

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 12.4%

NUMBER OF STOCKS 48

BETA⁸ 0.9

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Nov 2022¹

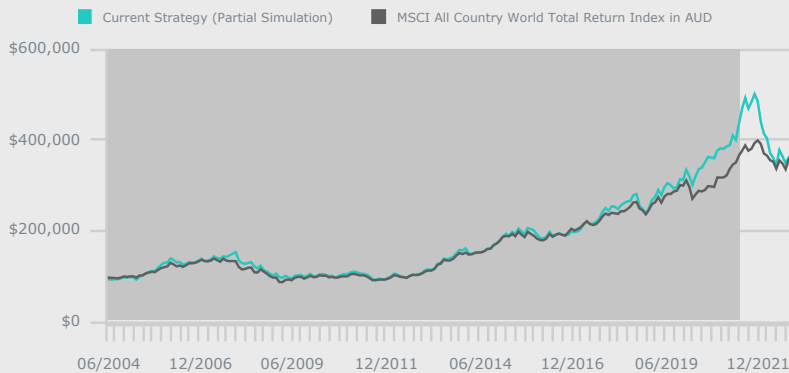
Pengana Axiom International Ethical Fund

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	5Y	Since Fund Inception July 2017 ²	Since Strategy Inception July 2004 ³
Fund: APIR (HOW0002AU)^{1,2} Managed by Axiom from June 2021	2.6%	-26.1%	-5.0%	3.7%	6.6%	7.3%	
Current Strategy (Partial Simulation)⁴ Axiom Global Equity Strategy				5.7%	8.2%	10.7%	7.4%
Index⁵	2.9%	-6.4%	3.3%	7.0%	9.1%	10.4%	7.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Asml Holdings	Information Technology
Danaher	Health Care
Eli Lilly & Co	Health Care
Gartner Inc	Information Technology
Hermes International	Consumer Discretionary
Microsoft	Information Technology
Nestle	Consumer Staples
Novo Nordisk	Health Care
TE Connectivity	Information Technology
Visa Inc	Information Technology

SECTOR BREAKDOWN

Consumer Discretionary	15.8%
Consumer Staples	10.1%
Financials	5.3%
Health Care	19.3%
Industrials	10.6%
Information Technology	31.9%
Materials	1.2%
Real Estate	1%
Communication Services	3.8%
Cash	1.1%

CAPITALISATION BREAKDOWN

Under 5bn USD	4%
In between 5bn - 10bn USD	1.3%
In between 10bn - 50bn USD	23.6%
In between 50bn - 150bn USD	23.9%
In between 150bn - 500bn USD	31.2%
Above 500bn USD	14.8%
Cash	1.1%

REGION BREAKDOWN

North America	71.4%
Europe ex-UK	17.8%
Emerging Markets - Asia	1.8%
Japan	4%
UK	1.6%
Asia Pacific ex-Japan	2.3%
Cash	1.1%

EQUITY MARKETS CONTINUE TO STRENGTHEN

COMMENTARY

- Equity markets made further gains in November, although the stronger Australian dollar detracted from returns
- Lower inflation brought expectations that the pace of interest rate hikes will ease as the global economy continues to slow
- The portfolio returned 2.6% in November, while the benchmark returned 2.9%

Equity markets continued to strengthen during November, as the MSCI World All Countries Total Return Index AUD delivered 2.9%. Australian dollar strength detracted from share price gains.

During November, the Portfolio underperformed the benchmark by 0.3% as global value stocks outperformed growth by 0.15% in Australian dollar terms. This was despite weaker than expected US inflation, as the major central banks continued to raise interest rates.

US October consumer price inflation fell to 7.7% year-on-year from 8.2% the previous month, which was below expectations of 8.0%. Core inflation which excludes the more volatile food and energy items also moderated.

The US Federal Reserve (Fed) is expected to raise interest rates by a further 0.50% at its next meeting in mid-December. This was all but confirmed in the Fed's board minutes of the previous meeting. However, the commentary was slightly less "hawkish" than expected and indicated that the pace of rate hikes could start to slow in the near-term.

The US dollar and commodity prices were broadly lower in November. Economic growth remains under pressure, with both Eurozone and US purchasing managers' data indicating economic contraction. While there was some improvement in the Eurozone, it deteriorated in the US.

China's manufacturing activity remains weak with the sector continuing to contract. While cases of COVID continue to rise across China, the highly unusual protests against continued lockdowns appear to have led the government to reassess its zero-Covid policy. This has resulted in growing investor expectations that some restrictions will soon start to be lifted.

The Fund retains its focus on dynamic growth stocks as positive revisions to earnings per share (EPS) should continue to drive outperformance, despite the economic uncertainty. The Fund continues to overweight information technology, consumer discretionary and health care, while underweighting financials, energy, and materials.

Positive stock selection in financials and information technology and the Fund's zero weighting to the underperforming energy sector contributed to relative performance in November. Negative stock selection in materials, communication services, and consumer discretionary detracted from relative returns.

Overweight positions in Hermes, Gartner, and AIA Financial made the strongest contribution to relative performance, while positions in Tesla and Live Nation were the most significant detractors.

Hermes and **AIA Financial** both benefited from speculation in China regarding potential easing of lockdown measures. Moreover, AIA Financial reported earnings results which exceeded market expectations, with improved new business growth across all regions.

Gartner reported strong third-quarter earnings results with revenue 2% ahead and earnings 28% ahead of investor expectations. It raised 2022 earnings guidance to well ahead of consensus expectations.

Tesla continued to underperform the market due to growing concerns regarding its declining output volumes and lower selling prices, especially in China. Analysis of weakening data points resulted in the Tesla position being reduced during the month.

Live Nation reported solid third quarter earnings results that were well ahead of consensus expectations and confirmed a positive outlook for 2023. However, operational issues at its Ticketmaster subsidiary ahead of Taylor Swift's new tour caused several US politicians to call for a Federal Trade Commission investigation into anti-competitive behaviour. Although these concerns are likely to prove to be unfounded, a reduction in the position size is now appropriate.

The Fund's sector exposures were broadly unchanged during the month. The overweight health care position increased, while the overweight consumer discretionary position decreased.

Tesla and Live Nation, as previously mentioned, were the largest position reductions during the month. The largest position increases were **Rentokil**, **Elevance Health**, and **Hermes**. Holdings in Rentokil and Elevance Health were established in October and were increased after reporting solid third quarter earnings results.

A new position was established in **Baidu**, the Chinese internet search company that provides algorithmic search, enterprise search, online storage and navigation. Upon signs of a possible reopening in China, a faster than expected rebound in digital advertising growth is expected. The stock currently trades at a significant discount to its historic average earnings multiple. This discount is expected to narrow over time as growth returns and financial performance improves.

The Fund exited its position in **Nutrien** due to larger than expected volatility in the spot price of potash and nitrogen, which are fertilizer inputs. Lower prices cast doubt on the company's 2023 average selling prices and earnings expectations.

During November, **Gartner's** MSCI ESG rating was upgraded to AA from A following improvements in the company's business ethics practices. In August 2022 Axiom engaged with Gartner in the course of its normal due diligence research process, highlighting areas for potential improvement concerning environmental, social and governance (ESG) disclosures. Corporate governance concerns were raised, including board tenure and diversity, the issues which led to MSCI's ESG rating upgrade.

Apple's MSCI ESG rating was downgraded to BBB from A following criticism that the company has sourced goods from suppliers allegedly involved in human rights violations. A recent reassessment of these controversies drove the downgrade.

FEATURES

APIR CODE	HOW0002AU
REDEMPTION PRICE	A\$ 2.4923
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 280.09m
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. 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.
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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