

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 12.8%

NUMBER OF STOCKS 49

BETA⁸ 0.91

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 May 2023¹

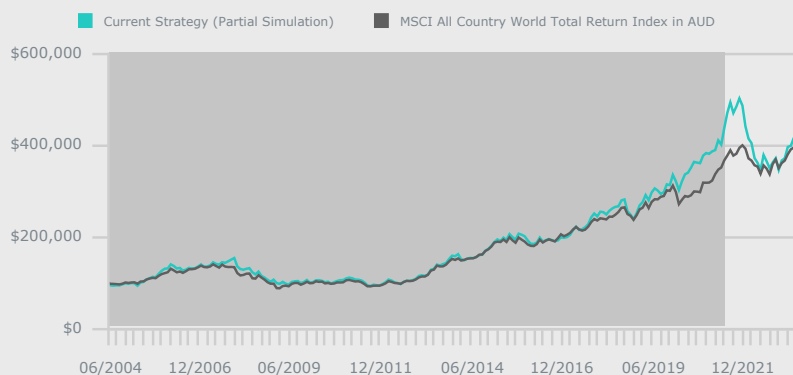
Pengana Axiom International Ethical Fund

The Class was established in 1 July 2017. From June 2021 Axiom was appointed as the investment manager for the Fund.

	1M	1Y	Since Axiom Appointed June 2021 ¹	3Y	5Y	Since Fund Inception July 2017 ²	Since Strategy Inception July 2004 ³
Fund: APIR (HOW0002AU)^{1,2} Managed by Axiom from June 2021	4.5%	15.2%	1.9%	5.9%	8.0%	8.7%	
Current Strategy (Partial Simulation)⁴ Axiom Global Equity Strategy				7.4%	9.7%	11.9%	7.8%
Index⁵	1.0%	11.8%	6.0%	11.0%	10.2%	10.8%	7.5%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Amazon	Consumer Discretionary
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	16.1%
Consumer Staples	4.3%
Financials	9.5%
Health Care	18.4%
Industrials	12.1%
Information Technology	32.5%
Materials	0.5%
Real Estate	1%
Communication Services	4.3%
Cash	1.2%

CAPITALISATION BREAKDOWN

Under 5bn USD	2%
In between 5bn - 10bn USD	1.2%
In between 10bn - 50bn USD	19.7%
In between 50bn - 150bn USD	26%
In between 150bn - 500bn USD	27.7%
Above 500bn USD	22.1%
Cash	1.2%

REGION BREAKDOWN

North America	63.7%
Europe ex-UK	19.3%
Emerging Markets	6.6%
Japan	4.5%
UK	2.3%
Asia Pacific ex-Japan	2.3%
Cash	1.2%

GLOBAL GROWTH COMPANIES STRENGTHENED AS INTEREST RATES APPROACH THEIR PEAK

COMMENTARY

- Shares in global growth companies strengthened during May as interest rates approached their peak, while value stocks were generally weaker as consumer spending softened
- Australian dollar weakness supported share market returns in AUD terms
- The Fund returned 4.5% in May, while the benchmark returned 1.0%

Global equity markets were slightly weaker overall in May in US dollar terms. Growth stocks continued to perform strongly as, while the US Federal Reserve continues to raise interest rates, falling US inflation suggests it is nearing a peak in rates. Meanwhile, value stocks were lower in aggregate as consumers continue to be impacted by weak real income growth and rising borrowing costs. The MSCI All Country World Index gained 1.0% in Australian dollar terms, supported by Australian dollar weakness. The Fund outperformed the benchmark due to its positions in stocks exposed to artificial intelligence (AI) and industrial automation, and its zero exposure to the energy sector which continued to weaken.

Economic growth trends remained consistent with those seen in April as purchasing managers' data was slightly weaker in the Eurozone, while US manufacturing's contraction eased slightly. China's manufacturing activity started to pick up in May, although the recovery is largely driven by the services sector, especially travel and entertainment.

The Fund retains its focus on dynamic growth stocks. Positive revisions to earnings per share (EPS) 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.

Strong stock selection and an overweight position in information technology, and strong stock selection in industrials, were the largest contributors to relative returns. Negative stock selection in consumer discretionary and consumer staples detracted from relative returns.

US-based technology company **Nvidia** contributed to outperformance when it announced first quarter earnings results and forward guidance, which were well ahead of even the highest investor expectations. Artificial Intelligence (AI)-related chips have seen a dramatic acceleration in demand following the commercialisation of products from OpenAI/Microsoft, Alphabet and others. Nvidia's pricing power is high, driving a step-change improvement in its gross margins.

US enterprise software company **ServiceNow** recently held an investor day that got investors excited about its potential to grow AI-related earnings. Improved operating leverage guidance offset the potential foreign currency impact, leading to a positive estimated earnings revision.

Taiwan Semiconductor Manufacturing Company is the world's largest semiconductor business. It outperformed the market following the release of Nvidia's earnings guidance as it is the sole foundry partner producing Nvidia's chips.

US-based multinational cosmetics company **Estee Lauder** detracted from relative returns after it reported quarterly earnings results and forward guidance that fell short of investor expectations. The disappointing results were driven by a surplus of inventory in the travel retail channel, as China's economic recovery was slower than anticipated. This led to the Fund reducing its position size, but Estee Lauder's brand positioning remains strong and its long-term earnings prospects remain attractive.

US luggage manufacturer and retailer **Samsonite** delivered a positive update on its business, but slower travel data from China impacted sentiment in the sector, leading to the stock underperforming. However, China represents only a small portion of Samsonite's revenue, which suggests the fall in its share price is excessive. In a recent conversation with the management team, the company advised it is not experiencing any slowdown in business and it remains confident in the guidance provided in its last business update.

US sports equipment manufacturer **Topgolf Callaway Brands** underperformed after reporting negative sales growth in its golf equipment business. It also delivered guidance for same store sales which was below expectations for the remainder of the year. This detracted from relative returns. The business has done particularly well over the last two years and the deceleration in revenue growth could indicate some weakness in demand. The Fund had reduced its position size by 50% in advance of the earnings results.

The Fund's sector allocation was broadly unchanged during the month. The Fund reduced its exposure to consumer discretionary and consumer staples, while increasing it to information technology. **Topgolf Callaway Brands**, **Deere**, and **ASML** were the largest reductions during the month following weaker earnings reports.

The Fund increased its position in **Nvidia** in advance of the earnings results. This followed positive changes in procurement data which the Fund had identified, leading to the belief that there was a high likelihood that the consensus earnings forecasts were too low.

The Fund also increased its exposure to **Taiwan Semiconductor Manufacturing Company (TSMC)**, reflecting the positive implications of Nvidia's forward earnings guidance and TSMC's inexpensive valuation level. An acceleration in orders is expected in the second half of 2023 and throughout 2024, which will help grow earnings.

The Fund continues to increase its position in US e-commerce and cloud computing company **Amazon**. The Fund is anticipating an acceleration in Amazon Web Services (AWS) earnings growth in the third quarter, ahead of the market forecast of the fourth quarter, and at a level higher than current consensus expectations.

The Fund's position in **Topgolf Callaway Brands**, was exited during the month after the company reported weaker than expected full-year revenue guidance. Having previously reduced the position by half in anticipation of slowing demand for golf equipment, its earnings growth is now being impacted by higher financing costs and the consumer spending slowdown.

During May the manager engaged with the China-based insurance company **AIA Group**, which is held in the Fund. It discussed progress towards its 2050 net-zero target, board and executive leadership diversity, client data security and ethics training.

FEATURES

APIR CODE	HOW0002AU
REDEMPTION PRICE	A\$ 2.7934
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 301.98m
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. 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.
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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