

## 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> 14.8%

NUMBER OF STOCKS 49

BETA<sup>9</sup> 0.94

### PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Apr 2023<sup>1</sup>

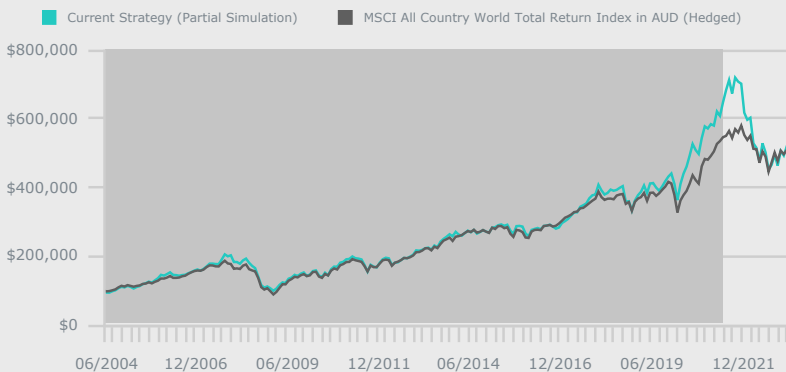
#### Pengana Axiom International Ethical Fund (Hedged)<sup>1</sup>

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	-1.0%	-2.7%	-8.4%	0.2%	3.1%	5.0%	
<b>Current Strategy (Partial Simulation)<sup>5</sup></b> Axiom Global Equity Strategy				7.9%	6.0%	8.1%	9.1%
<b>Index (Hedged)<sup>6</sup></b>	1.3%	0.6%	-1.9%	12.6%	7.0%	8.0%	9.1%

### PERFORMANCE CHART

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



### TOP HOLDINGS (ALPHABETICALLY)

Apple	Information Technology
Asml Holdings	Information Technology
Danaher	Health Care
Eli Lilly & Co	Health Care
Hermes International	Consumer Discretionary
Microsoft	Information Technology
Novo Nordisk	Health Care
NVIDIA Corp	Information Technology
ServiceNow Inc	Information Technology
Visa Inc	Financials

### SECTOR BREAKDOWN

Consumer Discretionary	17.9%
Consumer Staples	5.7%
Financials	10.3%
Health Care	18.8%
Industrials	12.3%
Information Technology	29%
Materials	0.7%
Real Estate	1%
Communication Services	3.1%
Cash	1.2%

### CAPITALISATION BREAKDOWN

Under 5bn USD	4%
In between 5bn - 10bn USD	1.2%
In between 10bn - 50bn USD	19.9%
In between 50bn - 150bn USD	27.4%
In between 150bn - 500bn USD	30.3%
Above 500bn USD	15.9%
Cash	1.2%

### REGION BREAKDOWN

North America	64.6%
Europe ex-UK	20%
Emerging Markets	4.8%
Japan	4.4%
UK	2.3%
Asia Pacific ex-Japan	2.7%
Cash	1.2%

## APRIL REPORT

### COMMENTARY

- Global equity markets strengthened in April as inflation continued to moderate
- Share prices were supported by positive economic data and company earnings which exceeded forecasts
- The portfolio returned -1.0% in April, while the benchmark returned +1.3%

Global equity markets strengthened during April upon signs that inflation is moderating, economic data remains fairly stable and that company earnings are exceeding expectations. The MSCI All Country World Index AUD gained 1.3%. The Fund underperformed the benchmark by 2.3% in Australian dollar terms, as value stocks outperformed growth for the first time this year. This was driven by financials rebounding following the underperformance in March.

US inflation continued to trend down, but the US Federal Reserve again raised interest rates by 0.25%, to 4.75% – 5.00%. The US consumer price index (CPI) fell to 5.0% year-on-year in March from 6.0% in February. Economic growth trends remained consistent with those seen in March as purchasing managers' data improved across the major economies.

China's manufacturing sector declined slightly in March while services expanded further. Economic activity pivoted towards domestic consumption, as services such as travel and entertainment drive the 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.

Strong stock performance in industrials was the most significant contributor to relative performance in April. The overweight position in information technology and underweight position in financials were the most significant detractors.

France-based luxury good house **Hermes** again contributed to outperformance in April. It reported first quarter earnings results which exceeded investor expectations across all business areas and regions. Investors were especially encouraged that demand in China has not yet slowed.

US pharmaceutical company **Eli Lilly** reported strong first quarter earnings and raised its full year guidance ahead of expectations. The company also released data from its phase III drug trial that showed a statistically significant benefit to Alzheimer patients.

The overweight position in UK business services group **Rentokil** contributed to relative returns in April. It reported first quarter earnings which announced organic growth above market expectations.

The Fund's overweight position in China-based multinational technology company **Baidu** detracted from relative returns. This followed its increased investment in artificial intelligence (AI) leading to negative earnings revisions. More broadly, the China durable goods demand recovery has disappointed relative to investor expectations.

Dutch technology group **STMicroelectronics** reported first quarter earnings results which exceeded expectations as it raised forward guidance. However, the stock underperformed upon the uncertain strength of the consumer and personal electronics markets. This was due to a lack of visibility into the distribution channel, although the underperformance appears excessive.

US-based science and technology group **Danaher** reported first quarter earnings results which included some modest upside potential. However, the outlook disappointed investors due to continued inventory destocking. While guidance is expected to prove conservative, the Fund reduced its position given its high portfolio weighting.

The Fund's sector allocation was broadly unchanged during the month. It increased its overweight positions in consumer discretionary and industrials, while decreasing its overweight position in information technology and extending the underweight position in communication services. Positions in Danaher, Baidu, and Tesla were reduced following weaker earnings reports.

The Fund increased its exposure to US health insurance company **Elevance Health** after the company reported strong first quarter earnings results which exceeded expectations and raised full-year guidance.

US enterprise software company **ServiceNow** also reported first quarter earnings results ahead of investor expectations. The company outperformed following strong subscription revenues and provided second quarter guidance in line with consensus expectations which appear conservative. The Fund took the opportunity to increase its position in the company.

The Fund continued to increase its position in Latin American e-commerce group **MercadoLibre**. This follows upward revisions to its first quarter earnings guidance ahead of the results being published in early May.

The Fund established a new position in **Novartis**, a diversified global pharmaceutical company with a focus on oncology, immunology, cardiovascular, and neurology. Some relatively disappointing product launches raised questions concerning Novartis' internal Research and Development and its ability to conduct successful merger activity. The company has now begun to gain traction in both areas, providing material upside to consensus estimates and making the valuation attractive. The stock is trading at a discount to both the peer group and its historical average multiple.

US life science group **IQVIA** reported first quarter earnings results which were largely in line with investor expectations. However, the forward guidance was maintained and assumed an acceleration in second half earnings, which given the weakness of biotech funding gives cause for doubt. The Fund decided to exit the position in favour of Novartis, which is viewed as being considerably more dynamic.


During April, US-based **Zoetis** which is the world's largest producer of animal medicines and vaccinations saw its environmental, social and governance (ESG) rating upgraded by MSCI from AA to AAA. Improvements in the company's talent management practices contributed to the upgrade. Its quality assurance practices now lead that of peers and it now has ISO 9001 certification and responsible marketing policies.

The Fund also engaged with luggage manufacturer and retailer **Samsonite**. It discussed the company's use of leather and recycled materials, which led to the Fund increasing its position in the company.


The Fund also met with the Chief Financial Officer of online vehicle auction group **Copart**, in which the company acknowledged the need to be more transparent. The Fund will continue to engage with the company on an ongoing basis.

FEATURES	
APIR CODE	HHA0002AU
REDEMPTION PRICE	A\$ 2.3078
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 42.61m
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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