

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 11.8%

NUMBER OF STOCKS 43

BETA⁸ 0.85

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 May 2022¹

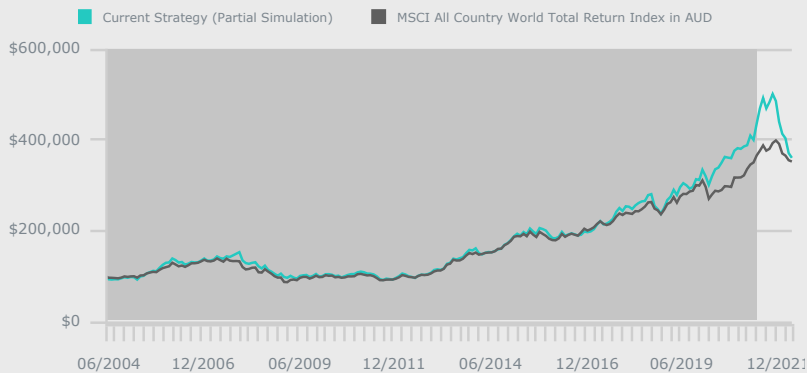
Pengana Axiom International Ethical Fund

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

	1M	Since Axiom Appointed June 2021 ¹	1Y	3Y	Since Fund Inception July 2017 ²	5Y	Since Strategy Inception July 2004 ³
Fund: APIR (HOW002AU)¹² Managed by Axiom from June 2021	-2.8%	-9.9%	-9.9%	7.0%	7.5%		
Current Strategy (Partial Simulation)⁴ Axiom Global Equity Strategy				9.0%	11.2%	10.3%	7.4%
Index⁵	-0.8%	0.6%	0.6%	10.4%	10.6%	9.8%	7.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

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
Sony Group Corp	Consumer Discretionary
TE Connectivity	Information Technology
Tesla Inc	Consumer Discretionary

SECTOR BREAKDOWN

Consumer Discretionary	16.4%
Consumer Staples	6.4%
Financials	7%
Health Care	14.7%
Industrials	7.5%
Information Technology	33.7%
Materials	2.2%
Real Estate	0.9%
Communication Services	8.1%
Cash	3.2%

CAPITALISATION BREAKDOWN

Under 5bn USD	3.5%
In between 10bn - 50bn USD	23.2%
In between 50bn - 150bn USD	25.2%
In between 150bn - 500bn USD	24.3%
Above 500bn USD	20.7%
Cash	3.2%

REGION BREAKDOWN

North America	73%
Europe ex-UK	15.9%
Emerging Markets - Asia	1.5%
Japan	4.9%
Asia Pacific ex-Japan	1.5%
Cash	3.2%

AXIOM INVESTORS - MAY 2022

COMMENTARY

1. New positions initiated in Global Pharmaceutical business Eli Lilly, And consumer good giant Nestle
2. We exited our holding in Trex which will be affected by a slowdown in US housing activity, and Block due to their exposure to cryptocurrencies, as well as the deteriorating prospects for Afterpay
3. We continue to believe that positive earnings revisions will be the most likely factor to drive outperformance at this point in the economic cycle

During May 2022, the Pengana Axiom International Ethical Fund ("Fund") fell by -2.8%, underperforming the benchmark, the MSCI All Country World Index (AUD) ("Index"), by 2%. Portfolio Manager Bradley Amoils recently held a Portfolio and Investment Update webinar which can be found below. Financial planners may also complete a short questionnaire available [HERE](#) for CPD points.

The headwind for growth orientated strategies continued through May. The market sold off sharply in the early part of the month as concerns around increasingly restrictive monetary policy and the COVID-related economic slowdowns in China weighed on sentiment. However, the market ended the month reasonably flat as some evidence of "peaking" inflation (i.e. improved personal consumption expenditure in the US) started to emerge.

There is less evidence in Europe, where German CPI grew +7.9% year over year, compared to +7.2%, driven by higher commodity prices and a strong US dollar, and German retail sales only rose +2.5% year over year, which was significantly less than the consensus expectations of +4.4%

Against this backdrop, Axiom continues to focus on dynamic growth stocks. We believe positive earnings revisions will be the most likely factor to drive outperformance at this point in the economic cycle. The Fund continues to be overweight in information technology and consumer discretionary, and has moved into a slight overweight position in healthcare. We remain underweight in financials, energy, and materials and have reduced our position from overweight to underweight in industrials.

Turning to attribution, the Fund underperformed in the communication services, industrials, and information technology sectors. **Tesla**, **Gartner**, and **Live Nation** were the largest relative detractors. China's COVID lockdowns in Shanghai continued to impact Tesla's production, and the shares were further pressured by volatility related to founder/CEO Elon Musk's proposed acquisition of Twitter. Gartner reversed April's strong performance as strong earnings and a raise to full-year guidance was sold on heightened investor expectations. **Sony**, **Danaher**, and **Blackstone** were our top relative performers in May. Sony reported strong results and provided positive forward-year guidance with particular focus on their semiconductor division. Danaher's shares rebounded strongly late in the month along with broader markets. It was pleasing to see MSCI recognising their improved governance practices with an upgrade to their ESG rating.

Our biggest portfolio changes during the month were allocating capital away from consumer discretionary and industrial sectors, and continuing to downsize in information technology. **Tesla**, **Recruit** and **Atlas Copco** were the largest position reductions. For Tesla, the production impacts from the COVID lockdown in Shanghai are making us more cautious about near-term operational fundamentals warranting a decrease in exposure. We significantly reduced our holding in Recruit prior to their earnings announcement as we had concerns around slowing trends in their core Indeed.com job placement portal. Slowing global economic growth also poses risks to Atlas Copco. One of the Strategy's largest additions was **Novo Nordisk**. In addition to very strong operating results, our tracking of script data indicates that key drug Ozempic continued to track above consensus expectations.

We initiated new positions in **Eli Lilly** and **Nestle**. Eli Lilly is a global pharmaceutical company currently benefitting from the dual drivers of a duopoly with Novo Nordisk in the GLP-1 class of diabetes treatments which is tracking ahead of expectations, and continuing to gain share from the breast cancer drug Verzenio, which is capturing the majority of new patient starts. For Nestle, our analysis indicates upside for a number of their businesses including premium coffee and pet food as pricing power and the limited price elasticity of demand are driving revenue growth above consensus expectations.

We exited two names during the month, **Block** and **Trex**. Block's exposure to cryptocurrencies, as well as the deteriorating prospects for the recently acquired Afterpay BNPL (Buy-Now-Pay-Later) business drove us to exit the remaining small position. Trex, a leading provider of alternative "wood" products, primarily made from recycled materials, will be negatively impacted by the slowdown in US housing activity as increasing mortgage rates impact affordability.

FEATURES

APIR CODE	HOW0002AU
REDEMPTION PRICE	A\$ 2.4219
FEES *	Management Fee: 1.35% p.a
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 282.98m
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. 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.