

**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%

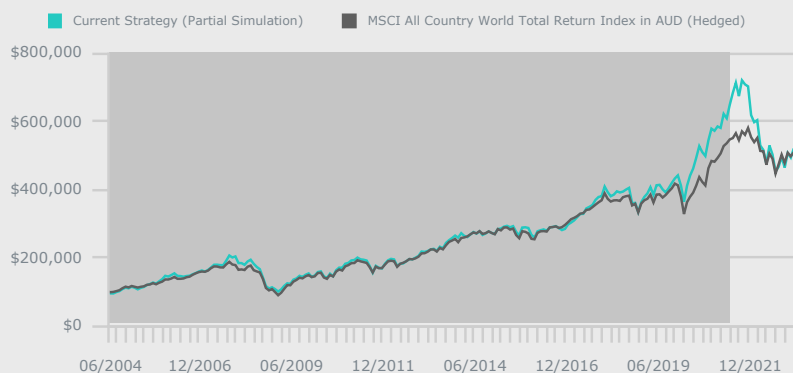
**NUMBER OF STOCKS** 49

**BETA<sup>9</sup>** 0.94

**PERFORMANCE TABLE**
**NET PERFORMANCE FOR PERIODS ENDING 31 Mar 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	5.4%	-13.8%	-8.3%	2.3%	3.5%	5.2%	
<b>Current Strategy (Partial Simulation)<sup>5</sup></b> Axiom Global Equity Strategy				12.7%	6.5%	8.4%	9.2%
<b>Index (Hedged)<sup>6</sup></b>	2.4%	-7.6%	-2.7%	15.9%	6.9%	7.8%	9.1%

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

**TOP HOLDINGS (ALPHABETICALLY)**

Apple	Information Technology
Asml Holdings	Information Technology
Danaher	Health Care
Eli Lilly & Co	Health Care
Hermes International	Consumer Discretionary
Microsoft	Information Technology
Novo Nordisk	Health Care
NVIDIA Corp	Information Technology
ServiceNow Inc	Information Technology
Visa Inc	Financials

**SECTOR BREAKDOWN**

Consumer Discretionary	17.2%
Consumer Staples	5.6%
Financials	9.9%
Health Care	18.2%
Industrials	11.6%
Information Technology	29.1%
Materials	0.9%
Real Estate	1%
Communication Services	4.8%
Cash	1.8%

**CAPITALISATION BREAKDOWN**

Under 5bn USD	3.7%
In between 5bn - 10bn USD	1.2%
In between 10bn - 50bn USD	20.1%
In between 50bn - 150bn USD	27.5%
In between 150bn - 500bn USD	30.2%
Above 500bn USD	15.4%
Cash	1.8%

**REGION BREAKDOWN**

North America	63.9%
Europe ex-UK	18.9%
Emerging Markets	6.7%
Japan	4.3%
UK	1.8%
Asia Pacific ex-Japan	2.5%
Cash	1.8%

## EQUITY MARKETS CONTINUE TO STRENGTHEN

### COMMENTARY

- Global equity markets strengthened in March as interest rate expectations fell
- The global economy remains relatively stable, supported by China's continued re-opening
- The Portfolio returned 5.4% in March, while the benchmark returned 2.4%

Global equity markets strengthened in March as investors turned their attention to hopes of an early peak in interest rates. The MSCI All Country World Index AUD (Hedged) gained 2.4%. The Fund outperformed the benchmark by 3.0% in Australian dollar terms as growth stocks outperformed value.

US inflation continued to trend down, falling to 6.0% year-on-year in February from 6.4% in January. Economic growth trends remained consistent with those seen in February as purchasing managers' data improved across the major economies.

China's manufacturing sector appeared to stagnate in March following modest expansion in February, while services continued to grow strongly. This reflects the country's pivot towards a more consumer-orientated economy, which is driving the recovery. China continues to make strong progress on re-opening the economy, which is supporting investor sentiment.

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

Positive stock selection in financials, consumer discretionary, and industrials, the underweight in financials, and the overweight in information technology contributed to relative returns. Negative stock selection in materials and the underweight in communication services were the main detractors. Overweight positions in **Hermes**, **Novo Nordisk**, and **ASML** were the strongest contributors to relative performance, while overweight positions in **Ameriprise** and **Albemarle** and the underweight in **Apple** were the most significant detractors.

France-based luxury good house **Hermes** contributed to relative returns when it continued to outperform in March. This reflected its exposure to China's recovery and the strong demand for luxury goods more broadly. Earnings estimates continue to be revised upwards following its fourth quarter results, bringing potential for further earnings improvements.

Danish global pharmaceutical company **Novo Nordisk** focuses on the manufacturing and marketing of diabetes and obesity medications. It outperformed again in March, contributing to relative returns. This followed strong weekly sales data, leading to continued upwards revisions to earnings estimates for 2023 and beyond.

The holding in US-based retirement planning provider **Ameriprise** detracted from relative returns in March when it underperformed the market. This reflected negative sentiment towards the broader financial sector following the recent banking uncertainty.

The Fund's underweight position in US-based global technology group **Apple** detracted from relative returns when it outperformed in March. There was a significant allocation of assets away from banks into large technology groups, reflecting their defensive properties, strong balance sheets, and undemanding valuation levels.

The Fund's sector allocation was broadly unchanged during the month. It continued to increase exposure to semiconductor companies including **Nvidia**, **Taiwan Semiconductor Manufacturing Company**, and **STMicroelectronics** upon expectations of rising demand. Whilst not currently exposed to traditional banks, the Fund further reduced exposure to financials as the broader sector is expected to remain under pressure.

The Fund exited its position in Chinese e-commerce company **JD.com** during March after it published a disappointing earnings report. It forecast no immediate revenue growth as it pivots to a lower-priced strategy in the face of increasing competition.

In March the Fund engaged with US-based global entertainment company **Live Nation**. This followed concerns around its ticketing processes which attracted the attention of regulators and legislators. The company is now proactively engaging with legislators to better explain its economic model. It confirmed that regulatory issues remained the greatest investor concern, although an early resolution was unlikely. While the company's transparency was appreciated, the ongoing ESG risk led to the Fund reducing its holding.

## FEATURES

APIR CODE	HHA0002AU
REDEMPTION PRICE	A\$ 2.3323
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 43.32m
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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