

PENGANA HARDING LOEVNER INTERNATIONAL FUND

DESCRIPTION

The Pengana Harding Loevner International Fund invests in high-quality, growing companies identified through fundamental research with a long-term, global perspective.

Pengana has appointed Harding Loevner to managed the Fund. Harding Loevner is a New Jersey-based global equity fund manager formed in 1989 with over US\$84billion in Assets under Management.

Harding Loevner' analysts search the world for companies that meet their high quality and durable growth criteria, conduct fundamental research, then value and rate their stocks to make them available to PMs for investment.

STATISTICAL DATA²

VOLATILITY⁸ 9.4%

NUMBER OF STOCKS 74

BETA⁹ 0.76

PERFORMANCE SINCE STRATEGY INCEPTION

NET PERFORMANCE FOR PERIODS ENDING 30 JUN 2021⁶

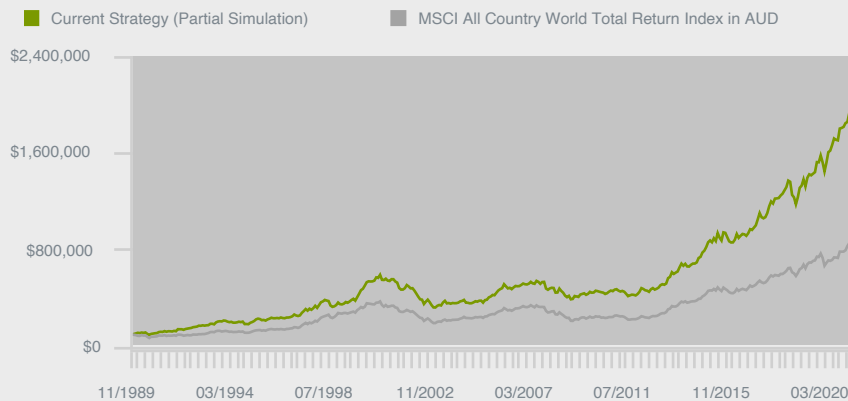
Pengana Harding Loevner International Fund Class B

The Class was established in 1 July 2015. From June 2021 Harding Loevner was appointed as the investment manager for the Fund.

	1M	SINCE HARDING LOEVNER APPOINTED JUNE 2021 ¹	1Y	3Y	5Y	SINCE FUND INCEPTION JULY 2015 ²	SINCE STRATEGY INCEPTION NOVEMBER 1989 ³
Fund (APIR PCL0026AU)^{1,2} Managed by Harding Loevner from June 2021	7.1%	7.1%	25.2%	16.4%	15.7%	13.2%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy			28.0%	17.1%	18.2%	15.5%	10.1%
Index⁵	4.5%	4.5%	27.7%	14.0%	14.4%	11.8%	7.2%

PERFORMANCE SINCE STRATEGY INCEPTION

NET PERFORMANCE SINCE INCEPTION⁷



TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
Deere & Co	Industrials
Facebook Inc	Communication Services
First Republic Bank/CA	Financials
Illumina	Health Care
Microsoft	Information Technology
Nike Inc	Consumer Discretionary
PayPal	Information Technology
SVB Financial Group	Financials

INDUSTRY

Communication Services	10.1%
Consumer Discretionary	11.3%
Consumer Staples	2.2%
Energy	2.2%
Financials	14.2%
Health Care	21.5%
Industrials	11.0%
Information Technology	23.7%
Utilities	0.6%
Cash	3.4%

MARKET CAP

Above 500bn USD	15.4%
In between 150bn - 500bn USD	21.9%
In between 50bn - 150bn USD	24.3%
In between 10bn - 50bn USD	31.1%
In between 5bn - 10bn USD	2.0%
Under 5bn USD	1.9%
Cash	3.4%

REGION

Asia Pacific ex-Japan	3.0%
Australia/New Zealand	0.5%
Emerging Markets	13.6%
Europe ex-UK	11.7%
Japan	3.3%
North America	63.0%
UK	1.5%
Cash	3.4%

USHERING IN A NEW ERA OF DRUG DEVELOPMENT

COMMENTARY

In recent decades, thanks to a deeper understanding of underlying biological mechanisms, drug development has progressed in leaps and bounds as research into new compounds has evolved beyond a trial-and-error approach. Whereas traditional methods screened large numbers of compounds in a scattershot search for desirable therapeutic effects, researchers now look for compounds that only bind with previously identified targets associated with specific disease vectors. **Vertex** has been a trailblazer of this new approach and its generalized adoption in conjunction with a reduction in the cost of gene sequencing at companies like **Illumina** is ushering in a new era, in which many of the treatments we receive will increasingly be more precise, personalized, and effective than they are today.

To design drugs with the precise shapes required to bind to the intended biological targets at the right location, scientists need to determine the molecular structure of the targets. **FEI**, acquired by **Thermo Fisher Scientific** in 2016, is a pioneer in cryogenic electron microscopy (cryo-EM), an innovation in atomic resolution imaging that was recognized with the 2017 Nobel Prize in chemistry. Cryo-EM is simpler to use than older techniques and produces three-dimensional biochemical maps with far more detail which are vastly expanding the range of targets available for potential exploitation.

The types of drugs are also expanding, beyond traditional small molecule drugs to next-generation formats such as “biologic” drugs, in particular a sub-category called monoclonal antibodies (mAb). These mAbs, roughly 1,000x larger than small-molecule drugs, are too complex to be synthesized chemically and thus need to be produced biologically from specially engineered cells. Biologic drugs have great therapeutic and commercial potential in oncology and autoimmune diseases, areas with large patient populations with unmet needs. Of the top 30 global blockbuster drugs in 2020, over two-thirds were new biologics, including Herceptin and Avastin, oncology drugs manufactured by Roche and its Japanese partner, Chugai Pharmaceutical**.

Innovations in biologics have sparked a wave of drug discovery efforts across the biopharma industry, and we are invested in a handful of participants well-placed to deliver persistent and profitable growth. **Genmab** is a pioneer in new types of mAb which binds with not just one, but multiple therapeutical target sites. **Abcam**, based in the UK, produces and distributes high-quality research-grade antibodies that allow live cells to be analyzed at a molecular level. A significant drawback of biologics, however, is the demanding and highly complex manufacturing process with the attendant exacting regulatory scrutiny. Many smaller biopharma companies with promising drug candidates simply don't have the capital or know-how to manufacturer large-molecule drugs themselves. As a result, small- and mid-sized biotech companies, and even some large ones, often outsource development and commercial production to contract development and manufacturing organizations (CDMOs), such as Lonza and **WuXi Biologics**, as well as Patheon, another Thermo Fisher subsidiary. Outsourcing speeds up the development process by leveraging manufacturing expertise and reduces the need for capital expenditure.

The strong growth in biologic drugs emerging from the development phase to full production is a boon to **Danaher**, a leading provider of highly specialized equipment for manufacturing them. Its bioprocessing business grew over 20% in Q1, a growth rate that excludes the additional boost to revenues emanating from vaccine-related demand. **Spirax-Sarco**, a British industrial company, is another enabler of the biologics industry; its Watson-Marlow unit is a leading maker of peristaltic pumps, a critical component of bioprocessing. **We see companies like these as the “shovel makers” in a gold rush across the life sciences that, after years of hype, is finally approaching what could be some deep veins.**

Healthcare remains our largest overweight and an area where we have recently added.

[**] Morgan Stanley Equity Research

✓ FEATURES

APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.9897
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 35.66m
STRATEGY INCEPTION DATE	1 December 1989
BENCHMARK	MSCI All Country World Total Return Index (net) in \$A

👤 FUND MANAGERS



Peter Baughan
Portfolio Manager



Jingyi Li
Portfolio Manager

1. Harding Loevner was appointed fund manager as of 10 May 2021. June 2021 represents the first full month of Harding Loevner managing the Fund.
 2. Class B Inception date 1 July 2015. Figures shown are calculated from the continuous performance of both the current and previous strategies. For performance see row labelled Fund (APIR PCL0026AU) in the table above which is the continuous performance of both the current and previous (shaded) strategies.
 3. Harding Loevner Global Equity Strategy inception 1 Dec 1989
 4. Prior to June 2021, the Harding Loevner Global Equity Strategy performance (labelled 'Current Strategy (Partial Simulation)' and shown in the shaded area) includes the strategy performance simulated by Pengana from the monthly gross returns of the Harding Loevner Global Equity strategy. This simulation was done by: 1) the conversion of US-denominated gross returns to AUD, 2) applying the fee structure of Class B. From June 2021 the strategy performance is the performance of the Pengana Harding Loevner International Fund Class B.
 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. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.
 7. The Harding Loevner Global Equity Strategy performance (shown in the shaded area in the chart, and in the performance table as row labeled 'Harding Loevner Global Equity Strategy') has been simulated by Pengana from the monthly gross returns of the Harding Loevner 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. Strategy Inception 30 November 1989.
 8. Annualised standard deviation since inception.
 9. Relative to MSCI All Country World Total Return Index in AUD
- * For further information regarding fees please see the PDS available on our website.

PENGANA HARDING LOEVNER INTERNATIONAL FUND

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