

## PENGANA AXIOM INTERNATIONAL FUND HEDGED

### DESCRIPTION

The Pengana Axiom International 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.

### PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 2024<sup>1</sup>

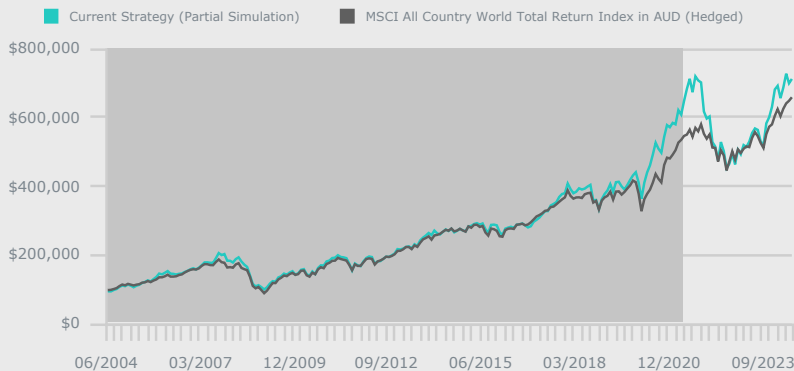
#### Pengana Axiom International Fund (Hedged)<sup>1</sup>

The Class was established in 1 July 2017. From June 2021 Axiom was appointed as the investment manager for the Fund.

	1M	1Y	2Y	3Y	Since Axiom Appointed June 2021	5Y	Since Fund Inception July 2017 <sup>3</sup>	Since Strategy Inception July 2004 <sup>4</sup>
<b>Fund: APIR (HHA0002AU)<sup>2,3</sup></b> Managed by Axiom from June 2021	1.8%	26.3%	19.1%	0.0%	4.9%	8.1%	8.9%	0.0%
<b>Current Strategy (Partial Simulation)<sup>5</sup></b> Axiom Global Equity Strategy	0.0%	0.0%	0.0%	0.0%	0.0%	12.3%	11.4%	10.2%
<b>Index (Hedged)<sup>6</sup></b>	1.6%	20.8%	16.0%	5.3%	6.6%	11.9%	10.1%	9.8%

### PERFORMANCE CHART

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



### TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon.com Inc	Consumer Discretionary
Apple Inc	Information Technology
ASML Holding NV	Information Technology
Eli Lilly & Co	Health Care
Meta Platforms Inc	Communication Services
Microsoft Corp	Information Technology
Novo Nordisk A/S	Health Care
NVIDIA Corp	Information Technology
Taiwan Semiconductor Manufactu	Information Technology

### SECTOR BREAKDOWN

Consumer Discretionary	14.4%
Consumer Staples	3.4%
Financials	6%
Health Care	13%
Industrials	8.8%
Information Technology	39.8%
Real Estate	1.1%
Communication Services	12.2%
Cash	1.2%

### CAPITALISATION BREAKDOWN

In between 5bn - 10bn USD	1.1%
In between 10bn - 50bn USD	8.3%
In between 50bn - 150bn USD	21.3%
In between 150bn - 500bn USD	25.9%
Above 500bn USD	42.2%
Cash	1.2%

### REGION BREAKDOWN

North America	70.1%
Europe ex-UK	14.8%
Emerging Markets	6.6%
Japan	7.3%
Cash	1.2%

### STATISTICAL DATA

VOLATILITY<sup>8</sup> 15.3%

NUMBER OF STOCKS 43

BETA<sup>9</sup> 0.98

## AUGUST REPORT

### COMMENTARY

- Global equities were volatile in August but ended the month higher in local currency terms, as inflation continued to slow and economic data remained fairly positive.
- The technology sector underperformed, with several semiconductor stocks weaker.
- The Portfolio returned +1.8% in August, while the benchmark returned +1.6%, as the currency hedge protected the Fund from the impact of the weaker US dollar.

Join Fund Manager Bradley Amoils for an exclusive webinar where he discusses the Fund's current portfolio holdings, the factors influencing recent performance, and some of the market variables the investment team is considering moving forward. [Register here.](#)

Global equity markets were volatile in August, falling steeply at the start of the month upon higher Japanese interest rates and weak US labour market data that raised fears of a slowdown. Technology stocks were especially sensitive to any signs that their earnings growth might be slowing.

Share markets bounced back later in the month upon stronger US economic data, weaker inflation, and strong hints from the US Federal Reserve (Fed) that it would soon begin reducing interest rates.

Inflation continued to slow across the major developed economies. The US Core Personal Consumption Expenditure (PCE) Price Index, an inflation measure closely watched by the Fed, was unchanged in July at 2.6%. This boosted expectations that US interest rates would be cut in September, which helped push the US dollar down 2.3% relative to the currencies of its major trading partners in August. The US consumer remains resilient, with retail sales strengthening in July.

Economic data in Europe was mixed, with Eurozone activity levels consistent with continued expansion, but showing signs of slowing slightly in July. Meanwhile, the pace of contraction in European retail sales eased to 0.1% year-on-year in July from the previous 0.4%.

Manufacturing activity in China edged back into expansionary territory in July, but consumer spending remains sluggish, while the highly indebted property market remains a drag on economic growth.

The Fund continues to overweight information technology, communications services, and consumer discretionary, while underweighting financials, energy, and materials. Strong stock performance in industrials, communications services and healthcare drove relative returns, but this was largely offset by weaker stock performance and the Fund's overweight position in technology.

The Fund's strongest contributor to relative returns was its overweight position in US-based pharmaceutical company **Eli Lilly**. It outperformed after reporting better than expected second quarter earnings, which were driven by weight loss drugs Mounjaro and Zepbound. It also announced stronger than expected forward guidance and indicated it would expand production faster than anticipated.

US-based multinational technology group **Meta Platforms**, which owns Facebook also outperformed after reporting better than expected second quarter earnings results and guidance. Meta announced strong demand for digital advertising, helping to grow revenue as it continues to enhance its platform using AI technology.

Italian luxury sports car manufacturer **Ferrari** performed well after reporting strong second quarter profits and better than expected forward guidance. Ferrari's recent average sale prices and volumes on new models has exceeded analysts' expectations, which gives Axiom confidence it will grow earnings sustainably.

The largest detractor from relative returns was the Fund's overweight position in Japan-based technology company **Tokyo Electron**, which supplies wafer fabrication equipment (WFE) to semiconductor manufacturers. It underperformed despite reporting better than expected earnings and forward guidance, after its key customer Intel announced weaker than expected capital equipment expenditure guidance.

Operational issues at Intel weighed on the entire semiconductor equipment sector. This led to the Fund's holding in Netherlands-based **ASML**, which is a key supplier of semiconductor manufacturers, also underperforming the market.

US-based e-commerce and cloud computing giant **Amazon** underperformed in August after reporting stronger than expected revenue growth in its cloud operation Amazon Web Services (AWS), but weakness in its retail business. Forward operating guidance also fell short of investors' elevated expectations. Despite weaker consumer sentiment, Amazon's revised earnings guidance and market expectations for the stock now appear quite conservative.

The Fund reduced its position in French luxury goods house **Hermes** after Axiom's analysis of credit card data indicated slowing consumer activity. While Hermes is the most attractive luxury stock, given its exposure to the wealthiest consumers, earnings growth may be below analysts' expectations this year.

The Fund also reduced its holding in US-based multi-brand cosmetics company **e.l.f. Beauty** after analysis of tracked scanner data indicated that sales have begun to decelerate over recent weeks. Nonetheless, Axiom remains confident that the company's non-tracked business (international and direct to consumer) will more than offset the tracked channel's deceleration in sales.

MSCI upgraded **Tokyo Electron's** ESG rating to 'AAA' from 'AA,' reflecting improved escalation procedures in respect of workplace environment and human resources policies. It has also improved corporate governance, with a majority independent board since August, pay practices that are well aligned with shareholder interests and appointing a non-executive director with risk management expertise to the board.

FEATURES	
APIR CODE	HHA0002AU
REDEMPTION PRICE	A\$ 3.1962
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 47.75m
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.

## PENGANA AXIOM INTERNATIONAL FUND HEDGED

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### PENGANA.COM

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