

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.

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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.

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Apr 2024¹

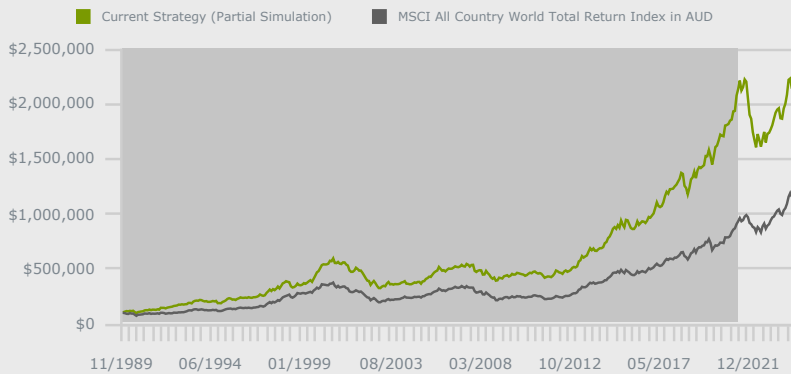
Pengana Harding Loevner International Fund Class B

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

	1M	1Y	2Y	Since Harding Loevner Appointed June 2021 ¹	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	-4.2%	18.3%	10.7%	3.5%	4.3%	8.8%	9.1%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy					3.4%	9.1%	10.7%	9.3%
Index⁵	-2.8%	19.5%	14.5%	10.3%	10.5%	11.2%	10.8%	7.4%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Alcon Inc	Health Care
Alphabet Inc	Communication Services
Amazon.com Inc	Consumer Discretionary
Danaher Corp	Health Care
Meta Platforms Inc	Communication Services
Microsoft Corp	Information Technology
Netflix Inc	Communication Services
Schneider Electric SE	Industrials
Thermo Fisher Scientific Inc	Health Care
Vertex Pharmaceuticals Inc	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	8.5%
Consumer Staples	3.7%
Energy	1.4%
Financials	7.4%
Health Care	19.4%
Industrials	17.4%
Information Technology	22%
Materials	1.1%
Real Estate	1.2%
Communication Services	15.7%
Cash	2.4%

CAPITALISATION BREAKDOWN

Under 5bn USD	0.4%
In between 5bn - 10bn USD	5.2%
In between 10bn - 50bn USD	16.5%
In between 50bn - 150bn USD	29.5%
In between 150bn - 500bn USD	25.1%
Above 500bn USD	20.9%
Cash	2.4%

REGION BREAKDOWN

North America	61.5%
Europe ex-UK	22.7%
Emerging Markets	5.6%
Japan	4.4%
UK	2.7%
Asia Pacific ex-Japan	0.8%
Cash	2.4%

STATISTICAL DATA

VOLATILITY⁸ 11.2%

NUMBER OF STOCKS 62

BETA⁹ 0.9

APRIL REPORT

COMMENTARY

- Global equity markets fell in April, reversing some of the strong gains of the March quarter.
- Inflation remains persistent across the major economies, which reduced investor expectations of early cuts in interest rates, hitting share prices.
- The Fund returned -4.2% in April, while the benchmark returned -2.8%.

Our investment process – Porter’s Five Forces Video Series

A Framework for Competitive Strategy Analysis

The investment team at Harding Loevner, managing the Pengana Harding Loevner International Fund, specialise in identifying and investing in high-quality growth companies. Their approach involves analysing industries through the renowned Five Forces framework developed by Harvard University professor Michael Porter.

In each installment of this six-part video series, Harding Loevner delves into a specific aspect of Porter’s framework, discussing its application in understanding industries and the companies within them.

To gain insight into their methodology, we invite you to watch the series overview below, demonstrating how the team utilize Michael Porter’s Five Forces framework for industry analysis.

[For access to the entire series, please visit our dedicated page here.](#)

Market Review

Global equity markets fell back in April. This reversed some of the gains delivered in the first quarter of 2024, as signs of sticky inflation dimmed hopes that US interest rates would be cut in the near term.

Japan was the strongest performing major share market in the March quarter, but was much weaker in April. This coincided with a further decline in the value of the Japanese yen, despite efforts by its central bank to slow the depreciation of its currency.

Conversely, China – one of the weakest global share markets in the first three months of the year – bounced back in April. This was despite corporate earnings being generally disappointing and investor expectations of significant government stimulus remaining unfulfilled.

All sectors were weaker in April except for energy and utilities, which tend to be relatively more defensive during periods of share market volatility. Interest rate sensitive sectors such as real estate and information technology – which had made strong gains in the first quarter – were especially weak in April.

The most expensively valued stocks relative to earnings were hit hardest, while faster-growing and higher-quality stocks (higher profits and lower risk) also lagged the broader market.

Portfolio Commentary

The Fund underperformed the benchmark during April. Growth stocks underperformed value as rising interest rate expectations pushed up longer-term bond yields and therefore equity discount rates.

Strong performance by the Fund's holdings in industrials, overweight positions in communications services and industrials, and underweight positions in information technology and real estate boosted relative returns. However, this was offset by weaker performance by the Fund's holdings in healthcare and information technology and the zero weighting to utilities, which detracted from relative returns.

The Fund is focussed on identifying great companies through bottom-up analysis and continues to identify exciting opportunities in health care, communications services and industrials, in which it maintains overweight positions.

Several mega-tech companies including Google-owner Alphabet, Facebook-owner Meta Platforms and Microsoft announced their first quarter earnings and spending plans to build their AI capabilities. While all reported strong earnings, investor reaction to each was more varied.

Alphabet and Microsoft outperformed upon their earnings announcements. This was despite reporting large increases in capital investment over the March quarter, which surged above US\$12 billion and US\$14 billion, respectively. In contrast, Meta's plans to spend US\$8-10 billion quarterly this year was viewed as excessive by some investors and its share price underperformed sharply.

Some investors may yet to be convinced that Meta will earn a high return on its capital outlay. However, the company should be able to apply AI tools to its unparalleled dataset which flows from over three billion daily active users on its core platforms. This should enable it to improve both the engagement levels on its social media applications and the effectiveness of its digital advertising sales. It may also provide a path to monetising additional services including the metaverse. The Fund continues to hold significant overweight positions in all three stocks, with the largest overweight in Meta.

The strongest contributor to relative returns during April was the overweight position in US technology group **Alphabet**. It outperformed after announcing a 15.4% year-on-year increase in revenue and a 61.5% jump in earnings per share. This pushed its market valuation above the US\$2 trillion threshold.

France-based digital automation and energy management group **Schneider Electric** also outperformed in April. Its alignment to the long-term secular growth trends of digitisation, decarbonisation and manufacturing reshoring outweighed broader investor concerns regarding interest rates.

The Fund's holding in Japan-based **Chugai Pharmaceutical** detracted from relative returns during April. It underperformed after reporting a steep year-on-year decline in revenue, which was driven by price cuts in Japan and lower sales of Ronapreve, its COVID-19 drug.

US-based multinational professional services group **Accenture** underperformed after it revised down its financial year 2024 earnings guidance. This was due to slowing demand for its services, reflecting customers' concerns about the economic outlook.

✓ FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.9858
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 39.52m
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



Rick Schmidt
Portfolio Manager

- Harding Loevner was appointed fund manager as of 10 May 2021. June 2021 represents the first full month of Harding Loevner managing the Fund.
 - 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.
 - Harding Loevner Global Equity Strategy inception 1 Dec 1989
 - 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.
 - MSCI All Country World Total Return Index in AUD.
 - 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. Please refer to the PDS for information regarding risks. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.
 - 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.
 - Annualised standard deviation since inception.
 - 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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