

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 11.2%

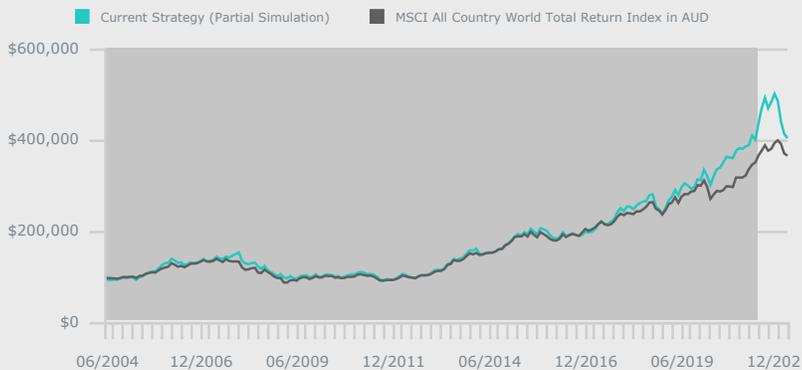
NUMBER OF STOCKS 44

BETA⁸ 0.82

PERFORMANCE TABLE
NET PERFORMANCE FOR PERIODS ENDING 31 Mar 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	Since Axiom Appointed June 2021 ¹	1Y	3Y	Since Fund Inception July 2017 ²	5Y	Since Strategy Inception July 2004 ³
Fund: APIR (HOW002AU)^{1,2} Managed by Axiom from June 2021	-2.4%	0.9%	0.3%	11.0%	10.3%		
Current Strategy (Partial Simulation)⁴ Axiom Global Equity Strategy			3.9%	13.7%	14.3%	14.7%	8.2%
Index⁵	-1.3%	4.3%	8.8%	11.7%	11.8%	12.0%	7.6%

PERFORMANCE CHART
NET PERFORMANCE SINCE INCEPTION²

TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
Apple	Information Technology
Asml Holdings	Information Technology
Danaher	Health Care
Live Nation Entertainment Inc	Communication Services
Microsoft	Information Technology
ServiceNow Inc	Information Technology
TE Connectivity	Information Technology
Tesla Inc	Consumer Discretionary

SECTOR BREAKDOWN

Consumer Discretionary	18.7%
Consumer Staples	3.8%
Financials	6.2%
Health Care	12.3%
Industrials	12.1%
Information Technology	35.9%
Materials	1.4%
Communication Services	8.5%
Cash	1.1%

CAPITALISATION BREAKDOWN

Under 5bn USD	3.1%
In between 5bn - 10bn USD	0.5%
In between 10bn - 50bn USD	22%
In between 50bn - 150bn USD	27.3%
In between 150bn - 500bn USD	21%
Above 500bn USD	24.9%
Cash	1.1%

REGION BREAKDOWN

North America	74.2%
Europe ex-UK	15.9%
Emerging Markets - Asia	1.4%
Japan	6.2%
Asia Pacific ex-Japan	1.2%
Cash	1.1%

GROWTH FACTORS CONTINUE TO IMPROVE ON A RELATIVE BASIS

COMMENTARY

During March 2022, the Pengana Axiom International Ethical Fund underperformed the benchmark, delivering -2.4%, versus the MSCI All-Country World Index ("Index") which delivered -1.3%, in AUD terms.



The dual issues of accelerating inflation and slowing economic growth continue to create a challenging environment for our strategy which focuses on investing in dynamically growing businesses. Examples of headwinds include, core Eurozone CPI growth in February accelerating 40bps to +2.7% YoY; US ISM Manufacturing New Orders slowing to 53.8 in March, from 61.7 in February; and, an inverted US yield curve in late March creating further uncertainty about the trend of medium-term global economic growth. We are however encouraged by the Fund's improved relative performance during the second half of March as the factors we seek to invest in continue to improve on a relative basis, and EPS revisions should continue to drive outperformance at this point in the economic cycle.

Our ethical filters exclude investments in energy (the strongest performing sector year to date) and certain materials sectors such as metals and mining. This has been a major headwind to index relative performance. Consumer discretionary was the Fund's best performing sector. We continue to hold overweight positions in information technology, consumer discretionary, and industrials.

At the stock level, **TE Connectivity**, **AMD**, and **Estee Lauder** were the largest relative detractors. While TE Connectivity's leading position in the electrification of automobiles remains very favourable, semiconductor-related bottlenecks continue to adversely affect vehicle sales and production. As a result, we have modestly reduced exposure. **Tesla**, **Danaher**, and **Deer & Company** were our top relative performers in March. Tesla continues its production execution excellence despite various logistical challenges while demand for its industry-leading electric vehicles continues to outpace expectations.

We continued to allocate capital away from information technology, primarily semiconductors and software as leading macroeconomic indicators continue to deteriorate. Inflation is beginning to show signs of impacting consumer goods demand globally. The Fund's largest trim during March was **Adobe Systems** given concerns around near-term operating fundamentals. Our prediction of a potentially disappointing quarterly result was accurate as management indicated seeing a slowdown in demand during the last month of the quarter (February) in Europe given geopolitical events. After reducing the position size by 1/3 before results, we will be maintaining the current weight as expectations have been reset and recent price increase announcements should drive positive estimate revisions in 2H22. Our biggest add was **Tesla**. Production and deliveries year-to-date continue to outpace expectations and a further positive surprise is likely as new production facilities in Germany and Texas, USA ramp throughout 2022.

We initiated new positions in **Canadian National Railway**, **Costco Wholesale**, and **Nutrien**, a Canadian-based supplier of fertiliser. Canadian National recently announced a new CEO with a focus on improving operational performance. Improving operations more in-line with North American peers will be the primary dynamism driver, especially when coupled with the geopolitics driving Canada's improved positioning in global natural resource markets. Costco Wholesale's membership model drives pricing power in today's inflationary environment relative to the grocery/staples peer group. Same-store sales continue to outperform expectations, and we expect a membership price hike to further boost sales performance over the near/medium-term. For Nutrien, the global fertiliser supply/demand fundamentals are very favourable as supply is concentrated and continued elevated crop prices will incentivise farmers to spend on fertiliser application to boost crop yields. Nutrien is also uniquely positioned on the global cost curve as North American natural gas prices remain well below prices in Europe and Asia. Most importantly, these fundamentals were in-place before the Ukraine/Russian conflict and have only become more attractive.

We exited three names during the month, **American Eagle Outfitters**, **Home Depot**, and **Tencent Holdings**. While American Eagle continues to show strong revenue growth, higher-than-expected supply-chain costs are creating a downward earnings estimate revision cycle that will likely last over the medium-term, warranting exiting the position. Home Depot benefited greatly during COVID as home improvement trends accelerated. As these tailwinds began to abate in mid-2021, we began to trim the position size. As we enter 2022, our forward-looking data indicates higher mortgage rates are beginning to impact the US housing market, which is closely correlated with home improvement. We chose to exit the remaining small position. In the context of a significant underweight posture toward Chinese internet stocks, we maintained a small position in Tencent given its unique positioning at the center of digital entertainment, advertising, and cloud computing in China. During March, regulatory conditions continued to deteriorate, and poor operating results drove us to deploy out of the region.

FEATURES	
APIR CODE	HOW0002AU
REDEMPTION PRICE	A\$ 2.7106
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 318.92m
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. 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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