

## 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

VOLATILITY<sup>3</sup> 11.1%

NUMBER OF STOCKS 33

BETA<sup>4</sup> 0.58

MAXIMUM DRAW DOWN -15.7%

### PERFORMANCE TABLE

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

#### 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	3.3%	0.1%	-0.8%	6.9%	6.4%
Tel Aviv Stock Exchange 125 Index	1.6%	-5.7%	0.3%	10.3%	4.9%

#### Alpha Israel Fund Class B (USD)

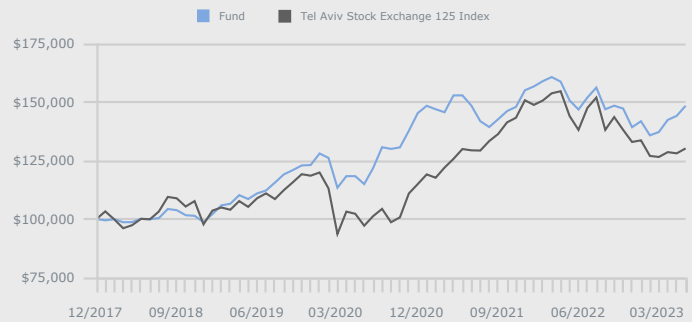
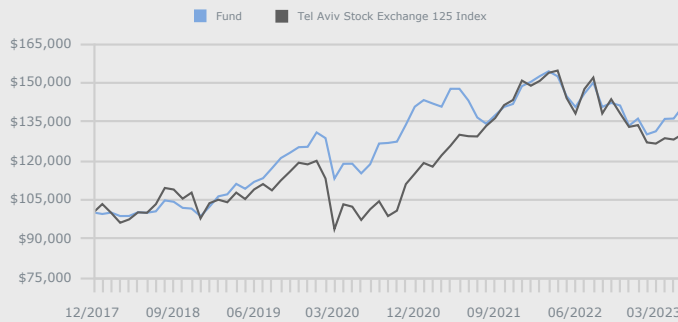
	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	3%	1.1%	0.0%	8.9%	7.4%
Tel Aviv Stock Exchange 125 Index	1.6%	-5.7%	0.3%	10.3%	4.9%

### PERFORMANCE CHART

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

#### Class A

#### Class B



### TOP HOLDINGS (ALPHABETICALLY)

Azrieli Group Ltd	Real Estate Operating Companies
Bank Hapoalim BM	Diversified Banks
Bank Leumi LE IS	Diversified Banks
Israel Discount Bank Ltd	Diversified Banks
Payton Planar	Electronic Components

### SECTOR BREAKDOWN

Consumer Discretionary	3.2%
Financials	21.9%
Health Care	7.4%
Industrials	10.7%
Information Technology	18.9%
Real Estate	14.7%
Consumer Staples	0%
Energy	10.2%
Other	2.7%
Options	0.3%
Cash	10%

### CAPITALISATION BREAKDOWN

Above 5bn USD	1.1%
Derivatives	0.3%
Not Classified	88.6%
Cash	10%

## JUNE REPORT

### COMMENTARY

- The Fund returned 3.3% (Class A, AUD) and 3% (Class B, USD) in June, outperforming the TA 125 Index which returned 1.6%.
- The economic environment in June continued to be challenging in terms of high-interest rates and upward wage pressures.
- The Technology sector continues to drive the Fund's returns and we added two new positions in June

#### Market Review

The economic environment in June continued to be challenging in terms of high-interest rates and upward wage pressures. As mentioned in last month's report, the Bank of Israel has increased interest rates steadily since April 2022 in its attempts to curb inflation, raising the benchmark interest rate to 4.75%. Recent signs are that inflation may be moderating with an easing in energy and most commodity prices, despite weakness in the Shekel increasing the cost of imported goods. Overall we believe the effects of high-interest rates have not yet made their mark.

A recent report has highlighted the importance of the Tech sector in the Israeli economy. In 2022, the high-tech sector accounted for 18.1% of Israel's GDP, compared to the United States where it accounts for about 10% of GDP and Europe where the average is only 5 to 6%. The report also highlights that in the past decade, US\$95 billion has been raised for 12,000 Israeli high-tech companies.

The centrality of the sector within the economy and its global recognition is reinforced by corporate activity on a regular basis. A recent example is Intel's announcement that it intends to invest \$25bn in a new chip factory in Israel, placing Israel at the forefront of the global chip war. This decision was made despite substantial incentives from the U.S. and Europe and reflects the quality of the local production and the importance of Intel's Israeli operations.

The Defence sector is another important pillar of the local economy. The Ministry of Defence recently announced that the volume of exports by Israeli industries to countries around the world reached about US\$12.5 billion in 2022, jumping 50% in the past three years. About a quarter of the contracts are for drones. Demand is growing from NATO countries, largely due to the ongoing war between Russia and Ukraine, but interest from gulf states is also increasing and their procurement of defence systems from Israel has tripled in the last year.

#### Portfolio Commentary

The main contributor to performance in June was the Technology sector, as it was last month. Companies such as Inmode (INMD), up 18%, Camtek (CAMT), up 16%, and SolarEdge (SEDG), up 10%, drove the performance.

Solar Edge is a new position established in June. The company offers inverters, power optimizers, communication devices, and smart energy management solutions used in residential, commercial, and small utility-scale solar installations. It is a market leader in its field and sells its products in over 120 countries, growing at 35% per annum over the past 4 years. According to our internal modeling, the company will increase revenues to US\$6.5 billion in 2025 and make a net profit of US\$900 million, making the current net multiple of around 23 times on projected results very attractive at the present time.

**Nayax** (NYAX) was also added to the portfolio in June. Nayax provides a comprehensive operating system and payment platform for retailers with offices in 9 countries and distributors in 46 markets. The platform accepts 80+ payment methods and 50+ currencies. The opportunity is huge with circa 50 million unmanned machines globally, of which only 30% have smart means of payment and remote management. Nayax is growing at a rate of 30% per year, has set ambitious revenue targets of \$1 billion with a 30% EBITDA rate within 5 years, and currently trades at low double digit multiples on 2025 earnings.

In addition to these purchases we increased our stake in **Azrieli Group** to 5% following the announcement of a deal to sell its 32% stake in Compass, a US data centre operator. Azrieli identified data centers years ago and has built expertise and invested close to \$1 billion USD in acquisitions. The successful realisation of the investment in Compass will enable it to continue its development of data centres without too sharp an increase in debt, including the further development of the backlog at Green Mountain, a Norwegian company it acquired in 2021 that has recently signed a significant contract with TikTok.

## FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.0273
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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### PENGANA.COM

Pengana Capital Limited (ABN 30 103 800 568, AFSL 226566) ("Pengana") is the issuer of units in the Pengana Alpha Israel Fund (the "Fund"). An information memorandum for the Fund is available and can be obtained from our distribution team. A person should consider the information memorandum carefully and consult with their financial adviser before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This information has been prepared for Wholesale Clients only. This information does not contain any investment recommendation or investment advice and has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on this information a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs.