

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

DESCRIPTION

Pengana International Equities Limited (trading on the ASX as PIA) is the largest international ethical Listed Investment Company ("LIC") on the ASX, that exists to provide shareholders with capital growth as well as regular, reliable, and fully franked dividends.

The strategy aims to generate superior risk-adjusted returns, through investing in an actively managed portfolio of global companies that meet the team's high quality and durable growth criteria at reasonable prices. A robust ethical framework provides an added layer of risk mitigation.

These companies are identified through the conduct of fundamental research, with a long-term, global perspective, and must exhibit the following four key investment criteria: competitive advantages, quality management, financial strength, and sustainable growth potential.

STATISTICAL DATA²

VOLATILITY³ 8.4%

NUMBER OF STOCKS 73

BETA⁴ 0.66

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 JUL 2021¹

| | 1M | 1Y | 3Y | SINCE MANDATED ¹ |
|--------------------|----|-------|-------|-----------------------------|
| (ASX: PIA) | 3% | 29.7% | 15.8% | 14.9% |
| Index ² | 4% | 31.8% | 14.9% | 15.4% |

PERFORMANCE CHART

NET PERFORMANCE SINCE MANDATED

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 | 9.7% |
| Consumer Discretionary | 10.9% |
| Consumer Staples | 2.2% |
| Financials | 13.6% |
| Health Care | 22.2% |
| Industrials | 14.8% |
| Information Technology | 23.6% |
| Utilities | 0.6% |
| Cash | 2.3% |

MARKET CAP

| | |
|------------------------------|-------|
| Under 5bn USD | 1.9% |
| In between 5bn - 10bn USD | 1.3% |
| In between 10bn - 50bn USD | 29.9% |
| In between 50bn - 150bn USD | 29.1% |
| In between 150bn - 500bn USD | 20.6% |
| Above 500bn USD | 14.9% |
| Cash | 2.3% |

REGION

| | |
|-----------------------|-------|
| Australia/New Zealand | 0.5% |
| North America | 63.6% |
| Europe ex-UK | 12.5% |
| Emerging Markets | 13.3% |
| Japan | 3.4% |
| UK | 1.6% |
| Asia Pacific ex-Japan | 2.8% |
| Cash | 2.3% |

PORTFOLIO SPOTLIGHT: US BANKS

SUMMARY

The Portfolio returned 3.0% for the month, compared to the Index return of 4.0%.

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 PIA since the appointment of the new investment team and the Company has received a Recommended rating from both Zenith as well as Independent Investment Research. 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

| | |
|--------------------|--|
| ASX CODE | PIA |
| FEES | Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the MSCI World*** |
| INCEPTION DATE | 19 March 2004 |
| MANDATED | 1 July 2017 |
| BENCHMARK | MSCI World Total Return Index, Net Dividend Reinvested, in A\$ |
| NTA POST TAX ** | A\$ 1.449 |
| NTA PRE TAX ** | A\$ 1.510 |
| PRICE CLOSE ** | A\$ 1.435 |
| SHARES ON ISSUE ** | 255.08m |
| DRP | Yes |

👤 FUND MANAGERS



Peter Baughan
Portfolio Manager



Jingyi Li
Portfolio Manager

1. As at the last day of last month prior to publishing of this report. Performance figures refer to the movement in net assets per share, reversing out the impact of option exercises and payments of dividends, before tax paid or accrued on realised and unrealised gains. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.
 2. Inception date of PIA: 19 March 2004, new investment team with new mandate adopted: 1 July 2017. Pengana International Equities Limited has been managed under the new investment mandate by the Pengana investment team since 1 July 2017. The performance since mandated in the table above refers to the movement in net assets per share since the new mandate adopted on 1 July 2017.
 3. Annualised Standard Deviation since mandated
 4. Relative to MSCI World
- ** As at the last day of last month prior to publishing of this report. The figures are unaudited.
*** MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A\$.

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ACN 107 462 966

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Authorised by: Paula Ferrao, Company Secretary.

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