

PENGANA HARDING LOEVNER INTERNATIONAL FUND

DESCRIPTION

An International Fund targeting superior risk-adjusted returns through investing in high-quality and durable growing companies at reasonable prices.

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\$86billion 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

VOLATILITY⁸ 10.3%

NUMBER OF STOCKS 74

BETA⁹ 0.79

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 28 Feb 2022¹

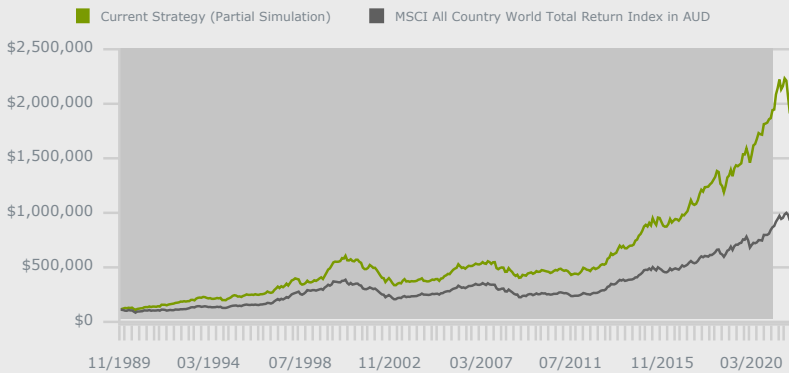
Pengana Harding Loevner International Fund Class B

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	-7.3%	-1.9%	0.8%	12.2%	12.6%	10.3%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy			2.9%	13.1%	14.1%	12.4%	9.6%
Index⁵	-5.4%	5.7%	15.0%	12.7%	12.7%	10.7%	7.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
Deere & Co	Industrials
First Republic Bank	Financials
Meta Platforms Inc	Communication Services
Microsoft	Information Technology
Nike Inc	Consumer Discretionary
SVB Financial Group	Financials
UnitedHealth Group Inc	Health Care
Vertex Pharmaceuticals Inc	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	6.7%
Consumer Staples	1.7%
Energy	1.9%
Financials	14.1%
Health Care	23.6%
Industrials	10.3%
Information Technology	22%
Real Estate	1.6%
Communication Services	13.6%
Utilities	0.5%
Cash	4.1%

CAPITALISATION BREAKDOWN

Under 5bn USD	2.3%
In between 5bn - 10bn USD	1.9%
In between 10bn - 50bn USD	30.3%
In between 50bn - 150bn USD	26.5%
In between 150bn - 500bn USD	19.5%
Above 500bn USD	15.4%
Cash	4.1%

REGION BREAKDOWN

North America	60.4%
Europe ex-UK	12.4%
Emerging Markets	16.4%
Japan	2.2%
UK	1.7%
Asia Pacific ex-Japan	2.1%
Australia/New Zealand	0.7%
Cash	4.1%

FEBRUARY REPORT

COMMENTARY

The Pengana Harding Loevner International Fund fell -7.3% in February compared to the MSCI ACWI (Total Return in AUD) which fell 5.4% for the month.

Already coping with rising inflation and the prospect of further interest rate increases, investors were stunned by Russia's invasion of Ukraine at month-end. Strong punitive sanctions from Western nations against Russia lead to the closures of the Russian domestic stock markets, and deep declines in shares of Russian companies traded elsewhere. Oil and commodity prices soared, benefiting Energy and Materials, the two strongest-performing sectors over the month which was a headwind relative to the benchmark as we have no exposure to materials and very little exposure to energy in our portfolio. Information Technology lagged as software companies reported slowing growth due to subsiding COVID-induced demand. By region, countries rich with natural resources performed relatively well, including Australia and South Africa.

The Global Equity strategy was largely shielded from the direct impacts resulting from the Russian invasion of Ukraine, as it had no holdings based in either country. However, we did have indirect exposure to the region through EPAM, a US-headquartered IT services company that has over half its engineers based in Ukraine, Russia, and Belarus. We sold our shares of the company in late February; as tensions rose as we grew concerned that EPAM's customers, including many US-based corporations, would become increasingly reluctant to entrust their digital transformation programs to EPAM.

February Attribution:

- Our Financials holdings were a bright spot; in late January, US commercial bank SVB Financial raised its already strong guidance for 2022, boosting share prices.
- In Communication Services, shares of Meta Platforms declined sharply after the company announced a rare decline in profits. The company also warned of slowing growth due to rising competition from Tik Tok and changes to Apple's privacy features. Our analyst met with Meta following the announcement to better understand the company's plan to navigate potential headwinds and to confirm that the company continues to meet our quality-growth criteria. We believe that Meta should be able to adapt to Apple's privacy settings and continue to generate revenues from ad sales, albeit perhaps at a lower level. Our analyst remains impressed by Meta's effective development and use of AI, which will help Facebook continue to innovate, diversify, and grow.
- In Information Technology, PayPal shares fell after the company delivered surprisingly weak guidance on future new user growth. PayPal management withdrew its medium-term user growth targets as it shifts its focus to deriving more revenue from its existing user base. We are actively evaluating the investment implications of the revised guidance. We currently believe our investment thesis for PayPal remains intact and that the company should continue to meet our growth criteria. However, we have lowered our long-term revenue and earnings growth forecasts, and continue to debate PayPal's expected post-pandemic growth rate.

Year-to-Date Attribution

- Style headwinds have weighed heavily on recent benchmark relative returns, as high-quality growth companies significantly underperformed. Year to date, the least expensive quintile of the index, comprising the stocks referred to as “value”, has outperformed the most expensive by nearly 18%.
- In Health Care, China’s WuXi Biologics declined after two of its manufacturing sites were added to the US Department of Commerce’s Unverified List, potentially subjecting the company to tighter US export controls. WuXi’s lawyers are working to have the company removed from the List; however, even if the company remained on the List, we do not believe that its revenues or growth will be impacted. Inclusion on the List does not prevent WuXi from selling to its US-based clients or impact its ability to operate in the two sites. WuXi has ample inventory and is able to source products comparable to what it produces in the US from other countries
- Additionally, Japanese lab device manufacturer Sysmex fell on concerns of slowing growth in China. Chinese health care companies have been encouraged to buy instruments and materials that are made within China. Sysmex is in the process of expanding its domestic Chinese production to counter this headwind.

In the midst of geopolitical uncertainty and strong style headwinds, we feel even more resolved to stick to our knitting, tune out noise, and stay disciplined in focusing on our quality growth framework and the balance sheet strength of invested companies. Our portfolio is composed of high-quality, dynamic growth businesses that are well-positioned to navigate periods of uncertainty and to create and compound value over the long term. We anticipate opportunities may arise to add to these holdings where we believe that the recent dislocations in stock prices fail to reflect the long-term growth prospects of the businesses.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.8838
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 60.07m
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. 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. 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.

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