

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 11.7%

NUMBER OF STOCKS 33

BETA⁴ 0.61

MAXIMUM DRAW DOWN -15.7%

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Oct 2023¹

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	-8.6%	-5.4%	-2.2%	1.9%	5.2%
Tel Aviv Stock Exchange 125 Index	-11.5%	-15.4%	-7.3%	6.5%	3.4%

Alpha Israel Fund Class B (USD)

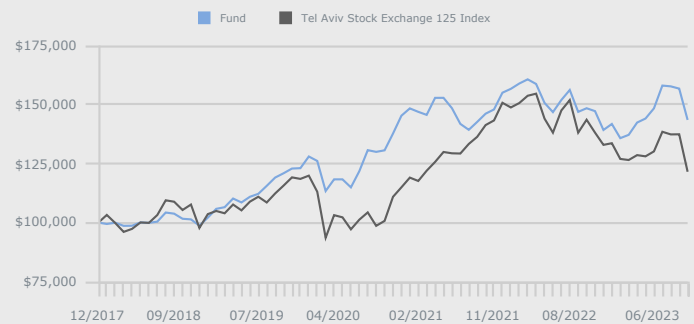
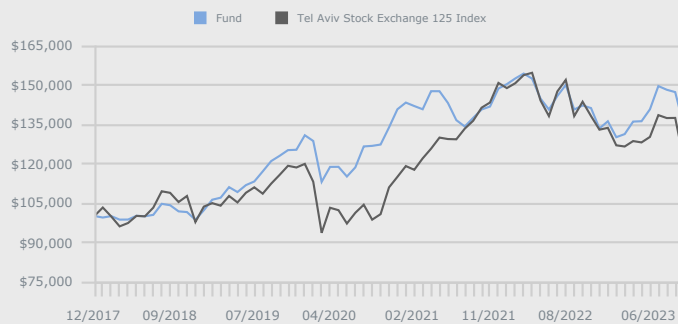
	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
Alpha Israel Fund Class B	-8.5%	-3.3%	-0.9%	3.2%	6.4%
Tel Aviv Stock Exchange 125 Index	-11.5%	-15.4%	-7.3%	6.5%	3.4%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²

Class A

Class B



TOP HOLDINGS (ALPHABETICALLY)

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

SECTOR BREAKDOWN

Consumer Discretionary	2.4%
Financials	24.3%
Health Care	5.6%
Industrials	5.6%
Information Technology	22.3%
Real Estate	15.6%
Consumer Staples	0%
Energy	10.6%
Other	2.2%
Options	0.1%
Cash	11.4%

CAPITALISATION BREAKDOWN

In between 1bn - 5bn USD	1.2%
Derivatives	0.1%
Not Classified	87.4%
Cash	11.4%

OCTOBER REPORT

COMMENTARY

Israel’s share market experienced its worst month since the start of the global pandemic in March 2020. The decline largely reflected local economic uncertainty following the 7 October terrorist attacks on Israel and subsequent military action. Much of the market fall took place in the two days following these initial tragic events.

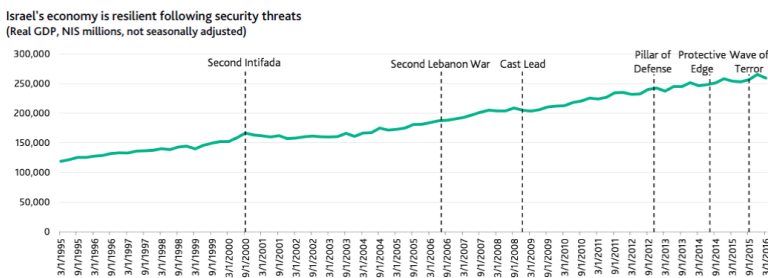
The Fund returned -8.6% (Class A, AUD) and -8.5% (Class B, USD) in October, while the TA 125 Index returned -11.5%.

Global share markets continued to weaken during the month as fears that interest rates would remain ‘higher for longer’ drove longer-term bond yields up. The economic slowdown is starting to impact some company earnings, putting further pressure on market valuation levels.

October 2023 will be remembered as one of the most challenging periods in Israel’s history. The investment team at Alpha is extremely grateful for the enormous number of supporting e-mails received from investors over the past month.

Almost everyone in Israel has been impacted by the tragic events of 7 October. Thankfully, all members of the Alpha team are safe and as well as can be expected in the circumstances. The office has remained open throughout, and the team is focused on delivering business as usual to our investors while supporting efforts to help the broader community.

Whilst this is a very challenging period for the country, we remain confident in our investments and overall strategy. We also note that history has shown (per the image below) that periods of conflict have been followed by robust recovery phases. This historical resilience, coupled with the inherent strength of the Israeli economy, reinforces our conviction in our investment approach. Whilst we cannot be sure how long this conflict will last, we have no doubts that Israel will emerge successful, and that there will be a strong rebound in both the economy and equity market.



We appreciate the trust you have placed in us, and we remain committed to transparent communication and diligent management during these testing times. We are confident that, together, we will emerge from this period with resilience and strength.

Finally, we invite you to join us for a webinar update of our portfolio and holdings which we will host at 4pm (Sydney time) on Monday 27 November. [REGISTER HERE >>](#)

Market Review

Inflation in Israel edged down to 3.8% year-on-year in September, from 4.1% in August, enabling the Bank of Israel to keep interest rates steady at 4.75% when it met on 23 October. The local currency fell steeply after the initial attack, but later recovered, finishing the month down 5.4% against the US dollar. While positive for exporters, the depreciation brings concerns that inflation may begin to rise again.

The Bank of Israel issued a report that forecasted the economy would grow by 2.3% during the current year and 2.8% in 2024. The ongoing military operation is expected to detract 0.5% – 1.0% from GDP this year and next.

Global ratings house S&P published a special report on 25 October which maintained the AA- credit rating on Israel's sovereign debt. However, it downgraded the outlook to negative, reflecting the elevated geo-political risks. It forecasts the economy to grow 1.5% this year and 5.0% in 2024.

More positively, the report highlighted the Israeli economy's focus on export-orientated high-tech exports with high numbers able to work from home. This should help it remain resilient during the current period of uncertainty.

Israel is expected to receive US\$14 billion in financial support from the US, which will relieve some of the current fiscal pressure. Furthermore, Israel's sovereign debt remains at a manageable 60% of GDP, while the Bank of Israel holds foreign currency reserves of US\$200 billion.

Historically, military conflicts in the region have had a limited impact on the local equity market, with a strong rebound generally following the cessation of hostilities.

Portfolio Commentary

The Fund held an overweight position in the finance sector, which detracted from relative returns when it underperformed in October, due to its focus on the challenged local economy. The exposure level to the sector was maintained as the Fund took advantage of weaker valuation levels.

The Fund's exposure to energy also detracted from relative returns in October. Holdings in natural gas group **Ratio Energy** and oil refinery operator **Bazan** underperformed upon concerns that offshore rigs could be targeted in the conflict or natural gas exports to Egypt might be impacted. Some two-thirds of the Leviathan gas field's output is exported to Egypt and Jordan.

The Fund's holding in **InMode**, a leading global provider of innovative medical technologies, underperformed, detracting from relative returns in October. Disappointing third-quarter earnings results – due to rising input costs – and weaker forward guidance brought a 35% fall in its share price.

FMS Enterprises, which manufactures advanced ballistic protection technology, outperformed strongly, gaining 14% in October. This reflects an expected increase in demand and currency weakness, which should support exports and the value of its USD cash holdings which are worth 30% of its market value.

The Fund continued to efficiently manage its downside portfolio protection using derivative instruments.

FEATURES

APIR CODE PCL6469AU (USD Class) CTS0045AU (AUD Class)

REDEMPTION PRICE A\$ 0.9284

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

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com



PENGANA.COM

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