

PENGANA AXIOM INTERNATIONAL ETHICAL FUND

DESCRIPTION

The Pengana Axiom International Ethical Fund 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.

STATISTICAL DATA

VOLATILITY⁷ 12.7%

NUMBER OF STOCKS 45

BETA⁸ 0.92

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Oct 2023¹

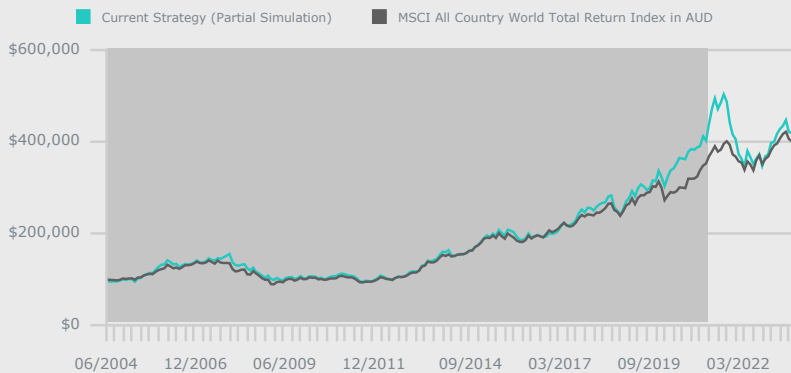
Pengana Axiom International Ethical Fund

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

	1M	1Y	2Y	Since Axiom Appointed June 2021 ¹	3Y	5Y	Since Fund Inception July 2017 ²	Since Strategy Inception July 2004 ³
Fund: APIR (HOW002AU)^{1,2} Managed by Axiom from June 2021	-0.4%	15.6%	-7.1%	1.8%	4.6%	8.4%	8.2%	
Current Strategy (Partial Simulation)⁴ Axiom Global Equity Strategy					5.1%	10.4%	11.1%	7.7%
Index⁵	-1.1%	11.6%	2.4%	5.5%	10.4%	9.9%	10.2%	7.4%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Adobe Inc	Information Technology
Alphabet Inc	Communication Services
Amazon.com Inc	Consumer Discretionary
Apple Inc	Information Technology
Eli Lilly & Co	Health Care
Microsoft Corp	Information Technology
Novo Nordisk A/S	Health Care
NVIDIA Corp	Information Technology
ServiceNow Inc	Information Technology
Visa Inc	Financials

SECTOR BREAKDOWN

Consumer Discretionary	18.4%
Consumer Staples	3.2%
Financials	8.5%
Health Care	17.1%
Industrials	10.5%
Information Technology	35.8%
Real Estate	0.9%
Communication Services	4%
Cash	1.7%

CAPITALISATION BREAKDOWN

Under 5bn USD	2.3%
In between 5bn - 10bn USD	2.5%
In between 10bn - 50bn USD	13.9%
In between 50bn - 150bn USD	27.1%
In between 150bn - 500bn USD	23.8%
Above 500bn USD	28.7%
Cash	1.7%

REGION BREAKDOWN

North America	70.3%
Europe ex-UK	13.1%
Emerging Markets	6.9%
Japan	3.6%
UK	1.6%
Asia Pacific ex-Japan	2.7%
Cash	1.7%

OCTOBER REPORT

COMMENTARY

- Global equity markets fell further in October, as bond yields rose and economic activity slowed under the pressure of elevated interest rates and moderating consumer spending.
- Australian dollar (AUD) weakness offset some of the effect of weaker share markets when returns are translated into AUD terms.
- The Portfolio returned -0.4% in October, while the benchmark returned -1.1%.

Global share markets continued to weaken in October, as inflation remained sticky and economic data showed signs of an ongoing slowdown. Expectations that interest rates will remain 'higher for longer' led to a further increase in longer-term government bond yields, which weighed on share prices.

Growth stocks outperformed value during October. This came as investors became more concerned about the impact of weaker consumer spending on corporate earnings growth and energy stocks weakened upon lower oil prices. This helped the Fund outperform the benchmark during the month.

Inflation remains persistent in the US, with the consumer price index (CPI) unchanged at 3.7% year-on-year in September.

The US dollar increased by 0.5% against a basket of key trading partners' currencies in October. This reflected growing expectations that stronger economic growth will keep US interest rates at a premium over those of other major currencies. Economic data remains mixed, with the contraction in North America and Europe accelerating.

China's manufacturing activity is again contracting, while the broader 're-opening' following the lifting of its zero-COVID strategy remains subdued. Consumer spending remains sluggish, as the highly leveraged property market continues to slow the economy. Travel and entertainment continue to support economic activity in the region.

The Fund retains its focus on dynamic growth stocks whose positive revisions to earnings per share (EPS) drive outperformance as global economic growth slows. The Fund continues to overweight information technology, consumer discretionary and health care, while underweighting financials, energy, and materials.

Strong stock performance in consumer discretionary, information technology and financials, and an overweight position in information technology, contributed to relative returns. Weak stock performance in communication services, industrials and consumer staples, and an overweight position in consumer discretionary, were the main detractors.

Danish global pharmaceutical company **Novo Nordisk** continued to perform well after reporting strong third quarter earnings. The company continues to expand production capacity of its GLP-1 anti-obesity product, Wegovy.

US-based business advisory firm **FTI Consulting** also reported strong earnings results. The company is starting to benefit from increasing demand for its services, following the recent rise in corporate failures.

US enterprise software company **ServiceNow** outperformed after it reported improved subscription revenues, driven by strong sales to the US Federal Government. The company also increased guidance for the remainder of the year by a larger magnitude than expected.

UK-based business services group **Rentokil Initial** underperformed after it announced quarterly earnings results that reported US organic sales growth which was below market expectations. It also lowered guidance for the remainder of the year. This contrasted to its global competitor **Rollins** which reported higher organic growth in the US residential sector, to which **Rentokil** has an even higher exposure.

US-based science and technology group **Danaher** underperformed after reporting earnings results which exceeded consensus expectations. However, its guidance for the remainder of the year was disappointing due to its customers taking longer than expected to normalise their equipment and consumables inventories.

The Swiss supplier of medical devices to the biotech industry **Lonza** also underperformed after reporting another disappointing set of earnings results. This coupled with concerns regarding its management team's ability to execute the strategy resulted in the Fund exiting the position.

The Fund increased its position in **Amazon** upon more positive data relating to Amazon Web Services (AWS), ahead of the December quarter.

The Fund reduced its exposure to **Idexx Laboratories**, the US-based group which supplies specialised diagnostics equipment and software to veterinary surgeries. Recent data showed a slowdown in the growth of vet visits.

The Fund further trimmed its position in US-based global automotive and clean energy company **Tesla** following disappointing quarterly earnings results. Auto gross margins are under pressure and management commentary concerning 2024 sales was downbeat.

A position was established in **Veralto** when **Danaher's** environmental and applied solutions business was spun off. **Veralto** provides advanced water treatment technologies and product quality instrumentation solutions. The company is exposed to the megatrends of water quality, scarcity, sustainability and security and its water testing and treatment solutions are expected to support sustainable earnings growth.

Nvidia provided an update on its current ESG initiatives. The company aims to reduce direct current (DC) energy consumption when legacy core processing unit (CPU) systems shift to accelerated computing. It is also developing advanced liquid cooling solutions which should run 20% more efficiently compared to legacy air-cooled systems.

The Fund engaged with the management team of **Tesla** regarding key new risks from artificial intelligence (AI), given its low MSCI product safety/quality score. The company believes that the company's autonomous driving software will continue to evolve over time and that the appropriate consumer safeguards are in place.

The Fund also engaged with **Hermes** which outlined new initiatives to support first-year artisans and their trainers, immediately activating full time pay and benefits, which is a positive development. Additionally, it also highlighted how its carbon footprint does not increase materially with volume growth in its handbags division, as the products are handmade.

FEATURES	
APIR CODE	HOW0002AU
REDEMPTION PRICE	A\$ 2.8077
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 293.09m
STRATEGY INCEPTION DATE	1 July 2004
BENCHMARK	MSCI All Country World Total Return Index (net, AUD)

FUND MANAGERS



Bradley Amoils
Managing Director/Portfolio Manager



Andrew Jacobson
CEO/Chief Investment Officer

Prior to June 2021, the Axiom Global Equity Strategy performance (shown in the shaded area) includes the strategy performance simulated by Pengana from the monthly gross returns of the Axiom Global Equity strategy. This simulation was done by: 1) the conversion of US-denominated gross returns to AUD, 2) applying the fee structure of the stated class. The simulation does not include the Pengana ethical screen. From June 2021 the strategy performance is the performance of the Pengana Axiom International Ethical Fund.

1. Axiom was appointed fund manager as of 5 May 2021. June 2021 represents the first full month of Axiom managing the Fund.
2. 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 (HOW0002AU) in the table above which is the continuous performance of both the current and previous strategies.
3. Axiom Global Equity Strategy inception 1 Jul 2004.
4. Prior to June 2021, the Axiom Global Equity Strategy performance (labeled 'Strategy (Partial Simulation)' and shown in the shaded area) includes the strategy performance simulated by Pengana from the monthly gross returns of the Axiom Global Equity strategy. This simulation was done by: 1) the conversion of US-denominated gross returns to AUD, 2) applying the fee structure of the stated class. The simulation does not include the Pengana ethical screen. From June 2021 the strategy performance is the performance of the Pengana Axiom International Ethical Fund.
5. MSCI All Country World Total Return Index in AUD.
6. 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.
7. Annualised standard deviation since inception.
8. Relative to the MSCI All Country World Total Return Index in AUD.

*For further information regarding fees please see the PDS available on our website.

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