

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 10.9%

NUMBER OF STOCKS 37

BETA⁴ 0.56

MAXIMUM DRAW DOWN -13.6%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jul 2022¹

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	3.7%	6.7%	10.9%	8.8%	8.6%
Tel Aviv Stock Exchange 125 Index	6.8%	14.1%	20.7%	10%	8.9%

Alpha Israel Fund Class B (USD)

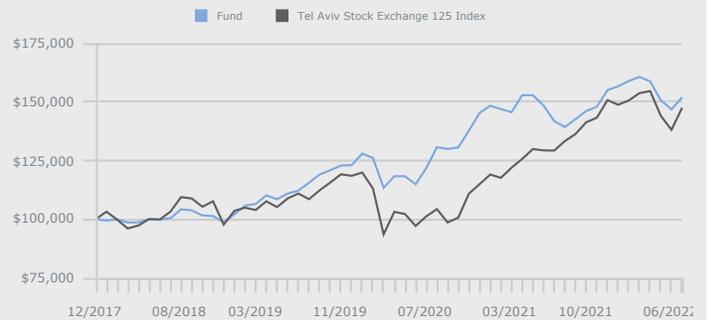
	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	3.5%	7.1%	11.7%	10.6%	9.6%
Tel Aviv Stock Exchange 125 Index	6.8%	14.1%	20.7%	10%	8.9%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²

Class A

Class B



TOP HOLDINGS (ALPHABETICALLY)

Bank Hapoalim BM	Diversified Banks
Camtek	Semiconductor Equipment
FMS Enterprises Migun	Aerospace & Defense
Kenon Holdings Ltd	Independent Power Producers & Energy Traders
Medi Power	Diversified Real Estate Activities

SECTOR BREAKDOWN

Communication Services	3.3%
Consumer Discretionary	3.1%
Financials	17.6%
Health Care	6.6%
Industrials	8.4%
Information Technology	19.6%
Materials	1.9%
Real Estate	13.1%
Utilities	6.3%
Energy	9.5%
Other	1.2%
Options	0.9%
Cash	8.5%

CAPITALISATION BREAKDOWN

Under 100m USD	4.9%
In between 100 - 1bn USD	36.2%
In between 1bn - 5bn USD	30.7%
Above 5bn USD	18.9%
Derivatives	0.9%
Cash	8.5%

INNOVATIVE MEDICAL TECHNOLOGY DELIVERS ALMOST 45% FOR THE MONTH

COMMENTARY

The Fund returned 3.7% (Class A, AUD) and 3.5% (Class B, USD) in July, underperforming the TA 125 Index which returned 6.8%.

The main contributors for the month were our position in InMode (INMD), which was up 45% due to strong second quarter results and a positive outlook, and our exposure to Natural Gas companies Delek (DLEKG) and Ratio (RATI), which were up 16.5% and 10% respectively.

The main detractors this month were the 3D printing company Massivit (MSVT), which was down 23%, and Checkpoint (CHKP), which was flat. The latter is a relatively large position at 4% and will be releasing its 2nd quarter results in August.

After a negative start to the year, July proved a more positive one for the Israeli equity market, as it was for many markets around the world. We do not, however, see many reasons for optimism, and remain cautious in our approach. While there is no doubt that the sharp declines witnessed in the first half of the year created opportunities, time will tell whether markets continue to rise.

The key points to note during the month were:

- Strong financial results led to a significant rise in the share price of about 45%. This increased our position to approximately 4% of the Fund, but we elected to pare it back to our original positions size of 2.5 to 3%. This stock is discussed in more detail in the Stock in Focus section below.
- This was an opportunistic position in the Fund, established when a significant shareholder determined to sell a large holding at a discount to the prevailing share price. We have already sold half of the position.
- In addition to the 6.5% of the Fund held in Israel's Natural Gas sector, we have also initiated a position in Bazan, Israel's largest integrated refining and petrochemical facility. Bazan provides a variety of products used in industrial operations, agriculture, and transportation. This is a short-term position, similar to the one in Kenon. We believe the company can benefit from the current environment and generate cash flow of 30 to 40% of its market cap over the next year.
- We currently hold about 10% of the Fund in Israel's three leading banks. The banks represent an attractive risk reward relative to the market, generating a return on capital of 12%, distributing healthy dividends, and benefiting from increases in interest rates.
- Downside protection. We are currently implementing separate strategies on global and Israeli markets. Globally, due to the high market volatility, we are implementing put spreads (buying put options close to the money and selling put options far from the money) to reduce our hedging costs. In Israel, due to the lower volatility, we are implementing our downside protection by buying put options close to the money, protecting the portfolio from a further decline over 5%.

Stock in Focus: InMode

InMode (Nasdaq: INMD) is a leading global provider of innovative medical technologies. The company develops, manufactures, and markets devices harnessing novel radio-frequency (RF) based devices that strive to enable new emerging surgical procedures as well as improve existing treatments. InMode has leveraged its medically accepted minimally invasive RF technologies to offer a comprehensive line of products across several categories for plastic surgery, gynaecology, dermatology, otolaryngology, and ophthalmology.

The Company released its 2nd quarter results in July, showing quarterly revenues of US\$113.5 million, above the consensus of US\$103 million, and representing an annual growth of 30% compared to the corresponding quarter last year. Adjusted earnings per share were \$0.59, growing at 15.7% year on year. InMode's management also raised its sales forecast for 2022 and expects revenues of US\$430 million, which embodies 20% growth for the whole year and about 13% for the second half.

The bottom line is that InMode continues to show strong results with high growth rates and high profitability while properly controlling and managing the supply chain. We continue to believe that InMode is well positioned to strengthen its position, accumulate market share, support growth, and drive future profitability.

Macro developments

After the expected renewed acceleration in economic growth in the second quarter (Israel's exports were at a record high) a number of preliminary indicators point to a slowdown in economic growth at the end of the second quarter and the beginning of the third quarter. This was recently reflected in a moderation in the rate of increase of the Composite State of the Economy Index.

The inflation forecast for the coming year remains at about 2.9%. We believe supply inflation in Israel will moderate in 2023, with several points supporting our view:

- (1) The prices of sea freight declined this week (for the 22nd week in a row) by another 1% to a level about 35% lower than the peak level in September 2021.
- (2) The retail inventories component in the U.S (United States) continued to increase in June (+2%) taking the rise to +20% YoY. Walmart indicated this week that it will have to offer large discounts to get rid of excess stock of clothing and 'general goods'.

On the other hand, in contrast to the recent trend, global commodity prices increased this week, although the shekel strengthened sharply in July.

During the month, Fitch reaffirmed Israel's "stable" A+ credit rating. Fitch predicts that economic growth will be 4.6% in 2022 and 3% in 2023, with the high-tech sector continuing to demonstrate strong performance, and against the backdrop of the slowdown in the global economy, the effect of inflation on consumption, and labour shortages in certain sectors. Fitch continues to point out the country's strong external accounts and highlights the moderating effect of gas agreements on price levels in Israel.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.0519
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. 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

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com



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 for the Fund is available and can be obtained from our distribution team. 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.