

## 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 DATA<sup>2</sup>

VOLATILITY<sup>8</sup> 9.4%

NUMBER OF STOCKS 75

BETA<sup>9</sup> 0.76

### PERFORMANCE SINCE STRATEGY INCEPTION

NET PERFORMANCE FOR PERIODS ENDING 30 JUL 2021<sup>6</sup>

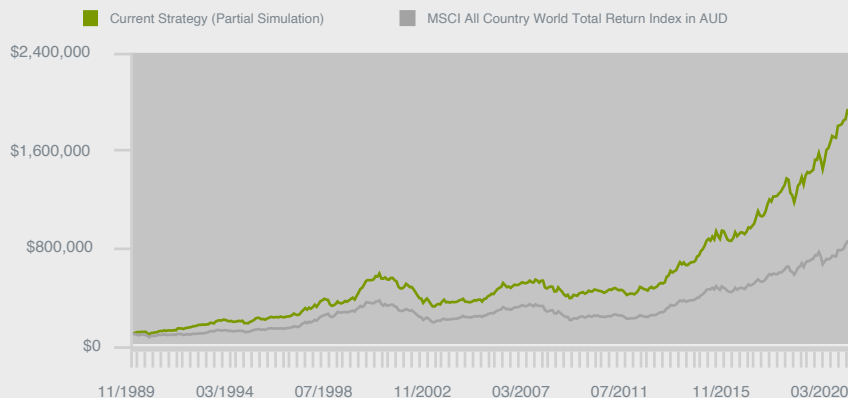
#### Pengana Harding Loevner International Fund Class B

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 <sup>1</sup> | 1Y    | 3Y    | 5Y    | SINCE FUND INCEPTION JULY 2015 <sup>2</sup> | SINCE STRATEGY INCEPTION NOVEMBER 1989 <sup>3</sup> |
|--|------|--|-------|-------|-------|---|---|
| <b>Fund (APIR PCL0026AU)<sup>1,2</sup></b><br>Managed by Harding Loevner from June 2021            | 2.9% | 10.2%  | 26.3% | 17.0% | 15.9% | 13.5%                                       |   |
| <b>Current Strategy (Partial Simulation)<sup>4</sup></b><br>Harding Loevner Global Equity Strategy |      |  | 28.0% | 17.4% | 18.4% | 15.8%                                       | 10.1%   |
| <b>Index<sup>5</sup></b>   | 2.8% | 7.4%   | 29.9% | 14.1% | 14.6% | 12.1%                                       | 7.3%  |

### PERFORMANCE SINCE STRATEGY INCEPTION

NET PERFORMANCE SINCE INCEPTION<sup>7</sup>



### 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 |
| SVB Financial Group       | Financials             |
| Wuxi Biologics Cayman Inc | Health Care            |

### INDUSTRY

|                        |       |
|------------------------|-------|
| Communication Services | 9.8%  |
| Consumer Discretionary | 11.0% |
| Consumer Staples       | 2.2%  |
| Energy                 | 2.1%  |
| Financials             | 13.6% |
| Health Care            | 22.2% |
| Industrials            | 12.3% |
| Information Technology | 23.6% |
| Utilities              | 0.6%  |
| Cash                   | 2.6%  |

### MARKET CAP

|                              |       |
|------------------------------|-------|
| Above 500bn USD              | 14.9% |
| In between 150bn - 500bn USD | 20.6% |
| In between 50bn - 150bn USD  | 27.8% |
| In between 10bn - 50bn USD   | 30.8% |
| In between 5bn - 10bn USD    | 1.3%  |
| Under 5bn USD                | 1.9%  |
| Cash                         | 5.4%  |

### REGION

|                       |       |
|-----------------------|-------|
| Asia Pacific ex-Japan | 2.7%  |
| Australia/New Zealand | 0.5%  |
| Emerging Markets      | 13.4% |
| Europe ex-UK          | 12.3% |
| Japan                 | 3.3%  |
| North America         | 63.5% |
| UK                    | 1.6%  |
| Cash                  | 2.6%  |

# PORTFOLIO SPOTLIGHT: US BANKS

## SUMMARY

The Fund returned 2.9% for the month, compared to the Index return of 2.8%.

In this month's report we provide a quick market review, and then a spotlight on the US banks.

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 ratings from Zenith as well as a Superior rating from SQM. The reports are available to AFSL holders [HERE](#).

## COMMENTARY

### Market Review

Markets posted modest gains in July, recovering from a mid-month swoon over concerns about the rapid spread of the more contagious Delta variant of COVID-19. After an initial bipartisan agreement, US Congress efforts to pass a large infrastructure bill appeared to stall after the Biden administration endorsed an ambitious plan to pass another, larger spending bill via a method that would circumvent the traditional legislative process, rendering earlier concessions moot. Both developments diminished prospects for an extended period of economic growth as the world tries to recover from the pandemic.

Information Technology and Health Care led, perhaps in anticipation of a new normal in which many people could be receiving booster shots and continuing to work via remote platforms indefinitely even as they move on with other parts of their lives, including in-store shopping. Consistent with that, shares of e-commerce companies, among the biggest winners during the peak stay-at-home period, declined. Regulators' crackdowns on online education and other tech-related industries sank China's stocks nearly 14%, leaving investors to speculate which sectors would be next.

### Portfolio Spotlight: US Banks

The portfolio's two US banks, **First Republic** and **SVB Financial**, have powered through times that have challenged other banks. Both are differentiated by the deep client relationships they have developed in their niche markets over time. Net promoter scores (NPS) measure the likelihood a company's customers would recommend its offerings; the high-net-worth-focused First Republic has NPS higher than Apple's. Silicon Valley-based SVB doesn't release its NPS but has 50% share of venture-backed tech and life science banking in the US. Both banks' high-touch customer service allows them to grow through referrals and cross-selling irrespective of the rate environment. The approach also makes customers less likely to switch to other banks, insulating the pair from competition from larger rivals or fintech players.

### July Attribution

- In the US, Alphabet reported stronger-than-anticipated advertising growth, driven in part by the recovery in travel, a top category for search and display ads. Align Technology raised its guidance for the year due to increased demand for its clear trays over more-in-office-intensive orthodontics.
- In the Netherlands, semiconductor equipment maker ASML reported strong order growth as its chip manufacturing customers race to increase capacity to meet robust end-market demand.
- Nearly all our holdings in China declined after the government announced sweeping regulatory changes. Property management company Country Garden Services, biologics manufacturer Wuxi Biologics, and online travel site Trip.com each declined sharply.

### Year-to-Date Attribution

- Stocks in the US have contributed strongly to returns, particularly Alphabet and Illumina, the latter of which has benefitted from strong demand for its genetic sequencing equipment.
- Our US-based banks SVB Financial and First Republic Bank have also outperformed, with margins benefitting from the steepening yield curve and surprisingly low credit defaults, even for banks with such high-quality asset bases.
- Within Emerging Markets, Brazil's COVID-19 struggles have weighed on Itaú Unibanco and B3. Polish video game developer CD Projekt also detracted after its botched Cyberpunk 2077 launch.
- In Germany, remote connectivity software company Teamviewer declined on market concerns that growth will slow as more employees return to the office.

## ✓ FEATURES

|                            |  |
|----------------------------|--|
| APIR CODE                  | PCL0026AU  |
| REDEMPTION PRICE           | A\$ 0.9916   |
| FEES *                     | Management Fee: 0.974%<br>Performance Fee: Nil         |
| MINIMUM INITIAL INVESTMENT | \$10,000   |
| FUM AT MONTH END           | A\$ 68.92m   |
| 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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