

**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.

**PERFORMANCE TABLE**

NET PERFORMANCE FOR PERIODS ENDING 31 May 2024<sup>1</sup>

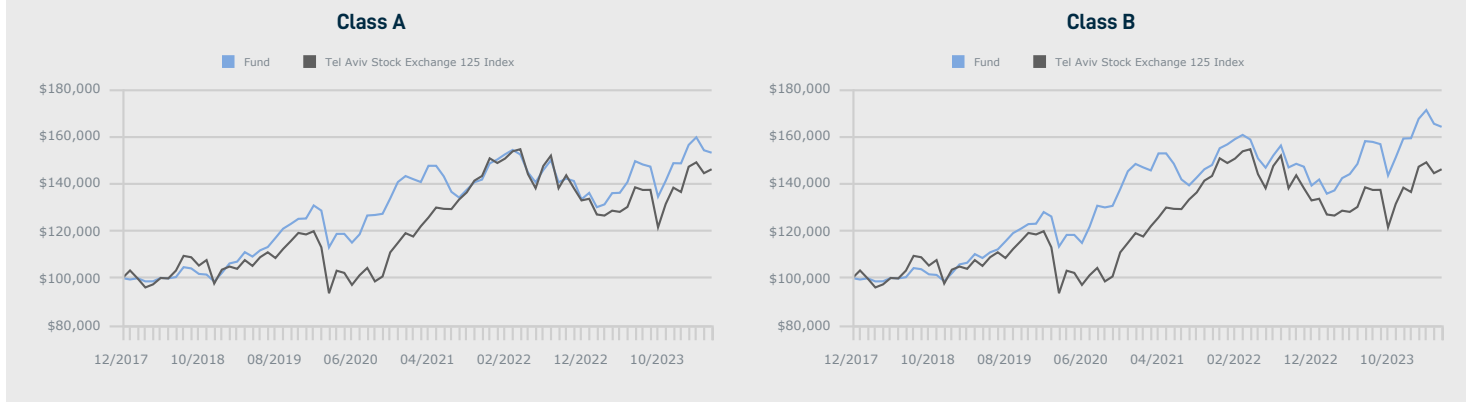
Alpha Israel Fund Class A (AUD)					
	1MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class A	-0.7%	12.5%	2.8%	1.2%	6.9%
Tel Aviv Stock Exchange 125 Index	1.2%	14.1%	0.7%	4%	6.1%

Alpha Israel Fund Class B (USD)					
	1MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	-0.8%	13.9%	4.3%	2.4%	8%
Tel Aviv Stock Exchange 125 Index	1.2%	14.1%	0.7%	4%	6.1%

**PERFORMANCE CHART**

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



**TOP HOLDINGS (ALPHABETICALLY)**

Argo Properties NV	Real Estate Operating Companies
Azrieli Group Ltd	Real Estate Operating Companies
Bank Hapoalim BM	Diversified Banks
Bank Leumi LE IS	Diversified Banks
Telsys	Technology Distributors

**SECTOR BREAKDOWN**

Consumer Discretionary	6%
Financials	26.1%
Health Care	8.3%
Industrials	7.1%
Information Technology	17.5%
Real Estate	12.6%
Utilities	5%
Energy	6.4%
Options	0.3%
Cash	10.7%

**CAPITALISATION BREAKDOWN**

Under 100m USD	2%
In between 100 - 1bn USD	45.7%
In between 1bn - 5bn USD	13.3%
Above 5bn USD	27.6%
Derivatives	0.3%
Not Classified	0.3%
Cash	10.7%

**STATISTICAL DATA**

VOLATILITY<sup>3</sup> 11.7%

NUMBER OF STOCKS 26

BETA<sup>4</sup> 0.62

MAXIMUM DRAW DOWN -15.7%

## MAY REPORT

### COMMENTARY

- Israeli equities delivered a positive return in May as global share markets recovered from the pull-back in April.
- Persistent inflation and ongoing geo-political risk restrained the local share market as it underperformed developed markets.
- The Fund returned -0.7% (Class A, AUD) and -0.8% (Class B, USD), while the TA 125 Index returned +1.2% in May.

### Market Review

Israel's share market moved up strongly at the start of May in line with developed global markets. This followed strong corporate earnings announcements and hopes of early interest rate cuts across the major economies.

However, inflation in Israel remains persistent, increasing to 2.8% year-on-year in April from 2.7% in March, (0.8% from 0.6% month-on-month). This disappointed investors who had expected a fall to 2.5%, leading to a reversal of some of the market gains. Inflation is now forecast to be 3.1% over the next 12 months.

Elevated inflation meant that the Bank of Israel kept interest rates unchanged at 4.50% when it met towards the end of May. The Governor highlighted the rise in inflation and geopolitical uncertainty as factors preventing the normalisation of interest rates. The Bank noted that monetary policy remains restrictive and may remain so for some time. Futures market prices imply interest rates will fall to 4.35% over the next 12 months.

The geo-political situation remains volatile, with fighting continuing in Gaza and tension rising on the border with Lebanon. However, efforts by the US and others to negotiate a ceasefire are raising hopes the situation may de-escalate, which would strongly support share prices.

Israel's economy bounced back sharply in the first quarter, expanding 14.1% quarter-on-quarter, having contracted by 21.0% in the final three months of last year. This helped GDP contract just 1.4% in the full year to March.

In a further sign of the vibrancy of Israel's technology sector, US tech group Intel unveiled its new generation of processors, known as Lunar Lake. These were largely developed by the company's teams in Israel to compete in the market for new AI-powered personal computers.

### Portfolio Commentary

The Fund continues to take a positive view of Israel's economic and share market prospects, despite the ongoing geo-political uncertainty. The Fund maintained its net equity exposure of approximately 85%.

The largest contributor to the Fund's relative return in May was its overweight position in the printed circuit board manufacturing company **Priortech**. Its Nasdaq-listed subsidiary **Camtek** is a leading developer and manufacturer of high-end inspection and metrology equipment for the semiconductor industry. It reported strong first quarter revenue and earnings and is expected to grow revenue at 25% per year over the next few years. The share price rose 21% during May.

The largest detractor from relative returns in May was the Fund's holding in Nasdaq-listed technology group **Nice**,

the global leader in cloud computing software systems for call centres. While the company released better than expected first quarter earnings results in May, it also announced the resignation of Barak Eilam, who has been with the company for 25 years and CEO for the last ten. The uncertainty this creates, as the company navigates the transition to AI, led the Fund to exit its position.

The Fund increased its long-standing position in electrical components manufacturer **Telsys** after it underperformed upon weaker than expected first quarter earnings. These reflected customers running down their inventories of components, which they had built up during the pandemic upon supply chain concerns. This has restrained earnings over recent quarters, but the Fund now expects this to normalise, with 15% annual revenue growth, which we believe is not reflected in the current market valuation level.

The Fund also increased its position in **Energix**, one of Israel's largest renewable energy companies, which also operates in the US and Poland. It provided strong forward earnings guidance with revenues growing rapidly in the US upon rising demand for electricity due to the increasing number of energy-intensive data centres. Its strong balance sheet and positive cash flow should enable it to progress its strategic plan without the need for raising further capital. It expects to deliver US\$270 million per year in net cash flow within three years.

## FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.0616
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 and may not be repeated, 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

Pengana Capital Limited (ABN 30 103 800 568, AFSL 226566) ("Pengana") is the issuer of units in the Pengana Alpha Israel Fund (the "Fund"). An Information Memorandum can be obtained from our distribution team or website. A person should consider the information memorandum carefully and consult with their financial adviser before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This information has been prepared for Wholesale Clients only. This information does not contain any investment recommendation or investment advice and has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on this information a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs.