

PENGANA AXIOM INTERNATIONAL ETHICAL FUND

DESCRIPTION

The Pengana Axiom International Ethical Fund 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

VOLATILITY⁷ 11.9%

NUMBER OF STOCKS 44

BETA⁸ 0.87

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Jun 2022¹

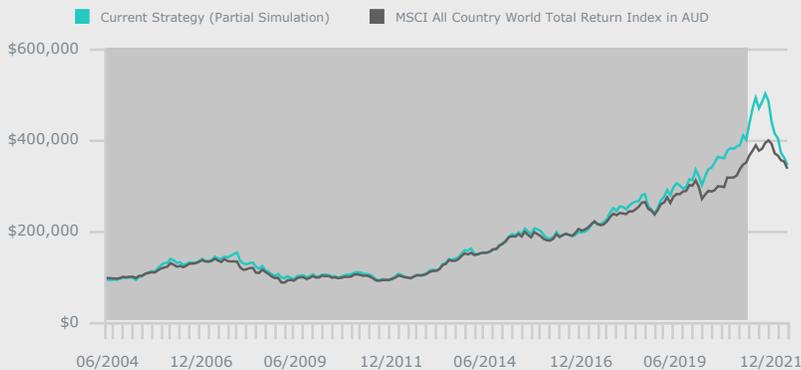
Pengana Axiom International Ethical Fund

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 ¹	3Y	Since Fund Inception July 2017 ²	5Y	Since Strategy Inception July 2004 ³
Fund: APIR (HOW0002AU)^{1,2} Managed by Axiom from June 2021	-4.4%	-21.0%	-12.9%	4.0%	6.4%		
Current Strategy (Partial Simulation)⁴ Axiom Global Equity Strategy				5.2%	10.0%	10.0%	7.1%
Index⁵	-4.5%	-8.0%	-3.6%	6.9%	9.4%	9.4%	7.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Asml Holdings	Information Technology
Danaher	Health Care
Eli Lilly & Co	Health Care
Estee Lauder Cos Inc	Consumer Staples
Microsoft	Information Technology
Nestle	Consumer Staples
ServiceNow Inc	Information Technology
Tesla Inc	Consumer Discretionary
Visa Inc	Information Technology

SECTOR BREAKDOWN

Consumer Discretionary	16.2%
Consumer Staples	9.6%
Financials	7%
Health Care	16.7%
Industrials	7.1%
Information Technology	32.4%
Materials	2%
Real Estate	1%
Communication Services	5.9%
Cash	2%

CAPITALISATION BREAKDOWN

Under 5bn USD	3.5%
In between 5bn - 10bn USD	0.4%
In between 10bn - 50bn USD	25.5%
In between 50bn - 150bn USD	24.3%
In between 150bn - 500bn USD	25.7%
Above 500bn USD	18.7%
Cash	2%

REGION BREAKDOWN

North America	74.7%
Europe ex-UK	16%
Emerging Markets - Asia	1%
Japan	4.2%
Asia Pacific ex-Japan	2.1%
Cash	2%

MONTHLY REPORT - JUNE

COMMENTARY

1. In June, growth factors began to reassert themselves as increasingly restrictive global monetary policy actions started to take their toll on economic activity levels.
2. Axiom continues to focus on dynamic growth stocks as positive as we believe EPS revisions will continue to be a key factor that drives outperformance at this point in the economic cycle.
3. The Fund's biggest portfolio changes during the month were allocating capital away from communication services, information technology, and industrials while increasing exposure to health care and consumer staples.

During June 2022, the Pengana Axiom International Ethical Fund ("Fund") fell by -4.4%, slightly overperforming the benchmark, the MSCI All Country World Index (AUD) ("Index").

In June, growth factors began to reassert themselves as increasingly restrictive global monetary policy actions started to take their toll on economic activity levels. Overall, the MSCI All Country World Growth Index marginally outperformed the Value Index by 46 basis points in June.

Inflationary pressures showed some signs of moderation as commodity prices retreated from their highs. Brent oil was lower by -6.5% month over month, although regional natural gas prices remain elevated on continued European geopolitical issues.

Further, global economic growth data continued to deteriorate. Most notably, the June US ISM Manufacturing New Orders declined to 49.2, a cycle low and representative of a contraction in activity (reading <50). European economic activity remains mixed with consumer and industrial activity varying widely by country. The strong US dollar continues to pressure European and emerging market economies.

China's Zero COVID policy began to ease in June resulting in an improvement in economic activity. Key economic indicators, the Manufacturing Purchasing Manager's Index (PMI) returned to expansionary territory at 50.2 versus 49.6, and Services PMI improved more rapidly to 54.7 in June versus 47.8 in May. Despite these improvements, overall Chinese economic activity remains mixed with continuous headlines around regional COVID case count increases and restrictions.

Lastly, the US 2-to-10-year yield curve inverted again at the end of June, signalling continued recessionary concerns.

At Axiom, we continue to focus on dynamic growth stocks as positive EPS revisions should continue to be a key factor that drives outperformance as the broader economic cycle deteriorates. The Fund remains overweight information technology, consumer discretionary, and health care sectors and remains underweight financials, energy, and materials.

The Fund's performance in June was primarily driven by positive sector allocation. At the stock level, **ASML**, **SVB Financial**, and **Nutrien** were the worst relative contributors in June. Despite continued strong semiconductor equipment demand trends, the broader slowdown in economic growth is expected to impact semiconductor demand, and our large weighting in ASML was impacted. SVB (Silicon Valley Bank), the portfolio's lone bank holding, was pressured during the second half of the month on flattening yield curves. Nutrien, the portfolio's only materials stock was impacted by deteriorating economic growth data and concerns over reduced fertilizer demand

stemming from the high prices.

ServiceNow, Estee Lauder, and AIA Group were the top relative performers in June. After raising long-term growth targets at its investor meeting in late May, ServiceNow further benefited from the relative improvement in growth stocks sentiment during June. Estee Lauder, a leader in global cosmetics, stands to benefit from the reopening of the Chinese economy and the resulting improvement in domestic tourism activity (Greater China makes up ~1/3 of sales). AIA Group also outperformed during June as the reopening of the Chinese economy will lead to an increase in insurance underwriting volumes in the Greater China region.

The Fund's biggest changes during the month were allocating capital away from communication services, information technology, and industrials while increasing exposure to health care and consumer staples.

Alphabet, ASML, and Atlas Copco were the largest position reductions. For Alphabet, initial discussions with digital advertisers about the outlook for the remainder of 2022 have indicated a likely reduction in spending from the deteriorating economic fundamentals mentioned above. The incoming data warranted downgrading our internal stock rating to a B1 from a B2 and materially trimming the position size. Similar to Alphabet, incoming data around slowing demand in many large semiconductor end markets, PCs and smartphones, in particular, drove us to trim our large position in ASML after considerably decreasing the Fund's overall semiconductor exposure in late 2021 and early 2022. We also continued to trim Atlas Copco in June as data points in its more cyclical broad industrials business began to deteriorate.

Our largest position increase during June was to **Nestle**, a position initiated in May, as its leading franchises in premium coffee and pet food have pricing power allowing it to more than offset cost inflation to drive revenue growth and operating leverage. We also substantially increased our position in **Eli Lilly** as data on its GLP-1 class of diabetes treatments continues to track ahead of expectations.

We had one position, **Costco Holdings**, receive an MSCI ESG rating upgrade during June. The rating improved from BBB to A due to improvements in Costco's product safety and quality risk controls. Costco is an industry leader in conducting periodic supplier audits around food safety risks. Audit evidence shows no recalls in its private-label business within the past year.

We initiated a new position in **FTI Consulting** which specialises in corporate restructuring and litigation services. Given all the macroeconomic headwinds we are seeing, FTI is uniquely positioned to benefit from this increase in corporate instability. This name was sourced through collaboration across Axiom strategies as it is currently one of the largest positions in our US Small Cap Equity Fund.

We fully exited **Recruit Holdings** during the month. Recruit reported disappointing financial results in May as its core HR Technology franchise revenue growth decelerated relative to the employment indicators we closely track. This supports our view that global employment trends will deteriorate along with broader economic fundamentals.

FEATURES

APIR CODE	HOW0002AU
REDEMPTION PRICE	A\$ 2.3147
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 269.38m
STRATEGY INCEPTION DATE	1 July 2004
BENCHMARK	MSCI All Country World Total Return Index (net, AUD)

FUND MANAGERS



Bradley Amoils
Managing Director/Portfolio Manager



Andrew Jacobson
CEO/Chief Investment Officer

Prior to June 2021, the Axiom Global Equity Strategy performance (shown in the shaded area) includes the strategy performance simulated by Pengana from the monthly gross returns of the Axiom Global Equity strategy. This simulation was done by: 1) the conversion of US-denominated gross returns to AUD, 2) applying the fee structure of the stated class. The simulation does not include the Pengana ethical screen. From June 2021 the strategy performance is the performance of the Pengana Axiom International Ethical Fund.

1. Axiom was appointed fund manager as of 5 May 2021. June 2021 represents the first full month of Axiom managing the Fund.
2. 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 (HOW0002AU) in the table above which is the continuous performance of both the current and previous strategies.
3. Axiom Global Equity Strategy inception 1 Jul 2004.
4. Prior to June 2021, the Axiom Global Equity Strategy performance (labeled 'Strategy (Partial Simulation)' and shown in the shaded area) includes the strategy performance simulated by Pengana from the monthly gross returns of the Axiom Global Equity strategy. This simulation was done by: 1) the conversion of US-denominated gross returns to AUD, 2) applying the fee structure of the stated class. The simulation does not include the Pengana ethical screen. From June 2021 the strategy performance is the performance of the Pengana Axiom International Ethical Fund.
5. MSCI All Country World Total Return Index in AUD.
6. 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. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.
7. Annualised standard deviation since inception.
8. Relative to the MSCI All Country World Total Return Index in AUD.

*For further information regarding fees please see the PDS available on our website.

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