

**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%

NUMBER OF STOCKS 33

BETA<sup>4</sup> 0.54

MAXIMUM DRAW DOWN -13.6%

**PERFORMANCE TABLE**

NET PERFORMANCE FOR PERIODS ENDING 31 Oct 2021<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	2.3%	10.5%	6.9%	11.4%	9.3%
Tel Aviv Stock Exchange 125 Index	3.7%	40.3%	10.5%	10.3%	9.4%

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

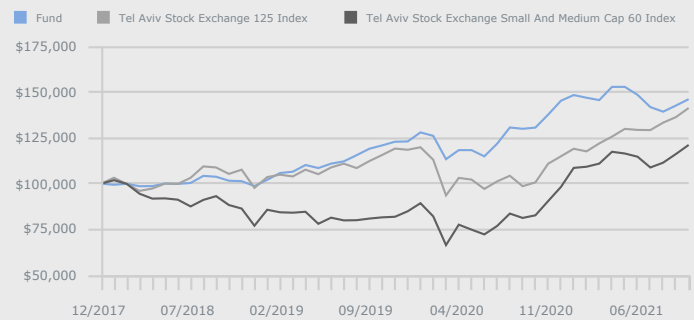
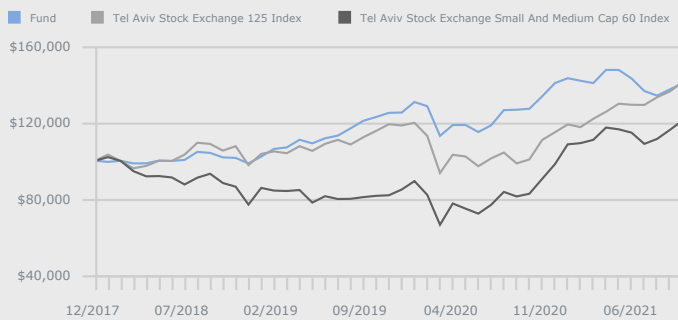
	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	2.4%	11.9%	9.9%	12.9%	10.4%
Tel Aviv Stock Exchange 125 Index	3.7%	40.3%	10.5%	10.3%	9.4%

**PERFORMANCE CHART**

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

**Class A**

**Class B**



**TOP HOLDINGS (ALPHABETICALLY)**

Airport City Ltd	Diversified Real Estate Activities
Ilex Medical	Health Care Distributors
Kenon Holdings Ltd	Independent Power Producers & Energy Traders
Prioritech Ltd	Electronic Components
Telsys	Technology Distributors

**SECTOR BREAKDOWN**

Consumer Discretionary	2.6%
Financials	17.8%
Health Care	11.9%
Industrials	8.1%
Information Technology	19.1%
Real Estate	13.1%
Utilities	4.6%
Energy	1.4%
Other	2.9%
Options	2%
Cash	16.4%

**CAPITALISATION BREAKDOWN**

Under 100m USD	10.9%
In between 100 - 1bn USD	38.9%
In between 1bn - 5bn USD	21.3%
Above 5bn USD	10.4%
Derivatives	2%
Cash	16.4%

## BOOSTER SHOTS REDUCE ISRAEL'S COVID-19 ILLNESS RATES

### COMMENTARY

The Fund rose 2.3% (in AUD) and 2.4% (in USD) in the month of October. By comparison, the Tel Aviv Stock Exchange 125 Index and the Tel Aviv Stock Exchange Small and Medium Cap 60 Index rose 3.7% and 4.3% respectively (in ILS).

Israeli technology stocks have thus far underperformed their global peers in the latter half of 2021. This represents a marked reversal from their strong relative performance in 2020 and the first half of 2021. The Israeli technology sector is dominated by small and mid-cap companies, which have experienced a correction in recent months, and also has a circa 13% weight to clean energy stocks, which have also struggled of late.

As discussed in prior reports, the Fund is heavily orientated to the Technology sector (circa 40%) and the compelling opportunities it represents. However, stocks such as Priortech (-8%) fell during October following a strong month in September. We remain optimistic about this position as demand for the Company's products (semiconductors) continues to grow and it expands its production capabilities. Other stocks, such as Human Xtensions (-22%), continued to suffer from the impact of Covid-19.

The Fund's positions in the Banking/Insurance and Real Estate sectors fared better. The wealth effect in Israel is favouring both sectors as low interest rates, rising wages and commercial growth fuel the residential real estate market and in turn generate further wealth. In addition the characteristics of tenants in the office real estate segment have changed, with high-tech companies and their derivatives pushing up rental prices to record levels.

Airport City, an office and logistics real estate company (+5%) continues to benefit from the high occupancy rates in Israel as it pursues a growth strategy of purchasing real estate rights in Tel Aviv. Buligo, another real estate company focused on the residential sector (+37%), maintained its share price momentum after its IPO in September. Bank Leumi (+8%) and Migdal Insurance (+11%) rose in the expectation of strong 3rd quarter results announcements in November.

#### Stock in focus

Tower Semi-conductor (dually listed in New York and Tel Aviv, symbol TSEM) is a leading foundry of high value analog semiconductor solutions. The company manufactures advanced analog integrated circuits and leads the analog ecosystem with high-quality, innovative technological and manufacturing solutions, providing strong competitive advantages in various growing markets. To complement its advanced technology platforms, the Company also offers world-class design enablement services, providing mature and valuable tools that enable a quick and accurate design cycle.

Tower's chips are used in various growing industries including automotive, telecommunications infrastructure and consumer goods. The chip industry currently has strong momentum with a global shortage relative to rising demand. In order to meet demand, Tower recently announced its intention to expand four of its seven factories, increasing production capacity and benefitting from significant operational leverage.

The Company recently released its results for the 3rd quarter of 2021. Revenue was \$387 million, the highest quarterly revenue in the Company's history, compared to \$310 million in the third quarter of 2020, reflecting 25% year on year growth. Operating profit for the third quarter was \$44 million, more than double the \$19 million recorded in the third quarter of 2020 and 30% higher than the \$34 million recorded in the second quarter of 2021.

Net profit for the third quarter was \$39 million, again more than double the net profit of \$15 million recorded in the third quarter last year. The company's current market capitalization is \$3.8 billion and it trades at 10 times EBITDA.

Tower has a very experienced management team that has reduced debt while doubling revenue and improving profitability. The Company has had a challenging few years, with the expiration of some customer agreements, however Tower has high operational leverage in strong markets and we believe the good times are ahead as it once again enters a period of growth and expansion. The Company has developed a richer capability mix combined with pricing initiatives, enabling it to target more than 15% net profit margins in 2022. Their long-term forecast is very positive, indicating continuous growth for the foreseeable years.

#### **Macro developments**

With the help of the widely distributed booster shots, Israeli Covid-19 illness rates have dropped significantly, and the country opened its borders for incoming tourists on November 1st. The composite state-of-the-economy index for the third quarter of this year indicates a continued expansion in activity, and the Bank of Israel is predicting that Israel's GDP will grow by 5.5% in 2021 and 6% in 2022.

High-tech services exports have been the main growth driver of the Israeli economy over recent years, amounting to US\$36.0bn in 2020, while business services exports for all other sectors combined totalled US\$10.7bn. The American economy is the main importer, accounting for approximately 40% of total high-tech services exports, with additional primary destinations including the European Union (15%) and Britain (6%). Looking ahead, high tech exports are expected to continue to grow at a rapid pace in coming years. This dynamic is expected to support the strength of the Shekel, by offsetting the trade deficit in the current account of the balance of payments, and also through the inflow of foreign direct investment.

## FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.3093
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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### 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.