

PENGANA ALPHA ISRAEL FUND

DESCRIPTION

The Pengana Alpha Israel Fund invests in listed Israeli companies that produce cutting edge – both high and low tech – technologies. These Israeli listed companies have developed solid intellectual property coupled with strong global distribution.

The Fund offers Australian investors diversification within global equity exposure to a unique and promising market that is very much skewed to industries and technologies that are either limited, or do not exist, in the Australian market place, such as: the semiconductor industry, solar and water treatment technology, aerospace and electronic defence industries, and cyber security technologies.

STATISTICAL DATA

VOLATILITY³ 11.2%

NUMBER OF STOCKS 32

BETA⁴ 0.58

MAXIMUM DRAW DOWN -15.7%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 2023¹

Alpha Israel Fund Class A (AUD)

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class A	0.9%	-15%	-3.4%	5.1%	5.3%
Tel Aviv Stock Exchange 125 Index	-0.4%	-17.7%	1.8%	10.6%	4.6%

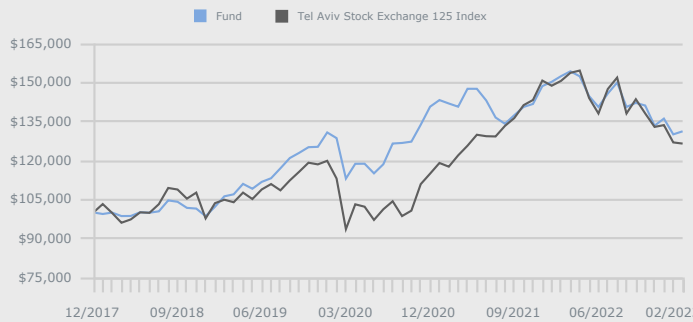
Alpha Israel Fund Class B (USD)

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	1%	-14.6%	-3%	6.6%	6.2%
Tel Aviv Stock Exchange 125 Index	-0.4%	-17.7%	1.8%	10.6%	4.6%

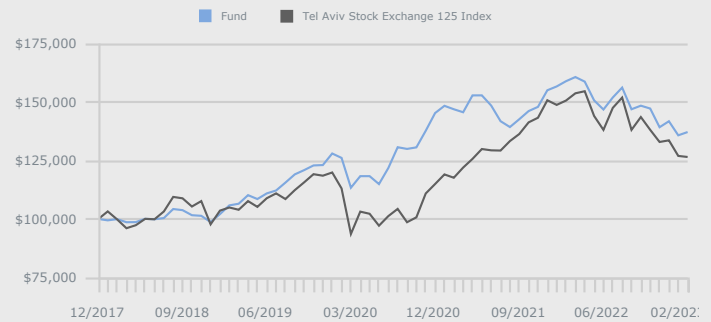
PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²

Class A



Class B



TOP HOLDINGS (ALPHABETICALLY)

Bank Hapoalim BM	Diversified Banks
Camtek	Semiconductor Materials & Equipment
Check Point Software Technologies	Systems Software
Electra Real Estate Ltd	Real Estate Operating Companies
Inmode Ltd	Health Care Equipment

SECTOR BREAKDOWN

Consumer Discretionary	4.8%
Financials	17%
Health Care	9%
Industrials	7.7%
Information Technology	20.8%
Real Estate	11.9%
Consumer Staples	0%
Energy	10.2%
Options	0.5%
Cash	18.1%

CAPITALISATION BREAKDOWN

Under 100m USD	6.2%
In between 100 - 1bn USD	33.8%
In between 1bn - 5bn USD	17.7%
Above 5bn USD	23.7%
Derivatives	0.5%
Cash	18.1%

MARCH REPORT

COMMENTARY

The Fund returned 0.9% (Class A, AUD) and 1% (Class B, USD) in March, while the TA 125 Index returned -0.4%. Over the first quarter, the Fund returned -1.3%, while the TA 125 Index returned -4.8%.

Global share markets performed strongly in March. The US Federal Reserve responded to the failure of three regional US banks by injecting US\$370 billion of liquidity into the banking system. This reversed initial market weakness, with the technology-orientated Nasdaq performing particularly strongly.

Israel's share market was little changed over the month but remains sensitive to the ongoing political turmoil. However, signs are emerging that the dispute concerning the proposed judicial reforms may now be solved through a professional legal committee.

Market Review

Annual inflation in Israel fell back to 5.2% in February from 5.4% in January; it is expected to fall to 5.05% in March and 4.70% in April, before rising in May to 4.75% as oil prices strengthen. Over the next 12 months, inflation is expected to average 3.0%, which is at the top end of the central bank's official target range of 1.0% – 3.0%.

The Bank of Israel is expected to increase interest rates by 0.25% to 4.50% at its April meeting. It published a forecast that rates will average 4.75% over the first quarter of 2024, ahead of the market expectation of 4.50%.

While there are signs of an economic slowdown in Israel's economy, sales volumes and employment are expected to rise in April. Labour demand remained high in March, especially in the hospitality and retail sectors.

The slowdown in Israel's technology sector continued in March, across both manufacturing and services. The export of technology manufactured goods declined by 5.9% in the three months to 28 February, compared to the previous quarter. This appears to have been driven by falling export prices, due to an easing in demand, whilst volumes have remained fairly stable.

It appears that the rising interest rate environment is making it harder for Israeli technology companies – especially those which are more recently established – to raise development finance. This is significant as technology accounts for 16% of Israel's GDP, 49% of Israel's exports (ex-diamonds), and 4% of global venture capital investments (10 times Israel's GDP share).

Portfolio Commentary

The largest contributor to relative returns during March was the outperformance by **Ratio Energy**, which rose 30%, and **Tamar Petroleum**, which increased by 23%. This followed the announcement of the acquisition of a 50% interest in **NewMed Energy** by **ADNOC** and **BP**, subject to due diligence and regulatory approval. **NewMed** is the 45% owner of the **Leviathan Reservoir**, an offshore gas field in the Mediterranean, in which **Ratio** also has a 15% share. **NewMed** also holds a 30% share of the **Aphrodite** gas field off Cyprus.

Real estate was the most significant detractor from relative returns during March, as **Aloni Chetz** fell by 12% and **Medipower** dropped 15%.

The Fund received a dividend from **Bazan** worth around 20% of its market value; the proceeds were invested in strengthening the new positions in **Azrieli Group** and **Hilan**.

The Fund also received the long-expected dividend in **ZIM shipping**, following strong financial reports, after which the Fund exited its holding in the company.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 0.9496
FEES *	Management Fee: 1.50% p.a. paid monthly in arrears Performance Fee: 20% above the Hurdle with a high water mark, paid semi-annually in arrears
MINIMUM INITIAL INVESTMENT	\$250,000
STRATEGY INCEPTION DATE	1 January 2018
BENCHMARK	The goal of the Fund is to achieve long term capital growth by investing in Israeli and Israeli related companies, generating returns that consistently outperform the relevant benchmarks. Returns are not guaranteed.

FUND MANAGERS



Gabi Dishi
Founder & CEO



Michael Weiss
Founder & Managing Partner



Aviran Revivo
Managing Partner



Sagi Ben Yosef
Managing Partner

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Performance figures are calculated using net asset values after all fees and expenses, and assume reinvestment of distributions. Index returns shown are in ILS (Israeli Shekel). 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.

2. Inception 1st January 2018.

3. Annualised Standard Deviation since inception

4. Relative to Tel Aviv Stock Exchange 125 Index

Please note: This fund is only open to Wholesale Investors.

PENGANA ALPHA ISRAEL FUND

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PENGANA.COM

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