

**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**

VOLATILITY<sup>3</sup> 11.2%

NUMBER OF STOCKS 34

BETA<sup>4</sup> 0.6

MAXIMUM DRAW DOWN -15.7%

**PERFORMANCE TABLE**

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 2023<sup>1</sup>

**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	-0.9%	-1.2%	5.1%	5.4%	7.2%
Tel Aviv Stock Exchange 125 Index	-0.8%	-9.6%	1.5%	9.6%	5.8%

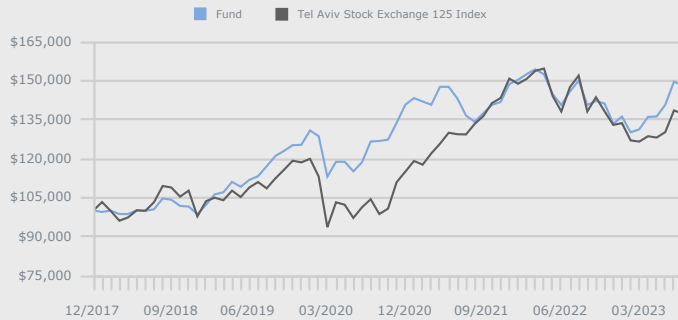
**Alpha Israel Fund Class B (USD)**

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	-0.2%	1%	6.4%	6.5%	8.4%
Tel Aviv Stock Exchange 125 Index	-0.8%	-9.6%	1.5%	9.6%	5.8%

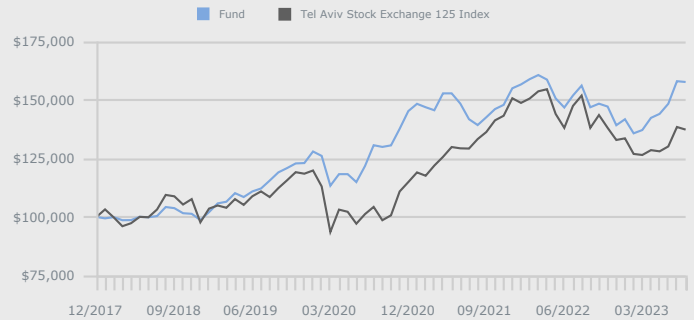
**PERFORMANCE CHART**

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

**Class A**



**Class B**



**TOP HOLDINGS (ALPHABETICALLY)**

Bank Hapoalim BM	Diversified Banks
Bank Leumi LE IS	Diversified Banks
Check Point Software Technologies	Systems Software
Oil Refineries Ltd	Oil & Gas Refining & Marketing
Priortech Ltd	Electronic Components

**SECTOR BREAKDOWN**

Consumer Discretionary	3.2%
Financials	20.2%
Health Care	6.6%
Industrials	7.1%
Information Technology	22.3%
Real Estate	17.1%
Consumer Staples	0%
Energy	11.8%
Options	0.2%
Cash	11.5%

**CAPITALISATION BREAKDOWN**

Under 100m USD	5.2%
In between 100 - 1bn USD	38.2%
In between 1bn - 5bn USD	18.9%
Above 5bn USD	26%
Derivatives	0.2%
Cash	11.5%

## AUGUST REPORT

### COMMENTARY

The Fund returned -0.9% (Class A, AUD) and -0.2% (Class B, USD) in August, while the TA 125 Index returned -0.8%.

Israeli and global share markets weakened during August as longer-term global government bond yields rose upon expectations that interest rates would remain elevated for an extended period. This came despite growing sentiment that the US economy would avoid a recession and experience a 'soft landing'.

#### Market Review

Israel's inflation continued to moderate, falling faster than expected to 3.3% in July from the previous 4.2%. This led the Bank of Israel to leave interest rates unchanged at 4.75% when it met at the beginning of September.

Inflation remains above the 1.0% – 3.0% target range, leading the Bank to comment that further rate rises were a real possibility if inflation does not continue to moderate in line with expectations.

Israel's GDP growth fell to 3.0% in the second quarter from the previous 3.2%, which was faster than market expectations. While this reflects a level of activity that is above the pre-Covid trend, the Bank noted that the pace of growth remains below the economy's potential and several data points indicate it is slowing further.

Israel's composite state-of-the-economy index increased by 0.17% in July, which whilst high compared to recent months, is low on an historic basis.

#### Portfolio Commentary

The Fund's main contributor to relative returns in August was the position in **Prioritech**, which saw a 35% increase in its market valuation over the month.

The main detractor from relative returns last month was the holding in the Israeli property investor, developer, and manager **Electra Real Estate**, which saw a 9% fall in its market valuation.

One of the Fund's largest (4.5%) positions, Nasdaq-listed cyber security group **Check Point Software Technologies**, announced it had signed a definitive agreement to acquire **Perimeter 81** for US\$490 million, free of cash or debt. **Perimeter** is an Israeli cloud and network security business, which is a pioneer in security service edge (SSE) platforms.

This will help **Check Point** accelerate the adoption of secure access across remote users, sites, cloud, datacentres, and the internet. It aims to deliver the most secure and fastest SSE solution on the market.

Nasdaq-listed **Camtek** is a leading developer and manufacturer of high-end inspection and metrology equipment for the semiconductor industry. The stock continued to outperform in August as it benefited from rising demand for packaging solutions related to innovation in artificial intelligence (AI).

The company also tests the 'bumps' that are formed on the semiconductor wafer substrates connecting chips during production. The number of bumps produced is expected to increase tenfold over the next two years. To meet this increased demand, the company is expected to launch a new platform that will increase productivity and provide higher resolution in the manufacturing process.

In August the Fund sold its direct holding in Camtek. However, it maintained its exposure by establishing a position in its Israel-based parent **PriorTech**, which owns Camtek and an unlisted semiconductor company called 'Access'. This was a cheaper way to gain exposure to Camtek; the holding now represents a 5.5% position in the fund.

The credibility of Israel's well-regarded technology sector was further enhanced in August. Nvidia CEO and founder Jensen Huang was discussing the company's success in developing the computing infrastructure that supports powerful generative AI applications. He attributed this to the role played by the networking and switching technologies it gained when it acquired the Israeli high performance networking company Mellanox Technologies for US\$7 billion in 2019.

The Fund maintains a 7% exposure to the natural gas sector, which is benefitting from increasing exports to neighbouring countries.

## FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.0203
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

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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 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.