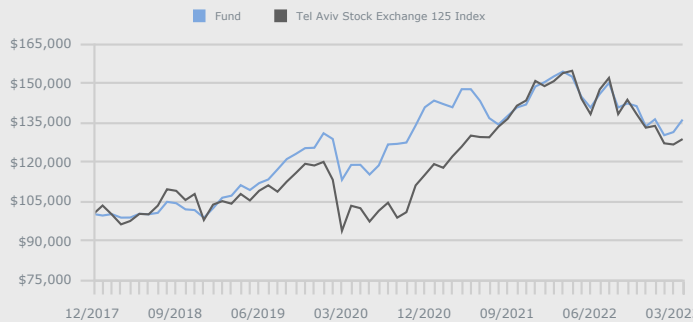
Alpha Israel Fund Class B (USD)

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	3.8%	-10.3%	-3.5%	6.4%	6.9%
Tel Aviv Stock Exchange 125 Index	1.6%	-16.8%	1.1%	7.6%	4.8%

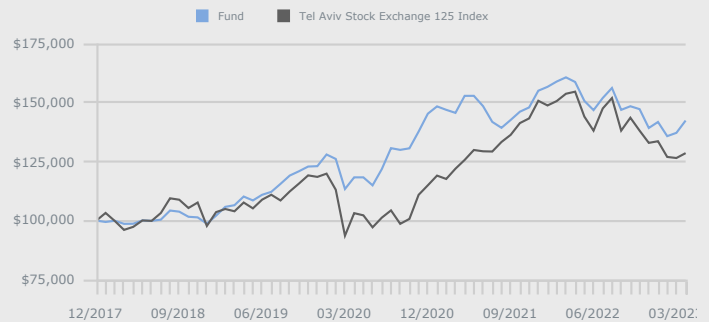
PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²

Class A



Class B



TOP HOLDINGS (ALPHABETICALLY)

Bank Hapoalim BM	Diversified Banks
Bank Leumi LE IS	Diversified Banks
Camtek	Semiconductor Materials & Equipment
Check Point Software Technologies	Systems Software
Electra Real Estate Ltd	Real Estate Operating Companies

SECTOR BREAKDOWN

Consumer Discretionary	4.5%
Financials	20.6%
Health Care	7.6%
Industrials	10.7%
Information Technology	18.5%
Real Estate	13.1%
Consumer Staples	0%
Energy	10.4%
Options	0.3%
Cash	14.3%

CAPITALISATION BREAKDOWN

Under 100m USD	7.6%
In between 100 - 1bn USD	29.6%
In between 1bn - 5bn USD	22.9%
Above 5bn USD	25.3%
Derivatives	0.3%
Cash	14.3%

APRIL REPORT

COMMENTARY

The Fund returned 3.6% (Class A, AUD) and 3.8% (Class B, USD) in April, while the TA 125 Index returned 1.6%.

Global share markets performed reasonably strongly again in April as investors expect that the slowdown in inflation will enable central banks to bring the interest rate hiking cycle to an early end.

The Fund performed strongly in both absolute terms and relative to the market during the month.

Market Review

Annual inflation in Israel fell back again in March to 5.0%, from 5.2% in February. It is expected to increase over the near term, but is forecast to drop to 2.9% over the coming year.

The Bank of Israel increased interest rates by 0.25% to 4.50% at its April meeting, with the market currently pricing in a 55% – 60% probability of a further 0.25% increase at the May meeting.

Israel's Composite State of the Economy Index increased by 0.30% in March, the third consecutive month of expansion of the indicator of real economic activity. This is now in line with the long-term average following the recent weakness.

It is expected that first quarter GDP growth will have been driven by the continued expansion of private consumption, although at a slower pace than seen recently.

The trade deficit fell from US\$6.1 billion to US\$5.5 billion in the first quarter, which should support GDP growth and the balance of payments surplus. This was driven by a faster decline in imports (5.3% year-on-year) as commodity prices fell, relative to exports (9.2%) as demand for consumer goods moderated.

The political unrest which followed the government's proposals on reforms to the judicial system may be resolved as signs emerge of progress to reach a compromise.

Portfolio Commentary

The largest contributor to relative returns during April was the outperformance of companies in the technology sector. These included **Massivit 3d Printing Technologies** whose market value rose 20% and **Inmode**, which increased 17%. The holding in **Electra Real Estate** also contributed to relative returns when it gained 19% in the month.

The most significant detractor from relative returns was the Fund's overweight exposure to **Camtek**, which develops and manufactures inspection and metrology equipment for the semiconductor industry. The Fund took the opportunity of the 3% price fall to increase its position.

The banking sector appreciated by 5% during April, but mid-month weakness provided the opportunity for the Fund to increase its exposure from 12% to 15%. Israeli banks are generally attractively priced and the Fund took the opportunity to increase its position upon market weakness.

The Fund's exposure to energy also contributed to relative returns as the price of natural gas rose in April. **Ratio, ORL, and Tamar Petroleum** – which account for 10% of the Fund – all outperformed the market during the month.

The Fund recently established a position in **Hilan**, which is Israel's leading software as a service provider. It is one of Israel's top four technology companies which provides HR-related systems packages, with a 30% market share in payroll processing. Its business model focuses on the acquisition and improvement of private technology companies.

Multiple compression in the sector is expected to provide further opportunities to develop its business. The company is debt free, valued at just 17 times earnings, and is expected to grow earnings at a rate in excess of 10% in the coming years.

The fund manager correctly anticipated the unwinding of Israel's recent share market underperformance relative to the global market as domestic political issues begin to get resolved. This led to the Fund largely refraining from increasing the local market downside protection (by replacing the existing long put option positions with – more expensive – contracts at a strike price closer to the market value).

The Fund subsequently took advantage of lower hedging costs – due to lower share market volatility levels – to put more significant downside portfolio protection in place at the end of April. It is intending to further strengthen this protection in May.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 0.9856
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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