

**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 DATA**

 VOLATILITY<sup>3</sup> 10.8%

NUMBER OF STOCKS 67

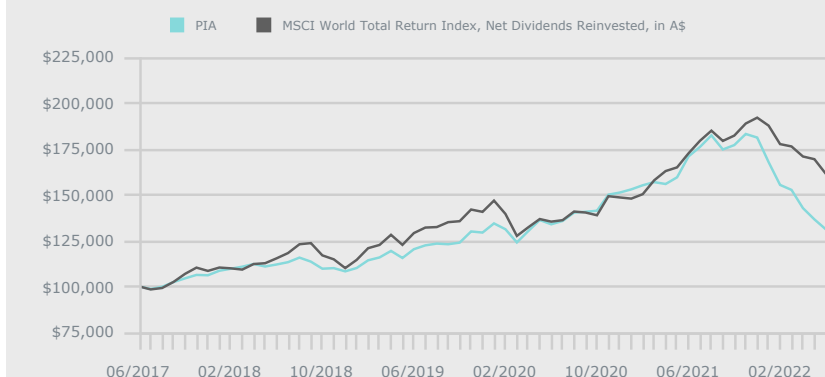
 BETA<sup>4</sup> 0.81

**PERFORMANCE TABLE**

 NET PERFORMANCE FOR PERIODS ENDING 30 Jun 2022<sup>1</sup>

|                    | 1M    | 1Y     | 3Y   | Pengana SI July 2017 <sup>1</sup> |
|--------------------|-------|--------|------|-----------------------------------|
| (ASX: PIA)         | -4%   | -23.3% | 2.9% | 5.6%                              |
| Index <sup>2</sup> | -4.7% | -6.5%  | 7.7% | 10.1%                             |

**PERFORMANCE CHART**

 NET PERFORMANCE SINCE INCEPTION<sup>2</sup>

**TOP HOLDINGS (ALPHABETICALLY)**

|                            |                        |
|----------------------------|------------------------|
| Alphabet Inc               | Communication Services |
| AMETEK Inc                 | Industrials            |
| Deere & Co                 | Industrials            |
| First Republic Bank        | Financials             |
| L'Oreal SA                 | Consumer Staples       |
| Microsoft                  | Information Technology |
| Schneider Electric SE      | Industrials            |
| SVB Financial Group        | Financials             |
| UnitedHealth Group Inc     | Health Care            |
| Vertex Pharmaceuticals Inc | Health Care            |

**SECTOR BREAKDOWN**

|                        |       |
|------------------------|-------|
| Consumer Discretionary | 7.5%  |
| Consumer Staples       | 2.7%  |
| Financials             | 14.2% |
| Health Care            | 24.1% |
| Industrials            | 15.5% |
| Information Technology | 21.8% |
| Real Estate            | 1.5%  |
| Communication Services | 8.9%  |
| Cash                   | 3.8%  |

**CAPITALISATION BREAKDOWN**

|                              |       |
|------------------------------|-------|
| Under 5bn USD                | 1.9%  |
| In between 5bn - 10bn USD    | 3.8%  |
| In between 10bn - 50bn USD   | 35.3% |
| In between 50bn - 150bn USD  | 22.1% |
| In between 150bn - 500bn USD | 22.9% |
| Above 500bn USD              | 10.2% |
| Cash                         | 3.8%  |

**REGION BREAKDOWN**

|                       |       |
|-----------------------|-------|
| Australia/New Zealand | 0.4%  |
| North America         | 60.5% |
| Europe ex-UK          | 16.9% |
| Emerging Markets      | 12.7% |
| Japan                 | 2.2%  |
| UK                    | 2.2%  |
| Asia Pacific ex-Japan | 1.4%  |
| Cash                  | 3.8%  |

## MONTHLY REPORT - JUNE

### COMMENTARY

1. Global markets fell in June as inflation reached a 40-year high in both the US and Europe.
2. Amid strong style headwinds and economic uncertainty, we continue to find opportunities to purchase high-quality, growing businesses.
3. The portfolio's overweight in Health Care was a contributor to relative returns as Health Care stocks significantly outperformed the broad index.

The Portfolio fell -4.0% in June, outperforming the Index (MSCI World Total Return Index (net) in \$A) which fell -4.7% for the same period.

### Market Review

Global markets fell in June as inflation reached a 40-year high in both the US and Europe. In response, policymakers outlined aggressive rate hikes, putting further pressure on equities. In the US, the Federal Reserve raised rates by 75 basis points—the largest increase in nearly 30 years—and signalled further rate increases of a similar magnitude. Similarly, the European Central Bank signalled that it would deliver its first rate hike since 2011 in July.

Energy prices continued to be the largest driver of inflation in Europe as Russia took further steps to further choke off supply; the Nordstream pipeline is now operating at 40% capacity due to a "gas turbine issue". Further exacerbating the situation, a prolonged outage at the Freeport LNG plant in Texas has significantly reduced the US supply of liquified natural gas to the continent. Elsewhere, China was the only positive market this month as the country began to emerge from its COVID-induced lockdowns and central bank officials cut interest rates and injected a fresh round of stimulus into the economy.

### Portfolio Comments

Amid strong style headwinds and economic uncertainty, we continue to find opportunities to purchase high-quality, growing businesses. **Kering** is a French luxury good conglomerate that is in the process of diversifying away from an outsized reliance on the Gucci brand. Management has historically delivered an impressive track record of innovation and growth, resulting in a company that is profitable, generates a high free cash flow, and is rapidly moving toward a net cash balance sheet. Poor sentiment due to weak consumer demand in China (one of Kering's largest markets) has been an overhang on the stock for much of 2022; however, this provided us with an opportunity to purchase shares at an attractive valuation.

### June Attribution

- In Health Care, shares of Chinese biologics service provider **WuXi Biologics** soared as US export authorities were allowed to inspect one of the company's Chinese facilities, raising prospects that WuXi may soon be removed from the US trade blacklist.
- The portfolio's overweight in Health Care was a contributor to relative returns. Health Care stocks significantly outperformed the broad index despite posting negative returns for the month.
- In Industrials, shares of US agricultural equipment manufacturer **John Deere** underperformed as farmers faced weakening economics (due to higher input costs like fertilizer) and higher financing costs for large farm equipment (due to rising interest rates).

High-quality, fast-growing companies, have significantly underperformed year-to-date. The severity of these style headwinds has contributed to portfolio underperformance across all major sectors and regions. In our view however, the portfolio is loaded with high-quality global growth companies trading at increasingly attractive valuations. On balance, our companies continue to report strong results and, without exception, continue to invest through uncertain times from positions of financial strength. For the most part, the weakness in stock prices is a function of transient or cyclical pressures affecting short-term results and not a result of cracks in their fundamentals.

## FEATURES

|                    |  |
|--------------------|--|
| ASX CODE           | PIA  |
| FEES               | Management Fee: 1.23% p.a.<br>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\$ 1.124  |
| NTA PRE TAX **     | A\$ 1.082  |
| PRICE CLOSE **     | A\$ 0.875  |
| SHARES ON ISSUE ** | 256.03m  |
| 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. The index is the MSCI World Total Return Index, Net Dividends Reinvested, in A\$.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\$.

## PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

### PENGANA INTERNATIONAL EQUITIES LIMITED

ACN 107 462 966

MANAGED BY PENGANA INVESTMENT MANAGEMENT LIMITED

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Authorised by: Paula Ferrao, Company Secretary.