

## 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<sup>8</sup> 14.9%

NUMBER OF STOCKS 51

BETA<sup>9</sup> 0.93

### PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jan 2023<sup>1</sup>

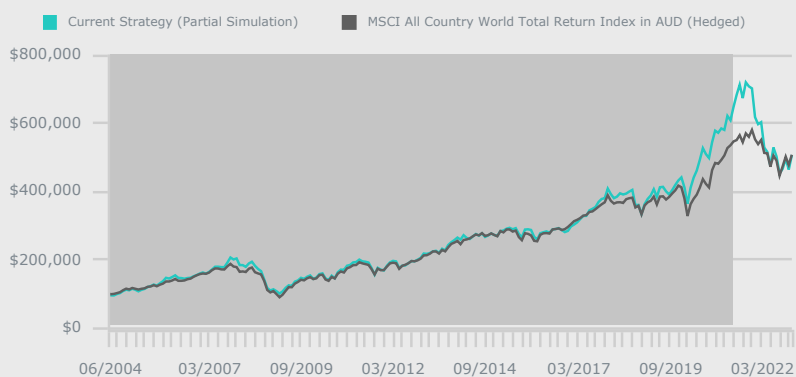
#### Pengana Axiom International Ethical Fund (Hedged)<sup>1</sup>

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 <sup>3</sup>	Since Strategy Inception July 2004 <sup>4</sup>
<b>Fund: APIR (HHA0002AU)<sup>2,3</sup></b> Managed by Axiom from June 2021	9.3%	-18.0%	-10.4%	-1.3%	3.4%	4.9%	
<b>Current Strategy (Partial Simulation)<sup>5</sup></b> Axiom Global Equity Strategy				4.7%	4.4%	8.1%	9.1%
<b>Index (Hedged)<sup>6</sup></b>	6.2%	-8.2%	-3.2%	7.2%	5.5%	8.0%	9.1%

### PERFORMANCE CHART

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



### TOP HOLDINGS (ALPHABETICALLY)

AIA Group Ltd	Financials
Asml Holdings	Information Technology
Danaher	Health Care
Estee Lauder Cos Inc	Consumer Staples
Gartner Inc	Information Technology
Hermes International	Consumer Discretionary
Microsoft	Information Technology
Novo Nordisk	Health Care
ServiceNow Inc	Information Technology
Visa Inc	Information Technology

### SECTOR BREAKDOWN

Consumer Discretionary	17.3%
Consumer Staples	8.8%
Financials	6.1%
Health Care	18.7%
Industrials	10.4%
Information Technology	30.1%
Materials	1.2%
Real Estate	1.1%
Communication Services	5.3%
Cash	1%

### CAPITALISATION BREAKDOWN

Under 5bn USD	4.2%
In between 5bn - 10bn USD	1.2%
In between 10bn - 50bn USD	23.7%
In between 50bn - 150bn USD	25.7%
In between 150bn - 500bn USD	32%
Above 500bn USD	12.1%
Cash	1%

### REGION BREAKDOWN

North America	66.6%
Europe ex-UK	17.2%
Emerging Markets	6.6%
Japan	4.1%
UK	1.5%
Asia Pacific ex-Japan	3.1%
Cash	1%

## GLOBAL EQUITY MARKETS BOUNCED BACK

### COMMENTARY

- Global equity markets bounced back strongly in January upon investor hopes that interest rates will soon peak and begin to fall later this year
- China's continued re-opening brought strong share market gains in the region
- The Fund returned 9.3% in January, while the benchmark returned 6.2%

Global equity markets rebounded strongly in January as the MSCI World All Country Index AUD returned 6.2%. During January, the Fund outperformed the benchmark by 3.1% as global growth stocks outperformed value by 5.3% in Australian dollar terms.

Inflation continued its downtrend in the US, falling to 6.5% year-on-year in December from 7.1% in November. The US Federal Reserve responded by raising interest rates 0.25% in line with investor expectations, following the 0.50% increase at its December meeting. Expectations that this might mean an early end to interest rate hikes, and the fall seen in commodity prices during January, helped push the US dollar down 1.4% over the month.

Economic growth remains under pressure across all the major economies, with manufacturing especially weak. However, China's reopening continues to make strong progress, resulting in growing signs of improvement in its economy.

The Fund retains its focus on dynamic growth stocks. Positive revisions to earnings-per-share (EPS) should continue to drive outperformance as the economy enters a period of weaker overall earnings growth. The Fund continues to overweight information technology, health care and consumer discretionary, while underweighting financials, energy, and materials.

The Fund's overweight position in consumer discretionary and information technology and its zero weighting to energy contributed to relative returns. Stock selection in health care, consumer discretionary and consumer staples also contributed positively. The overweight position in consumer staples, underweight positions in communication services and materials and stock selection in industrials detracted from relative performance.

Overweight positions in Hermes, ASML, and ServiceNow were among the strongest contributors to relative performance, while positions in Eli Lilly, Danaher and Gartner were the most significant detractors.

French luxury goods group **Hermes** benefited from the continued easing of Covid restrictions in China, whose long-term prospects of economic recovery continue to improve.

US software company **ServiceNow** reported strong fourth quarter earnings results, which were largely in line with market expectations. Subscription revenue grew 27% year-on-year, while operating profit exceeded investor expectations by 8%. The company provided strong earnings guidance which helped the stock outperform.

US pharmaceutical company **Eli Lilly** reported fourth quarter earnings results which were slightly below investor expectations. Revenue declined 9% year-on-year, although it provided slightly improved earnings-per-share guidance. The disappointing earnings were largely due to supply constraints that are expected to be temporary. The Fund's positions in Eli Lilly and Novo Nordisk provide good exposure to GLP-1 drugs used to treat diabetes, whose sales are growing strongly.

The Fund's sector exposures were broadly unchanged during the month. The overweight positions in consumer discretionary and information technology increased, the overweight position in consumer staples decreased and the underweight position in financials increased.


Gartner, Nestle, and Hershey were the largest position reductions during the month, while the largest increases were Nvidia, IDEXX Labs and STMicroelectronics. The holding in US semiconductor developer Nvidia was established in December, and continued to build up in January. Exposure to IDEXX Labs and STMicroelectronics was increased following strong earnings results and 2023 guidance.

A new position was established in Chinese e-commerce company **Alibaba** which will benefit from the country's economic recovery. Its operating leverage is expected to be improved by cost controls introduced during China's zero-COVID period. A rebound in consumer spending should enable a faster earnings recovery than is currently expected by the market. Alibaba is currently valued at an attractive discount to its historic average multiple of earnings. This discount is expected to narrow over time, as economic growth re-accelerates and company performance improves.


Latin American e-commerce group **MercadoLibre** is expected to benefit from an improving competitive market environment. Americanas, Brazil's second largest e-commerce platform, which held 17% of Brazil's e-commerce market, recently announced its bankruptcy. MercadoLibre is expanding its high-margin digital advertising business and has good potential to further grow earnings. The stock is valued at a discount to historic earnings multiples, which is expected to narrow over time.

FEATURES	
APIR CODE	HHA0002AU
REDEMPTION PRICE	A\$ 2.2723
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 42.66m
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

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### PENGANA.COM

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