

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 12.8%

NUMBER OF STOCKS 46

BETA⁸ 0.93

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Dec 2023¹

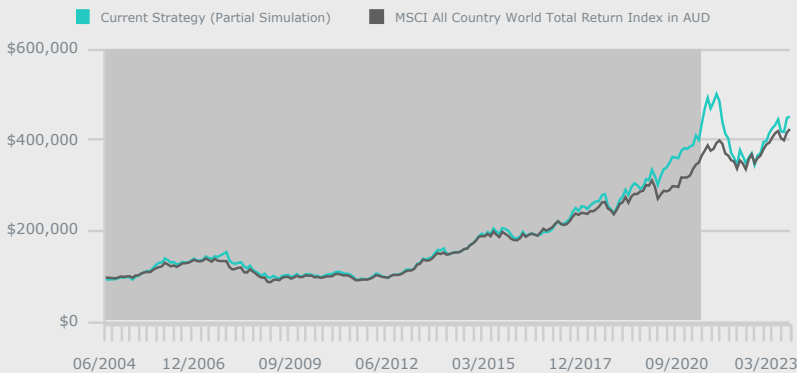
Pengana Axiom International Ethical Fund

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)¹² Managed by Axiom from June 2021	0.8%	30.9%	-3.6%	4.8%	5.0%	10.4%	9.3%	
Current Strategy (Partial Simulation)⁴ Axiom Global Equity Strategy					5.8%	13.7%	12.2%	8.0%
Index⁵	1.8%	21.4%	3.1%	7.7%	10.2%	12.4%	11.0%	7.7%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

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

SECTOR BREAKDOWN

Consumer Discretionary	16.3%
Consumer Staples	3.4%
Financials	7.9%
Health Care	15.7%
Industrials	7.1%
Information Technology	40.9%
Real Estate	1.4%
Communication Services	6.1%
Cash	1.4%

CAPITALISATION BREAKDOWN

Under 5bn USD	1.1%
In between 5bn - 10bn USD	1.3%
In between 10bn - 50bn USD	12.2%
In between 50bn - 150bn USD	29.9%
In between 150bn - 500bn USD	20.7%
Above 500bn USD	33.5%
Cash	1.4%

REGION BREAKDOWN

North America	72.5%
Europe ex-UK	15.5%
Emerging Markets	4.5%
Japan	5.1%
Asia Pacific ex-Japan	1.1%
Cash	1.4%

DECEMBER REPORT

COMMENTARY

- Global equities continued to deliver strong gains in local currency terms during December as inflation eased further and the US economy remained resilient.
- Australian dollar strength reduced returns in AUD terms.
- The Portfolio returned 0.8% in December, while the benchmark returned 1.8%, as value stocks outperformed growth.
- The Portfolio completed a very strong year, delivering 30.9%, while the benchmark returned 21.4%, by identifying early those stocks which saw big shifts in their market size and earnings.

December ended a very strong year for the Fund, delivering an exceptionally strong 30.9% absolute return, some 9.5% ahead of its benchmark. This outperformance was driven by the Fund identifying early those companies aligned with secular growth themes such as artificial intelligence (AI), automation, electrification, and obesity treatments, and which were delivering positive change. Quantum shifts in their potential market size brought rapid earnings acceleration, boosting stock valuations.

Global equity markets made further gains during December as inflation continued to moderate. Furthermore, investor expectations grew that the US Federal Reserve (Fed) might begin to cut interest rates in early 2024. Value stocks outperformed growth by 1.1% during December upon signs that central banks may deliver a soft landing, benefitting companies in a broader range of sectors across the economy. This meant the Fund's returns lagged those of the benchmark.

Inflation continues to slow around the world. In the US, the Core Personal Consumption Expenditure (PCE) Price Index, a metric closely watched by the Fed fell to 3.2% year-on-year in November from 3.5% in October. Expectations that the Fed will begin to reduce interest rates ahead of other major central banks pushed the US dollar 2.1% lower against a basket of its key trading partners' currencies in December. It also fell against the Australian dollar.

Economic growth remains mixed. The US labour market and consumers remain resilient, with November retail sales increasing 5.2%, while they fell a further 1.1% in Europe, where leading indicators are consistent with a contracting economy.

China's manufacturing sector continues to show signs of limited expansion, although the broader China "re-opening" continues to disappoint expectations. Consumer spending is sluggish, while the highly leveraged property sector remains a drag on economic growth. Travel and entertainment continue to be rare areas of growth in the region.

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

Strong stock performance in consumer staples and communication services sectors and the zero weighting to energy contributed to relative returns. Weak stock performance in the information technology, consumer discretionary and industrials were the main detractors.

US cosmetics brand **E.l.f. Beauty** contributed significantly to relative returns after announcing another quarter of strong earnings growth which was well above expectations. It also raised its full year earnings guidance. The Fund tracks bi-weekly scanner data which continues to show growth that is trending ahead of market expectations over the near-term.

US-based **Zoetis** is the world's largest producer of animal medicines and vaccinations. It contributed to the Fund's relative returns in December after publishing strong third quarter earnings. These should continue to grow as vet visit data tracked by the Fund and industry surveys have been largely positive. It has resolved most of its supply chain issues and received positive initial feedback from the US launch of its osteoarthritis pain medicine Librela.

Taiwan Semiconductor Manufacturing Company (**TSMC**) is the world's largest pure-play semiconductor business. It contributed to relative returns when it reported October and November sales ahead of investor expectations. This reflected growing generative AI-driven demand and improving trends in the personal computer and smartphone end-markets.

US-based global software group **Adobe** detracted from relative returns following a period of strong performance. The company reported fourth quarter earnings ahead of expectations but provided disappointing 2024 guidance. Furthermore, it will no longer go ahead with the US\$20 billion acquisition of unlisted software start-up Figma, which is viewed positively by the Fund as this would have initially diluted earnings. Generative AI opportunities offer more compelling opportunities to drive long-term earnings growth.

US-based pharmaceutical company **Eli Lilly** underperformed in December. This followed a long period of outperformance as investors consider the long-term impact on earnings of its GLP-1 treatments for diabetes and weight loss. This remains an exciting opportunity given its large potential patient base, proven effectiveness and strong safety record.

US-based business advisory firm **FTI Consulting** also lagged the broader market as US macroeconomic data continues to look healthy. This means that the company's restructuring business' revenue growth may fail to accelerate as much as investors had been expecting. The Fund has reduced its position in the stock accordingly.

The Fund continued to build up its positions in cloud-based document database provider **MongoDB** and Japanese semiconductor equipment group **Tokyo Electron** which were first established in November. The position in US-based logistics real estate investment trust **Prologis** was increased following dovish commentary by Fed officials which seemed to improve the prospects of rate cuts in 2024.

The Fund reduced its position in US-based online vehicle auctioneer **Copart**. Its market valuation now more fully reflects the Fund's expectations of its medium-term earnings following its extended period of outperformance. The Fund also trimmed its position in pan-Asian life insurance group **AIA Group**, as the macroeconomic performance in mainland China continues to be weaker than expected.

FEATURES

APIR CODE	HOW0002AU
REDEMPTION PRICE	A\$ 3.0385
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 312.29m
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.

PENGANA AXIOM INTERNATIONAL ETHICAL 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

Pengana Capital Limited (ABN 30 103 800 568, AFSL 226566) ("Pengana") is the issuer of units in the Pengana Axiom International Ethical Fund (ARSN 093 079 906) (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team or website. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund.