PENGANA CAPITAL GROUP

MONTHLY REPORT
JULY 2023

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[8] 14.6%	NUMBER OF STOCKS 47	BETA[9] 0.95

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jul 2023[1]

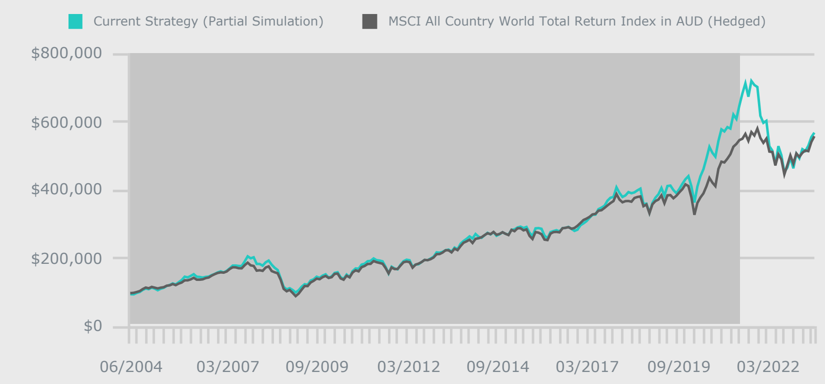
Pengana Axiom International Ethical Fund (Hedged)[1]

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[3]	Since Strategy Inception July 2004[4]
Fund: APIR (HHA0002AU)[2,3] Managed by Axiom from June 2021	2.4%	7.5%	-8.8%	-3.1%	2.1%	5.1%	6.5%
Current Strategy (Partial Simulation)[5] Axiom Global Equity Strategy					4.9%	7.7%	9.5%
Index (Hedged)[6]	3.1%	10.5%	0.7%	1.9%	10.8%	8.2%	9.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Amazon	Consumer Discretionary
Apple	Information Technology
Asml Holdings	Information Technology
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	17.7%
Consumer Staples	3.4%
Financials	9.8%
Health Care	18.4%
Industrials	9.3%
Information Technology	34.6%
Materials	0.5%
Real Estate	0.9%
Communication Services	3.4%
Cash	2%

CAPITALISATION BREAKDOWN

Under 5bn USD	2.2%
In between 5bn - 10bn USD	2.3%
In between 10bn - 50bn USD	18.9%
In between 50bn - 150bn USD	22.5%
In between 150bn - 500bn USD	27.2%
Above 500bn USD	24.8%
Cash	2%

REGION BREAKDOWN

North America	64.9%
Europe ex-UK	18.9%
Emerging Markets	5.7%
Japan	4%
UK	2.2%
Asia Pacific ex-Japan	2.2%
Cash	2%

GLOBAL SHARE MARKETS CONTINUED TO PERFORM

COMMENTARY

- Global share markets continued to perform well in July as the US Federal Reserve increased interest rates by 0.25% in line with expectations
- The Fund returned 2.4% in July, while the benchmark returned 3.1%, as value stocks outperformed growth
- Technology-related sectors continued to perform strongly, especially stocks exposed to innovation in AI

Global equity markets continued to perform well in July. Value stocks outperformed growth for only the second month this year, as the share market recovery appeared to broaden. US inflation continued to moderate, falling to 3.0% year-on-year in June from 4.0% in May.

The US Federal Reserve increased interest rates by 0.25% to 5.25% – 5.50%, in a move seen as edging rates close to their peak. This sentiment helped the US dollar fall 1.0% against its trade-weighted index in July.

Economic activity continued to moderate as data showed that US manufacturing is still contracting. The broader Eurozone economy remains subdued, as the European Central Bank increased interest rates by 0.25% to 3.75% at its July meeting.

China's manufacturing activity contracted in June as the country's post-COVID recovery appears to be running out of steam. Consumer spending remained sluggish around the important 6/18 holiday, which has become the country's second biggest shopping event. The highly leveraged real estate market remains a drag on economic activity, although travel and entertainment are contributing to economic growth.

The Fund retains its focus on dynamic growth stocks whose positive revisions to earnings per share (EPS) drive outperformance as global economic growth moderates. The Fund continues to overweight information technology, health care and consumer discretionary, while the largest underweight sectors are financials, energy, and materials.

Strong stock performance in health care, communication services and information technology contributed to relative returns. Weak stock performance in industrials and financials and an overweight position in health care were the main detractors.

Innovations in generative artificial intelligence (AI) continue to drive returns in technology-related stocks. US-based global software group **Adobe** launched the beta version of its AI product Firefly in June, which has received broadly positive feedback. The investment manager participated in several Firefly online demonstrations that delivered seamless integration into Adobe's existing suite of core creative products (Photoshop & Illustrator).

Uber Technologies is a US-based provider of ride-hailing, food delivery and courier services worldwide. It strongly outperformed the market in July as data-points indicated a potential positive surprise in its forthcoming second quarter earnings report. The data indicated continued strong bookings growth in both ride hailing and food delivery services. Earnings growth continues to exceed analysts' expectations, making the company's valuation look increasingly attractive.

The US semiconductor developer **Nvidia** continued to outperform following earlier strong profit results as investors recalibrated its earnings growth potential. Demand from Asia for data centre graphics processing units (GPUs) continues to grow.

US pharmaceutical company Eli Lilly underperformed the market in July following a short period of weaker sales data. This followed an extended period of outperformance.

US-based provider of online vehicle auction services worldwide Copart also underperformed in July, following a period of strong returns. Salvage volumes decelerated slightly during the month, which may limit its near-term potential to grow earnings ahead of expectations.

The Fund increased its positions in e.l.f. Beauty and Palo Alto Networks, which were first established last month. e.l.f. Beauty's unit sale volumes appear to be 5% ahead of the consensus forecast over the next quarter, based upon analysis of barcode scanning data. Over the long term it is expected that the company's differentiated strategy will allow it to continue to build market share in the makeup segment. The company is also entering the larger skincare market, which is expected to provide a long-term opportunity to grow earnings.

The Fund also aggressively increased its position in US-based e-commerce and cloud computing company Amazon.com ahead of the publication of its second quarter earnings results. This was due to stronger incoming data concerning both Amazon's retail and AWS cloud computing businesses.

The Fund continued to reduce its position in US-based multinational cosmetics company Estee Lauder. This followed continued negative data regarding Chinese consumer demand that is keeping inventory levels elevated and these will take some time to normalise.

The Fund also reduced its position in Germany's airline group Lufthansa. While its second quarter earnings results were mostly in line with analysts' expectations, forward guidance was a little weaker upon uncertain travel demand over the forthcoming northern hemisphere winter period.

The Fund exited its position in Canadian National Railway during the month. Slower economic growth and therefore freight demand in North America has impacted its revenue growth. While rail continues to gain market share from other forms of transportation, the position was exited following another set of disappointing results at the end of the second quarter.

The Fund holds a position in US-based Idexx Laboratories which holds a market leading position in the specialised diagnostics equipment and software that support veterinary practices. The company's ESG rating was upgraded by MSCI to AAA from AA following the investment manager's engagement with the company last month regarding human capital management. The retention of front-line employees is a key priority of Idexx's management team.

This engagement revealed that Idexx has partnered with Northeastern University's Roux Institute to design training courses, seminars and other learning opportunities for employees. The company advised that access to these programs has reduced attrition in many parts of the organisation. The investment manager encouraged the company to engage with MSCI to share details of these initiatives. MSCI subsequently upgraded Idexx Laboratories' ESG rating to AAA from AA because of better disclosure of business ethic practices.

FEATURES

APIR CODE	HHA0002AU
REDEMPTION PRICE	A$ 2.5494
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	$10,000
FUM AT MONTH END	A$ 45.82m
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.

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