MONTHLY REPORT
NOVEMBER 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] 15.2%	NUMBER OF STOCKS 47	BETA[9] 0.96

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Nov 2023[1]

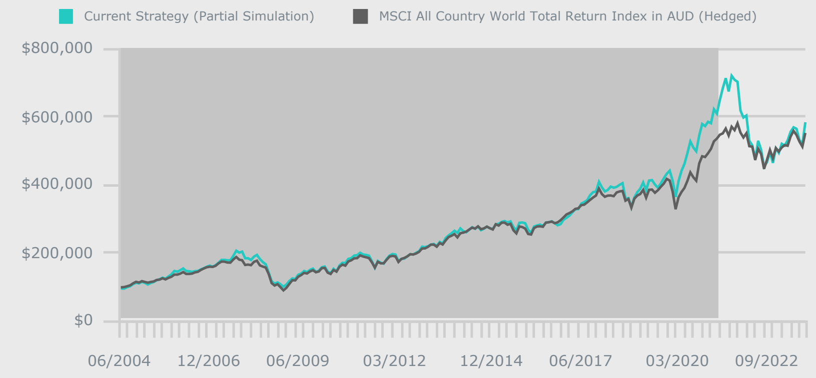
Pengana Axiom International Ethical Fund (Hedged)[1]

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	12.3%	17.8%	-9.3%	-1.7%	-0.3%	6.3%	6.6%
Current Strategy (Partial Simulation)[5] Axiom Global Equity Strategy					2.4%	10.1%	9.4%
Index (Hedged)[6]	7.9%	10.0%	-0.7%	1.2%	6.1%	9.1%	8.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Adobe Inc	Information Technology
Alphabet Inc	Communication Services
Amazon.com Inc	Consumer Discretionary
Eli Lilly & Co	Health Care
Microsoft Corp	Information Technology
Novo Nordisk A/S	Health Care
NVIDIA Corp	Information Technology
ServiceNow Inc	Information Technology
Taiwan Semiconductor Manufactu	Information Technology
Visa Inc	Financials

SECTOR BREAKDOWN

Consumer Discretionary	16.2%
Consumer Staples	3.3%
Financials	7.9%
Health Care	15.9%
Industrials	10.8%
Information Technology	39.1%
Real Estate	0.9%
Communication Services	4.6%
Cash	1.3%

CAPITALISATION BREAKDOWN

Under 5bn USD	1%
In between 5bn - 10bn USD	2.4%
In between 10bn - 50bn USD	13.8%
In between 50bn - 150bn USD	28.4%
In between 150bn - 500bn USD	24%
Above 500bn USD	29%
Cash	1.3%

REGION BREAKDOWN

North America	72.2%
Europe ex-UK	15.2%
Emerging Markets	4.3%
Japan	4.4%
UK	1.3%
Asia Pacific ex-Japan	1.2%
Cash	1.3%

NOVEMBER REPORT

COMMENTARY

- Global equities made strong gains in November as inflation pressures eased, raising hopes of future interest rate cuts, which brought lower bond yields and higher share prices.
- Hedging the Fund's foreign currency exposure contributed to returns during the month as the Australian dollar strengthened relative to other major currencies.
- The Portfolio returned 12.3% in November, while the benchmark returned 7.9%.

Global equity markets bounced back strongly in November following three months of falling share prices. Data indicated that inflationary pressures are easing further, while statements from the US Federal Reserve (Fed) indicated interest rates could fall more rapidly next year than had been previously expected.

Growth stocks outperformed value again during November as falling interest expectations brought lower bond yields. This particularly benefitted growth stocks whose earnings lie further out into the future.

Inflation continues to slow across the major global economies. In the US, the Core Personal Consumption Expenditure (PCE) Price Index, a metric closely watched by the Federal Reserve, fell to 3.2% year-on-year in October from 3.7% in September. Expectations that the Fed will begin to reduce interest rates ahead of other major central banks saw the US dollar weaken by 3.0% against a basket of its key trading partners' currencies in November.

Economic growth data remains mixed. While the US consumer remains resilient, retail sales are continuing to contract in the Eurozone. In China, the manufacturing sector is again starting to expand modestly, although the broader China "re-opening" continues to disappoint expectations. Consumer spending is sluggish, while the highly leveraged property sector continues to slow the economy.

The Fund retains its focus on dynamic growth stocks, where positive revisions to earnings per share (EPS) drives outperformance as global economic growth moderates. The Fund continues to overweight information technology, consumer discretionary, and health care, while underweighting financials, energy, and materials.

Strong stock performance in information technology, industrials, health care, and consumer staples, an overweight position in information technology, and a zero weighting to energy contributed to relative returns. Weak stock performance in communication services and an overweight to health care were the main detractors.

US technology consultancy **Gartner** outperformed after it reported better than expected contract value growth and operating leverage. Its 2023 earnings guidance was also upgraded and the company highlighted that technology vendor spending is beginning to stabilise.

US enterprise software company **ServiceNow** continued to perform well after reporting better than expected earnings results as the software sector strengthens.

US technology company **Uber** reported better than expected bookings and profitability. The company also posted positive trailing twelve months (TTM) net income for the first time, enabling it to be included in the S&P 500 Index.

US luggage manufacturer and retailer **Samsonite** underperformed after it reported strong earnings but disappointing forward guidance as China-related travel remains subdued. The company remains well positioned to deliver strong revenue and earnings growth, given its more efficient cost structure.

The Fund's underweight positions in technology groups **Apple** and **Meta Platforms** detracted from performance as technology stocks rallied during November upon lower global bond yields.

The Fund only re-established its position in **Meta Platforms,** the dominant global social media platform, during November. It is experiencing accelerating digital advertising revenue growth upon improved targeting and increased monetisation of short-form videos. The global advertising market is resilient, and the competitive environment has improved significantly since the Fund last owned the stock in 2021/2022. The Fund engaged with the company prior to establishing the position to discuss ESG concerns and suggested actions to make improvements.

A position was also initiated in **Starbucks**, the largest global operator and licensor of specialty coffee shops. The Fund expects that the company's recent earnings improvements are being driven by better-than-expected same store sales, while operating leverage remains ahead of guidance. The new CEO is driving operational improvements that have yet to be reflected in earnings forecasts.

The Fund established a position in **Tokyo Electron** which is a Japanese semiconductor equipment company. Following a period of low investment due to weak supply/demand dynamics, the Dynamic Random Access Memory (DRAM) industry is seeing fundamental improvements in inventory levels and increased demand. AI-driven investment and stabilising demand in PC/smartphone end markets will drive increased capital investment in 2024 and 2025, benefitting the company.

The Fund created a position in **MongoDB** the leading independent provider of cloud-based document databases, the fastest growing segment of the database market. The global database market exceeds US$90 billion, providing ample room for its organic revenue growth (US$1.5 billion in 2023) to grow well above consensus expectations.

The Fund exited its positions in Chinese technology groups **Baidu** and **Alibaba** to cut its exposure to China as the post-COVID recovery and broader economic trends continue to disappoint.

The Fund also exited the small position it held in Veralto following its spin-off from Danaher, to allocate capital to holdings which offer more attractive opportunities to grow earnings.

During November, the company engaged with the management team of **ServiceNow** as part of the Fund's ongoing ESG due diligence process. ServiceNow highlighted how it offers a tool that allows companies to track ESG-related metrics for internal and external reporting purposes. It believes this should help accelerate adoption of ESG initiatives more broadly. The Fund advised that upgrading its Global Impact and Diversity, Equity, and Inclusion (DEI) reporting should improve transparency.

The Fund also engaged with **Cadence Design Systems**, the US leader in electronic design automation (EDA), on ESG issues. It noted that it is recognised as an enabler of sustainability within the EDA sector, but acknowledged that more widespread acceptance of this takes time. The company feels that it is important to provide products that can be integrated with renewable energy infrastructure, given the high energy requirements of large data centre customers. Other initiatives designed to reduce Cadence's own carbon footprint include providing EV charging ports and installing solar panels at its locations.

FEATURES

APIR CODE	HHA0002AU
REDEMPTION PRICE	A$ 2.616
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	$10,000
FUM AT MONTH END	A$ 42.69m
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

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com

PENGANA CAPITAL GROUP

PENGANA.COM