

## 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> 11.1%

NUMBER OF STOCKS 38

BETA<sup>4</sup> 0.57

MAXIMUM DRAW DOWN -13.6%

### PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Oct 2022<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	1.1%	1.1%	5.7%	5%	7.5%
Tel Aviv Stock Exchange 125 Index	4%	1.6%	19.4%	7.5%	7.8%

#### 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	1%	1.6%	6.6%	7.1%	8.5%
Tel Aviv Stock Exchange 125 Index	4%	1.6%	19.4%	7.5%	7.8%

### PERFORMANCE CHART

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

#### Class A

#### Class B



### TOP HOLDINGS (ALPHABETICALLY)

Bank Hapoalim BM	Diversified Banks
Camtek	Semiconductor Equipment
Check Point Software Technologies	Systems Software
Kenon Holdings Ltd	Independent Power Producers & Energy Traders
Medi Power	Diversified Real Estate Activities

### SECTOR BREAKDOWN

Communication Services	3.9%
Consumer Discretionary	1.2%
Financials	16%
Health Care	9.3%
Industrials	11.6%
Information Technology	18.1%
Materials	5.1%
Real Estate	9.8%
Utilities	4%
Consumer Staples	0.2%
Energy	8.7%
Options	1.1%
Cash	11%

### CAPITALISATION BREAKDOWN

Under 100m USD	7.7%
In between 100 - 1bn USD	33.1%
In between 1bn - 5bn USD	29.6%
Above 5bn USD	17.5%
Derivatives	1.1%
Cash	11%

## SIGNS OF EASING GLOBAL INFLATION PRESSURES

### COMMENTARY

The Fund returned 1.1% (Class A, AUD) and 1% (Class B, USD) in October, while the TA 125 Index returned 4%. The Fund rebounded as global equity markets recovered upon expectations that lower US inflation would lead to an easing of the pace of global interest rate increases and a lower peak next year.

Shares in Israel's technology sector remain volatile but are above the lows which the market reached in the middle of the year.

We recently held a Portfolio and Investment Update webinar, along with Q&A for shareholders, which is available below for your review. CPD points are applicable for Australian Financial Planners [HERE](#).



The Israeli economy is highly integrated into the global economy, and equities were positively impacted by signs of easing global inflation pressures.

Israel's economic fundamentals appear strong relative to the major developed markets. The economy grew strongly in 2021 as it exited COVID and has remained robust this year, expanding 3.9% year-on-year in the September quarter.

September inflation was unchanged in September at 4.6% but above market expectations of 4.5%. While it has trended upwards this year, it remains well below current levels in the US and most of Europe.

The Bank of Israel increased interest rates by a further 0.75% in October to 2.75%. However, the unprecedented fiscal surplus, which is forecast to fall to 63% of GDP in 2023, reduces some of the pressure for larger rate increases.

This is expected to impact the economy over coming quarters. The slowdown in global demand will further slow the Israeli economy, which is heavily dependent on exports. Growth of 6.0% is expected this year, falling to 3.5% in 2023.

The country's energy security was further strengthened when it signed an agreement to settle the maritime boundary with Lebanon and agree plans for natural gas production. French energy group Total is expected to begin exploration work shortly in the area.

Market sentiment was boosted when the Israeli autonomous vehicle company "Mobileye" was listed with a valuation above US\$16.5 billion. This was the largest initial public offering (IPO) in the US this year and exceeded the acquisition price paid by Intel some years ago.

### Portfolio Commentary

The main contributors to performance last month were in the technology sector and included **InMode** (+17%), **Perion** (+17%) and **Checkpoint** (+16%). The main detractor was the real estate company **Electra**, which fell by 10%.

**Ithica** which is held in the Delek portfolio company is scheduled to be listed with an IPO at the end of November, a valuation of US\$3 billion is expected. Whilst this is a respectable valuation level, the stock retains the potential for further valuation growth.

The Fund retains its high exposure to energy companies, increasing its positions in **Tamar Petroleum** and **Leviathan**.

Companies with exposure to rising commodity prices or reliable cash flows and reasonable valuation levels including energy, utilities and healthcare outperformed in the third quarter. These are expected to do well over the rest of this year.

The benchmark risk of rising technology stock valuations is being managed through a call spread option strategy on the Nasdaq index.

### Stock in focus

**Perion** is a global technology company that utilises artificial intelligence and machine learning to optimize digital advertising, search, and publishing platforms.

Its proprietary technology comprises a range of tech-enabled capture and business solutions. It uses unique data, machine learning algorithms, and creative technologies to understand user intent and behaviour.

The company has expanded its capabilities to include social networks, desktop advertising, content sites, and e-commerce. Perion has developed advertising on smart TVs, a channel for which the advertiser is willing to pay a premium as it receives quality exposure to the target audience. It has also developed search advertising through its long-standing collaboration with Microsoft.

Its vast amount of data supports a digital advertising platform that does not depend on third-party cookies, which removes the risk of interventions by Google.

The company has a market value of approximately US\$1 billion, has net cash of US\$350 million, and currently trades at a multiple of just 10 times earnings.

## FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.0276
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.