PENGANA CAPITAL GROUP

MONTHLY REPORT
SEPTEMBER 2023

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[8] 14.7%	NUMBER OF STOCKS 45	BETA[9] 0.95

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2023[1]

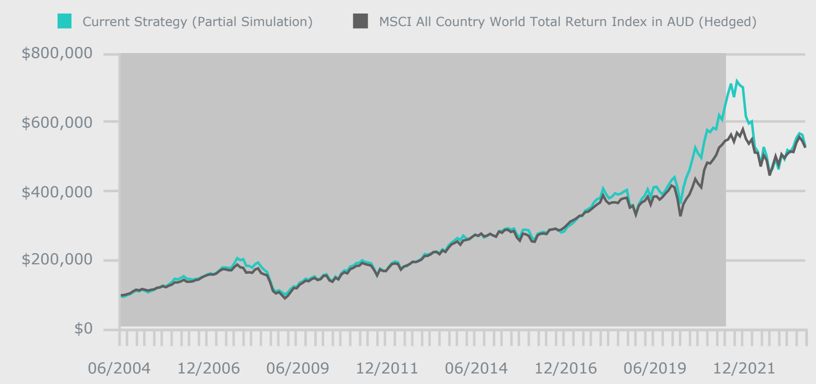
Pengana Axiom International Ethical Fund (Hedged)[1]

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[3]	Since Strategy Inception July 2004[4]
Fund: APIR (HHA0002AU)[2,3] Managed by Axiom from June 2021	-5.9%	17.3%	-11.3%	-5.7%	-1.4%	3.6%	5.2%
Current Strategy (Partial Simulation)[5] Axiom Global Equity Strategy					1.4%	5.6%	8.0%
Index (Hedged)[6]	-3.6%	18.0%	-1.7%	-0.7%	7.7%	6.7%	7.8%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon.com Inc	Consumer Discretionary
Apple Inc	Information Technology
Eli Lilly & Co	Health Care
Hermes International SCA	Consumer Discretionary
Microsoft Corp	Information Technology
Novo Nordisk A/S	Health Care
NVIDIA Corp	Information Technology
ServiceNow Inc	Information Technology
Visa Inc	Financials

SECTOR BREAKDOWN

Consumer Discretionary	19%
Consumer Staples	2.8%
Financials	8.2%
Health Care	19.7%
Industrials	10%
Information Technology	33.6%
Real Estate	0.9%
Communication Services	3.7%
Cash	2.1%

CAPITALISATION BREAKDOWN

Under 5bn USD	2.8%
In between 5bn - 10bn USD	2.4%
In between 10bn - 50bn USD	16.3%
In between 50bn - 150bn USD	22.5%
In between 150bn - 500bn USD	26.4%
Above 500bn USD	27.5%
Cash	2.1%

REGION BREAKDOWN

North America	68.9%
Europe ex-UK	14.5%
Emerging Markets	5.9%
Japan	3.7%
UK	2.2%
Asia Pacific ex-Japan	2.7%
Cash	2.1%

SEPTEMBER REPORT

COMMENTARY

- Global equity markets weakened further during September, as the global economy continues to slow under the pressure of higher interest rates
- Longer-term bond yields increased upon fears that persistent inflationary pressures will keep interest rates elevated for an extended period, which particularly impacted growth stocks
- The portfolio returned -5.9% in September, while the benchmark returned -3.6%

Global share markets again moved lower in September, as persistent inflation increased the expectation that interest rates would remain elevated for an extended period. This helped push up longer-term government bond yields, which weighed on share prices.

US inflation remains persistent, increasing in August to 3.7% year-on-year from 3.2% in July. The US dollar increased by 2.5% against a basket of key trading partners' currencies in September. This reflected growing expectations that the US interest rate will be kept at a premium over those of other major currencies. Economic growth data remains mixed, with the picture in North America and Europe being one of gradual improvement, yet still consistent with contraction.

China's manufacturing activity continues to expand, although the broader 're-opening' following the lifting of its zero-COVID strategy has now largely stalled. Consumer spending remains sluggish, as the highly leveraged property market continues to slow the economy. Travel and entertainment continue to support economic activity in the region.

The Fund retains its focus on dynamic growth stocks whose positive revisions to earnings per share (EPS) drive outperformance as global economic growth moderates. The Fund continues to overweight information technology, health care, and consumer discretionary, while the largest underweight sectors are financials, energy, and materials.

The surge in long-term global bond yields last month drove an equity market switch out of growth stocks – which are more sensitive to changes in yields – and into value stocks. This led global growth stocks to underperform value by around 2.7% during September. The Fund underperformed its benchmark, but by a smaller margin of 2.3%.

Strong stock performance in industrials contributed to relative returns. Weak stock performance in health care, financials and information technology were the main detractors.

US-based luggage manufacturer and retailer **Samsonite** continued to perform well after reporting second quarter earnings which were ahead of market expectations. The company continues to benefit from the strong growth in global travel.

Novartis is a Swiss-based diversified global pharmaceutical company with a focus on oncology, immunology, cardiovascular, and neurology. It performed well over the last month in anticipation of the spin-out of its biosimilar business Sandoz, which will effectively leave Novartis as a pure-play pharmaceutical stock. Furthermore, the Fund's tracking of pharmacy script data for its key drug Kisquali – which remains ahead of consensus expectations – supports the positive outlook.

US-based Costco operates a global chain of members-only warehouse-style retail stores. It outperformed after reporting second quarter earnings and provided forward guidance, both of which were slightly ahead of market expectations. In addition, the company announced same store sales for September which were ahead of investor forecasts, providing further evidence of its ability to grow earnings over the medium-term.

US-based multinational technology company Nvidia underperformed in September after reporting very strong results in August. However, real-time data relating to Nvidia's planned wafer capacity at its key manufacturing partner TSMC continues to show the potential for earnings to exceed market expectations into 2024.

French luxury goods company Hermès International underperformed upon concerns of a slowdown in the broader luxury goods sector. Peers including LVMH and Richement highlighted weakness in Europe and China.

e.l.f. Beauty also underperformed following several months of outperformance. Tracked sales channel data has decelerated, but is still slightly ahead of expectations this quarter.

The position in ASML was reduced after the company gave more cautious earnings guidance for its Extreme Ultraviolet (EUV) lithography tools. ASML's monopoly position in EUV tools leaves it well positioned to deliver long-term growth as a technology enabler of next-generation semiconductor manufacturing.

The holding in Hermès International was reduced as the luxury sector continues to weaken. Nonetheless, its more affluent customer base is expected to provide it with greater insulation from the broader slowdown in consumer spending.

The Fund established a position in Cintas, one of North America's largest providers of corporate uniforms and related business services. The company is viewed as an attractive structural growth story as more US businesses outsource uniform laundry and it expands into new product areas (e.g. healthcare, education, first aid kits).

The Fund also established a position in FEMSA, a Mexican multinational beverage and retail company. It comprises Oxxo, the leading convenience store in Latin America with over 20,000 stores, Coca-Cola FEMSA, the world's largest Coke bottler by volume and FEMSA Health, the second largest pharmacy chain in Latin America. It has a strong balance sheet and opportunities to expand into the US.

The Fund reduced its exposure to US-based multinational chocolate manufacturer Hershey. This reflected longer-term concerns over the impact of obesity drugs on future sales volumes and a lack of progress in addressing several ESG concerns which the Fund had raised with the company last year.

The holding in Germany's national airline Lufthansa was also reduced after several major airlines began to report slowing travel demand over the northern hemisphere summer months.

The Fund exited its position in US-based specialty chemicals manufacturing company Albemarle, which focusses on providing lithium for electric vehicle (EV) batteries, as lithium spot prices remain weak.

Prior to establishing the position in the company, the investment team held a very positive engagement with the senior management of FEMSA to discuss ESG issues. This included governance following the recent death of the company's CEO which left the succession plan uncertain. The impact of recent water scarcity on its bottling business was also discussed and the company emphasised that it undertakes ongoing engagement with municipalities to further reduce its water use.

FEATURES

APIR CODE	HHA0002AU
REDEMPTION PRICE	A$ 2.3804
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	$10,000
FUM AT MONTH END	A$ 42.17m
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.

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