

PENGANA AXIOM INTERNATIONAL ETHICAL FUND (HEDGED)

DESCRIPTION

The Pengana Axiom International Ethical Fund (Hedged) 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 DATA³

VOLATILITY⁸ 8.5%

NUMBER OF STOCKS 47

BETA⁹ 0.73

PERFORMANCE SINCE STRATEGY INCEPTION

NET PERFORMANCE FOR PERIODS ENDING 30 JUL 2021⁷

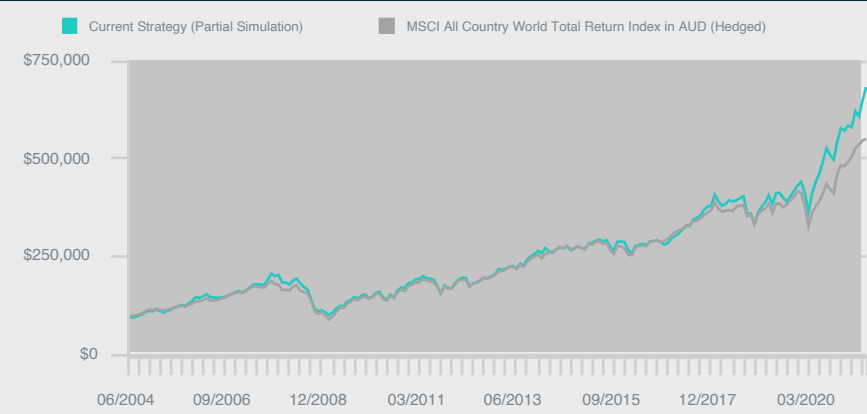
Pengana Axiom International Ethical Fund (Hedged)¹

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

	1M	SINCE AXIOM APPOINTED JUNE 2021 ¹	1Y	3Y	SINCE FUND INCEPTION JULY 2017 ³	5Y	SINCE STRATEGY INCEPTION JULY 2004 ⁴
Axiom Ethical Hedged: APIR (HHA0002AU) ^{2,3} Managed by Axiom from June 2021	5.4%	12.2%	28.0%	15.5%	14.9%		
Current Strategy (Partial Simulation)⁵ Axiom Global Equity Strategy			38.8%	20.3%	19.7%	18.9%	11.9%
Index⁶	0.7%	2.8%	34.1%	13.5%	13.4%	13.9%	10.5%

PERFORMANCE SINCE STRATEGY INCEPTION

NET PERFORMANCE SINCE INCEPTION⁷



TOP HOLDINGS (ALPHABETICALLY)

Adobe Inc	Information Technology
Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
Asml Holdings	Information Technology
Danaher	Health Care
Facebook Inc	Communication Services
Microsoft	Information Technology
Moderna Inc	Health Care
PayPal	Information Technology
Tesla Inc	Consumer Discretionary

INDUSTRY

Communication Services	12.4%
Consumer Discretionary	18.0%
Consumer Staples	2.5%
Financials	2.6%
Health Care	14.3%
Industrials	10.6%
Information Technology	38.0%
Cash	1.6%

MARKET CAP

Above 500bn USD	24.4%
In between 150bn - 500bn USD	19.1%
In between 50bn - 150bn USD	35.0%
In between 10bn - 50bn USD	18.1%
In between 5bn - 10bn USD	1.3%
Under 5bn USD	0.5%
Cash	1.6%

REGION

Asia Pacific ex-Japan	1.2%
Emerging Markets - Asia	2.4%
Europe ex-UK	15.8%
Japan	4.1%
North America	74.9%
Cash	1.6%

A ROTATION TO DURABLE GROWTH AREAS

SUMMARY

During July 2021, the **Pengana Axiom International Ethical Fund Hedged** ("Fund") outperformed the benchmark, the MSCI All Country World Index ("Index"), hedged in AUD terms, returning 5.4% for the month compared to the benchmark's 0.7%.

We are pleased to announce that two Australian research houses have now completed their reviews of the Fund since the appointment of the new investment team and the Fund has received a Recommended rating from Zenith as well as a Superior rating from SQM. The reports are available to AFSL holders [HERE](#).

The portfolio continues to overweight information technology, consumer discretionary and communication services, and underweight financials, materials, and consumer staples. In July, we added capital to health care and reduced communication services and consumer discretionary. We started new positions in automaker Volkswagen and dental aligner leader Align Technologies. More detail in the commentary below.

COMMENTARY

The Fund outperformed in July due largely to security selection especially in the areas of health care and information technology. The pick-up in infections of the Delta variant of the COVID virus sparked a market rotation away from recovery plays to durable growth areas, serving as a tailwind to the Fund. Interest rates continued to decline from March highs as growth peaked in the second quarter and inflation fears alleviated.

Along with these tailwinds, the Fund generated outperformance from top holding **Moderna**, which contributed nearly 200 bps of alpha in the month. The stock not only benefited from rising COVID infections, but also from continued new contracts with countries to provide their vaccine – fully booking out 2021 and substantially firming 2022 deliveries. Investors are now appreciating the under forecasting of revenues in consensus models for the coming years as the vaccine proves to be more durable than just a one-year phenomenon.

Danaher Corporation in the biologic contract manufacturing space was another top five alpha contributor that benefitted from the increased appreciation of vaccine sales durability.

Finally, **ASML Holdings** and **Alphabet** had positive reactions to strong second quarter results. ASML is seeing significant order activity for their next generation lithography tools as customers ramp up capex to address semiconductor shortages, while strong digital advertising spending drove a big beat on revenues and margins at Google.

On the other hand, Amazon and Paypal results showed a trend of slowing ecommerce sales, with Amazon also cutting their profitability expectations. **Axiom downgraded the rating for Amazon to a B1 and Paypal to A1 and reduced position sizes.**

The portfolio continues to overweight information technology, consumer discretionary and communication services, and underweight financials, materials, and consumer staples.

In July, we added capital to health care and reduced communication services and consumer discretionary. We started new positions in automaker **Volkswagen** and dental aligner leader **Align Technologies**.

With the capital raised from sales in large positions Moderna, Facebook, Amazon and Paypal, the Fund initiated positions in global automotive market share leader Volkswagen with a B1 rating and dental aligner market share leader Align Technologies with a B2 rating. Volkswagen sells 10.7 million cars annually with brands serving all areas of mass, premium, ultra-luxury, niche and commercial vehicles. The company has been a share gainer and has improved margins ahead of expectations, while also exponentially growing its Electric Vehicle (EV) business. It is becoming increasingly apparent that VW's investments in EVs will proliferate the company to be one of the largest EV producers by 2025 as their initial products deliver better than average ranges, in-line charging speeds and come at lower selling prices versus peers. Given the positive revisions, cheap valuation and acceleration of growth, the stock has the potential to migrate to a high B2 rating over time meriting investment. Align Technology pioneered the market for clear dental aligners with a significant head start and has continued to deliver strong growth despite introductions over the last three years of competing products. Clear aligners have penetrated approximately fifteen percent of the annual orthodontic case opportunity, while 90% of cases can be treated with clear aligners. Consensus forecasts fade the accelerating growth rates the business has seen in the last few quarters creating a dynamic gap. The potential positive revisions, high growth rates and average valuations compared to historic levels make Align an attractive investment.

✓ FEATURES

APIR CODE	HHA0002AU
REDEMPTION PRICE	A\$ 3.0633
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 64.68m
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

1. From 4 June 2021 the capital component of the foreign currency exposure for the Fund is hedged back to Australian dollars.
2. Axiom was appointed fund manager as of 5 May 2021. June 2021 represents the first full month of Axiom managing the Fund.
3. 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 (HHA0002AU) in the table above which is the continuous performance of both the current and previous strategies.
4. Axiom Global Equity Strategy inception 1 Jul 2004.
5. 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 (Hedged).
6. From June 2021, MSCI All Country World Total Return Index in AUD (Hedged). Prior to June 2021, MSCI All Country World Total Return Index in AUD.
7. Performance for periods greater than 12 months are annualised. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.
8. Annualised standard deviation since inception.
9. 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 (HEDGED)

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

[PENGANA.COM](https://www.pengana.com)

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@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 098 586 282) (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.