

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 10.8%

NUMBER OF STOCKS 37

BETA⁴ 0.56

MAXIMUM DRAW DOWN -13.6%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 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	2.9%	11.8%	8.9%	8.6%	9.1%
Tel Aviv Stock Exchange 125 Index	3%	14%	20.7%	11.9%	9.4%

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	2.8%	12.1%	9.3%	10.6%	10%
Tel Aviv Stock Exchange 125 Index	3%	14%	20.7%	11.9%	9.4%

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	4.4%
Consumer Discretionary	1.4%
Financials	17.4%
Health Care	5.3%
Industrials	12.1%
Information Technology	19.3%
Materials	2.2%
Real Estate	14.6%
Utilities	6.1%
Energy	8.7%
Other	0.2%
Options	1.2%
Cash	7.4%

CAPITALISATION BREAKDOWN

Under 100m USD	4.2%
In between 100 - 1bn USD	33.4%
In between 1bn - 5bn USD	35.9%
Above 5bn USD	18%
Derivatives	1.2%
Cash	7.4%

STRONG GROWTH, RELATIVELY LOW INFLATION AND A BUDGET SURPLUS

COMMENTARY

The Fund returned 2.9% (Class A, AUD) and 2.8% (Class B, USD) in August, underperforming the TA 125 Index which returned 3%. The performance of the Israeli stock market was in contrast to most markets around the world, which were in negative territory.

The main contributors this month were our positions in **Telsys**, which was up 25% due to excellent second-quarter results and a positive future outlook, and **Payton**, which was up 27%, also due to Q2 and H1 financial reports. The stock is cheap, with plenty of net cash, and in a lucrative growing sector (see the "Stock in Focus" section below)

The main detractors this month were **Kenon**, which was down -9% due to a decline in global freight tariffs, and **Camtek**, which was down -10% due to profit taking after a strong run in the share price following its half year financial results.

Israel continues to show strength vis-à-vis most other global markets. Strong growth, relatively low inflation (while still the highest rate since 2008) and a budget surplus, supported by an increase in marked tax revenues, are all evidence of its advantageous economic position.

In recent months, we have increased our holdings in sectors such as Finance and Insurance from about 5% to 11%. These sectors benefit from an increase in inflation, have a return on capital of around 10 to 15%, and provide healthy distributions. We are currently examining these holdings again and are considering reducing their weight slightly, since exposure to mortgages and concerns of a recession in the future may weigh on their results.

Stock in Focus:

Payton Planar, dually listed on the Tel Aviv stock exchange and Euronext, designs, manufactures and sells magnetic components. It is the global leader of Planar Magnetics Technology with more than 25 years of research and development experience. Planar magnetics is probably the most cost-effective solution for high-frequency, high power density, power conversion equipment available today.

Power conversion is fundamental to the continued profitable growth of the telecommunications and data processing industries and of many others. Use of the technology includes segments such as automotive (hybrid and electric cars), medical equipment, telecoms power supply, and data centres.

Payton published its financial results recently: revenues in the half year amounted to USD 30 million, an increase of approximately 54% compared to the same period last year; the profit for the half amounted to USD 6 million, an increase of 70% compared to the same period last year; and the order backlog amounted to USD 50 million at the end of the half compared with USD 31 million at the end of 2021.

In light of the above we strongly believe that, with its strong financial fundamentals and proven technology, Payton is perfectly positioned to benefit from continued expansion in this specialised sector.

Macro Developments:

In the second quarter of 2022 Israel's GDP increased by 6.8% (in annualized terms). The current level of GDP is 12% greater than its pre-coronavirus crisis level (Q4/2019), and 1% above its potential level (the theoretical level of GDP if it were not for the outbreak of the coronavirus crisis, calculated according to the average growth rate in the years 2016-2019).

Analysis of the growth components attests to strong growth across the board in the second quarter:

- A 10.4% increase in spending for private consumption
- A 7.7% increase in investments in fixed assets
- A 5.0% increase in public consumption spending
- A 10.3% increase in export of goods and services

Israel's rate of inflation in the 12 months to the end of June 2022 was 4.4%, the highest rate since 2008, according to the Central Bureau of Statistics, but still significantly lower than in most developed countries. Research by the Bank of Israel found that the level of inflation in Israel began to diverge from the higher path it was taking in the US and Europe in the second quarter of 2021, when natural gas prices began rising on world markets. This is partly because energy only comprises a very small part of Israel's CPI and partly because the price of Israel's natural gas is fixed in long-term contracts with partners in its own offshore gas fields. When winter comes, with the price of natural gas in Europe likely to rise due to the uncertainty of supply from Russia, while Israel's natural gas price remains fixed, the inflation gap between Israel and Europe is likely to widen further.



The banner features a dark blue background with a subtle grid pattern. On the left, there is a globe icon with the word "WEBINAR" in white text inside a blue rectangular box. To the right of the globe, the text "ISRAELI TECH COMPANIES" is written in large, bold, white capital letters. Further right, there is a blue button with the text "REGISTER NOW" in white, followed by a white right-pointing arrow. Below the button, the date and time "TUES, OCT 25 2022 4:00PM (AEDT)" are displayed in small white text.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.0812
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

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