

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 11.3%

NUMBER OF STOCKS 35

BETA⁴ 0.59

MAXIMUM DRAW DOWN -15.7%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jul 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	6.3%	2.6%	4.7%	8.1%	7.5%
Tel Aviv Stock Exchange 125 Index	7.1%	-5.5%	3.9%	11.3%	6.1%

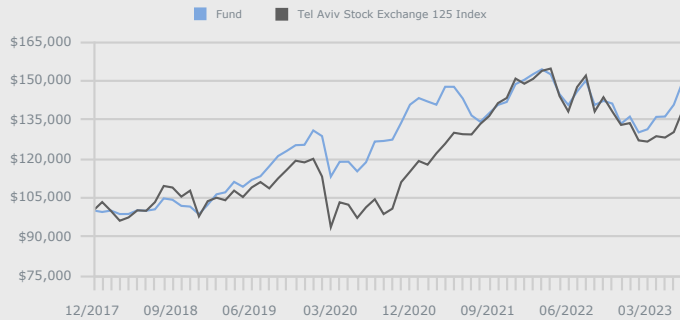
Alpha Israel Fund Class B (USD)

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	6.5%	4%	5.6%	9.1%	8.5%
Tel Aviv Stock Exchange 125 Index	7.1%	-5.5%	3.9%	11.3%	6.1%

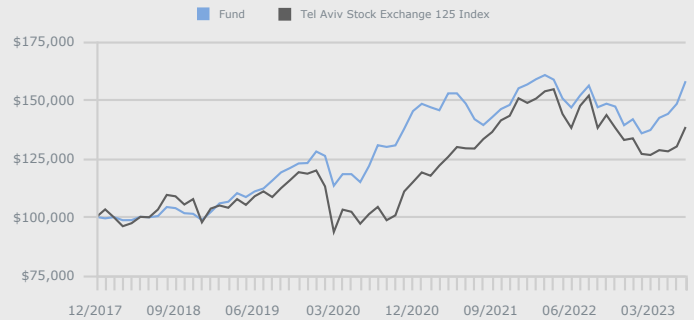
PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²

Class A



Class B



TOP HOLDINGS (ALPHABETICALLY)

Bank Hapoalim BM	Diversified Banks
Bank Leumi LE IS	Diversified Banks
Camtek	Semiconductor Materials & Equipment
Israel Discount Bank Ltd	Diversified Banks
Oil Refineries Ltd	Oil & Gas Refining & Marketing

SECTOR BREAKDOWN

Consumer Discretionary	3.1%
Financials	18.8%
Health Care	6.9%
Industrials	9.1%
Information Technology	20.2%
Real Estate	14.4%
Consumer Staples	0%
Energy	11.4%
Other	3%
Options	0.4%
Cash	12.5%

CAPITALISATION BREAKDOWN

Above 5bn USD	0.9%
Derivatives	0.4%
Not Classified	86.1%
Cash	12.5%

JULY REPORT

COMMENTARY

The Fund returned 6.3% (Class A, AUD) and 6.5% (Class B, USD) in July, while the TA 125 Index returned 6.4%.

The Israeli share market performed strongly during July as the recent political unrest appeared to be calming down. The Fund performed broadly in line with the market index during the month as more attractive investment opportunities begin to emerge.

The Fund has performed well relative to the benchmark since the start of the calendar year, having returned over 12%. This is especially significant considering the heightened political risk environment in Israel and the Fund's relatively low net market exposure.

We recently published an [update](#) on the political uncertainty in Israel, but it appears that the situation is now beginning to improve. Any further reforms are expected to require a broader political consensus.

Market Review

The Bank of Israel decided to leave interest rates unchanged at 4.75% at its 10 July meeting. Its statement referred to the slowdown in price rises of both tradeable and non-tradeable goods over the last few months. Israel's consumer price index fell to 4.2% in June from 4.6% in the previous month.

The Bank stated that it expects the current interest rate to be high enough to bring inflation back down to its 1.0% – 3.0% target range and that long-term inflation expectations are within this band. The Bank hinted that rates could enjoy a period of stability, forecasting that interest rates would be in the 4.75% – 5.00% range in the second quarter of next year.

The Bank published data indicated strong economic activity levels, growth exceeding market expectations – GDP growth increased to 3.2% in the first quarter – and a tight labour market with record employment levels and very little unemployment.

Israel continues to enjoy a strong competitive advantage in the field of advanced manufacturing technologies. The country's industrial manufacturing sector has undertaken a remarkable transformation, integrating innovative technologies with traditional manufacturing processes. Driven by the Fourth Industrial Revolution (4IR), Israel is well positioned as a leader in advancing and transforming traditional manufacturing processes.

According to McKinsey, 4IR refers to the digitisation of the manufacturing sector, fuelled by disruptive trends such as data, connectivity, analytics, human-machine interaction and robotics. This concept closely aligns with advanced manufacturing, which utilizes innovative technologies to enhance products and processes. The 4IR develops solutions for manufacturing challenges such as operation optimisation, maintenance, inspection, and testing, and supply chain management. Industry 4.0 technologies such as sensing and imaging, 3d printing, robotics, and platform connectivity are driving innovative solutions that are bringing progress across the manufacturing sector.

Israel's focus on advanced manufacturing and its ecosystem of innovation and R&D centres bring exciting opportunities. [Large multinational companies](#) including Applied Materials, Intel, Teva Pharmaceutical, and HP Indigo have established manufacturing sites in Israel, creating technologies that are revolutionizing global processes.

Portfolio Commentary

Nasdaq-listed **Camtek** is a leading developer and manufacturer of high-end inspection and metrology equipment for the semiconductor industry. It is one of the largest positions in the Fund. It announced that it has recently received orders for 42 systems from several tier-one semiconductor manufacturers. This has raised expectations of strong outperformance in the second half of 2022. A significant portion of the orders is for the manufacture of chiplet modules and High Bandwidth Memory (HBM) for heterogeneous integration. The systems are expected to be delivered during the second half of 2023.

Chiplet modules (very small computer chips which perform more complex tasks than regular chips) have emerged as critical components in enhancing computing power. Applications include artificial intelligence (AI), data centre processing, and gaming. The integration of chiplets with several HBM modules boosts the performance of processing units. These new orders underscore Camtek's strong market position as a preferred supplier of inspection and metrology systems in a rapidly expanding market.

The Fund continued to strengthen its position in **Nayex**. The global fintech provides a comprehensive operating system and payment platform for unattended machines and retailers. It is delivering strong revenue growth and remains attractively valued.

The cost of US market portfolio protection is currently at historically low levels, reflecting a perception that investors currently face a low-risk environment. Short positions were closed aggressively in July as markets continued to move upward. The Fund took the opportunity to cost effectively extend the maturity (to December) of its international equity protection.

Strong returns in the technology sector contributed to relative returns, as Camtek's share price appreciated by 33%. **Inmode Technologies**, a global provider of energy-based, minimally invasive surgical medical treatment solutions, outperformed the market after it announced strong second quarter earnings results.

The other main contributor to the Fund's relative returns was its natural gas exposure through **Tamar Petroleum**, which is engaged in offshore natural gas exploration and production. Its share price jumped 32% in July after the Israeli investor Aaron Frenkel acquired a further 20% stake in the company.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.0225
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

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

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