

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 DATA

VOLATILITY⁸ 11.2%

NUMBER OF STOCKS 45

BETA⁹ 0.8

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 28 Feb 2022¹

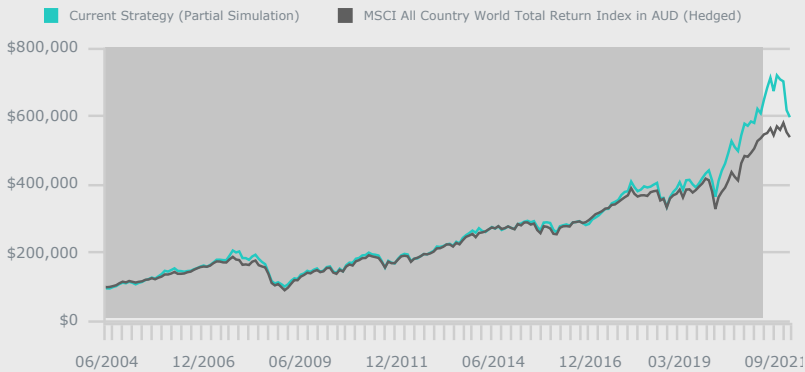
Pengana Axiom International Ethical Fund (Hedged)¹

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	1Y	3Y	Since Fund Inception July 2017 ³	5Y	Since Strategy Inception July 2004 ⁴
Fund: APIR (HHA0002AU)^{2,3} Managed by Axiom from June 2021	-3.3%	-1.9%	-2.3%	10.1%	10.1%		
Current Strategy (Partial Simulation)⁵ Axiom Global Equity Strategy			2.2%	16.5%	12.8%	14.6%	10.6%
Index (Hedged)⁶	-2.6%	0.6%	9.4%	13.6%	10.6%	11.5%	10.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Adobe Inc	Information Technology
Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
Asml Holdings	Information Technology
Danaher	Health Care
Estee Lauder Cos Inc	Consumer Staples
Microsoft	Information Technology
ServiceNow Inc	Information Technology
TE Connectivity	Information Technology
Tesla Inc	Consumer Discretionary

SECTOR BREAKDOWN

Consumer Discretionary	18.7%
Consumer Staples	2.8%
Financials	5.7%
Health Care	11.8%
Industrials	11%
Information Technology	37.4%
Communication Services	8.9%
Cash	3.7%

CAPITALISATION BREAKDOWN

Under 5bn USD	4.2%
In between 10bn - 50bn USD	23.1%
In between 50bn - 150bn USD	26.5%
In between 150bn - 500bn USD	19%
Above 500bn USD	23.6%
Cash	3.7%

REGION BREAKDOWN

North America	71%
Europe ex-UK	16%
Emerging Markets - Asia	2%
Japan	6.1%
Asia Pacific ex-Japan	1.1%
Cash	3.7%

FEBRUARY PERFORMANCE REPORT

COMMENTARY

During February 2022, the Pengana Axiom International Ethical Fund (Hedged) ("Fund") underperformed the benchmark, the MSCI All Country World Index (Hedged) ("Index"), in AUD terms by -0.7%.

The Fund underperformed as value stocks showed continued strength from year-end due to inflation and increasingly restrictive global monetary and fiscal policy. While strong global growth continues, some macroeconomic leading indicators we track such as PMI New Orders continued to show signs of moderating (57.9 January 2022 versus 61.0 December 2021). This, coupled with policy tightening and most recently heightened global geopolitical risks, has caused a significant flattening of the yield curve back to mid-2020 levels. While these factors will continue to act as a headwind for dynamic growth names, our improved relative performance is evidence that the market is increasingly discounting these issues. We are continuing our focus on dynamic growth as positive EPS revisions should continue to be a factor that drives outperformance at this point in the economic cycle.

Relative underperformance was primarily driven by sector allocation. Our overweight positioning in information technology continued to drag as did our zero weight in materials. The zero materials weighting is driven by structural headwinds facing many end-markets as well as typically poor ESG scores given the pollutive nature of many of these businesses. The Fund continues to be overweight information technology, consumer discretionary and industrials, and underweight financials, materials, and energy.


At the stock level, **Adobe**, **Meta Platforms**, and **Recruit** were the largest relative detractors. Meta Platforms provided disappointing guidance during their earnings report. Competition from TikTok's new feature initiative Reels and Apple iOS-related tracking headwinds were worse than our expectations. We downgraded the stock and exited the position. The stock has continued to underperform despite a very inexpensive valuation, validating our decision to exit. **Live Nation**, **Generac**, and **AMD** were the top relative performers in February. Live Nation reported very strong results as live entertainment and their dominant position therein continue to benefit as the world reopens post COVID. We upgraded the stock and have been adding back to the position.

We continued to allocate capital away from information technology and communication services holdings where concerns around tough growth comparisons could cause disappointing near-term guidance and funded financial holdings that exhibit dynamic group attributes and benefit from higher interest rates. We continued to reduce our position in **Block**, while also trimming higher multiple names **Adyen** and **Copart**. We exited positions in **Meta Platforms**, **Sea**, and **Moderna**.


We added to our positions in **TSM**, **Estee Lauder**, **Novo Nordisk**, and **Tesla**. We started a new position in **Ameriprise Financial**. Ameriprise Financial is a growing asset management business whereby expectations for the recently acquired BMO EMEA business is under-forecasted. Ameriprise management is driving improved balance sheet efficiency, creating optionality for increased shareholder returns and/or further mergers and acquisitions. Ameriprise also trades at a discounted valuation versus asset management peers.

FEATURES	
APIR CODE	HHA0002AU
REDEMPTION PRICE	A\$ 2.6773
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 53.89m
STRATEGY INCEPTION DATE	1 July 2004
BENCHMARK	MSCI All Country World Total Return in AUD (Hedged)

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 1 June 2021, the Axiom Global Equity Strategy performance (labeled 'Current Strategy (Partial Simulation)' and shown in the shaded area) includes the strategy performance simulated by Pengana from the monthly gross USD returns of the Axiom Global Equity strategy. The Axiom Global Equity Strategy performance does not include the Pengana ethical screen
 6. Prior to 4 June 2021 hedged performance has been simulated by Pengana for both the Fund and Index. This was done by: 1) using 3 month rolling forwards to hedge movements in the AUD/USD spot rate, and 2) deducting the Pengana International Ethical Fund (Hedged) management fee of 1.35% p.a. from the Fund's performance.
 - From 4 June 2021, index performance is from the MSCI All Country World Total Return in AUD (Hedged). Prior to 4 June 2021, index performance is simulated from the MSCI All Country World Total Return in USD
 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. No allowance has been made for buy/sell spreads. 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 in AUD (Hedged).
- *For further information regarding fees please see the PDS available on our website.

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PENGANA.COM

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