

**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. PIA's objective is 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 investment 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.

SHARE PRICE	NTA POST-TAX	NTA PRE-TAX	PORTFOLIO RETURN (20 YEARS)	DIVIDEND YIELD <sup>1</sup>	CONSECUTIVE QUARTERLY DIVIDENDS PAID
<b>\$1.105</b> <small>Time: 06:34 pm</small>	<b>A\$ 1.294</b> <small>28/06/2024</small>	<b>A\$ 1.299</b> <small>28/06/2024</small>	<b>8.1% p.a.</b>	<b>4.9%</b> <small>6.5% when grossed up<sup>2</sup> for franking credits</small>	<b>15</b>

1. Dividend yield is based on current displayed share price and dividends declared over the previous 12 months

2. Grossed up yield is based on current displayed share price, dividends declared over the previous 12 months and the tax rate and franking percentage applicable for the most recently declared dividend

**COMMENTARY**

- The Portfolio returned 3.0% in June, while the benchmark returned 1.6%, as strong global equity returns were somewhat offset by the strength of the Australian dollar.
- Global equities delivered strong gains in June, driven by technology stocks.
- Inflation continues to slow, encouraging expectations that interest rates will fall across developed economies in the second half of the year, especially boosting growth stocks.

**PERFORMANCE TABLE**

NET PERFORMANCE FOR PERIODS ENDING 30 Jun 2024<sup>1</sup>

	1M	1Y	5Y	15Y	20Y
Total Portfolio Return	3%	15.7%	8.7%	10.3%	8.1%
Total Shareholder Return	0.9%	15.5%	7.2%	7.4%	4.2%
Index	1.6%	19.8%	12.9%	12.5%	8.4%

**STATISTICAL DATA**

VOLATILITY<sup>ii</sup> 12.8%

NUMBER OF STOCKS 58

BETA<sup>ii</sup> 0.75

**TOP HOLDINGS (ALPHABETICALLY)**

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

## JUNE REPORT

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#### Market Review

Global equity markets continued to move higher during June as inflationary pressures receded and hopes rose that the Federal Reserve will begin to reduce US interest rates later this year.

Market gains were driven by continued strength in the technology sector, as investors continued to focus on the earnings growth in business models aligned to the adoption of generative AI. Emerging Markets also performed well, boosted by expectations of lower US interest rates.

However, recent election results have introduced new volatility into both developed and emerging markets. Far-right parties made significant gains in the European Union's parliamentary elections and saw their support rise in France and Germany.

In another anti-incumbent outcome, the centre-left Labour party, under more moderate leadership, secured a large majority in the UK Parliament, ending 14-years of Conservative government.

Indian equity markets fell sharply after Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) failed to secure a majority in that country's elections. The market reaction proved short-lived, however, as it recovered to reach new highs by month-end.

In Mexico, Claudia Sheinbaum's decisive victory over Xóchitl Gálvez led to a larger drop in Mexican stock prices, as investors braced for more populist policies.

#### Portfolio Commentary

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

Growth investing is predicated on exposure to continuous waves of innovation, which can often lead to long periods of outperformance by well positioned stocks. The challenge for investors is to identify in advance the small number of companies which typically capture most of such wealth creation. The economic environment is changing continuously, which means today's winners must constantly evolve to maintain their competitive advantage.

Company-specific risk is managed through a portfolio of approximately 50 high-quality companies, diversified across regions, industries and sectors. Our investment process identifies companies which can deliver sustained high profitability from their alignment to waves of innovation. These demonstrate financial strength, strong management teams and a sustainable competitive advantage.

This approach helped the Portfolio outperform the benchmark in June. Strong performance by the Portfolio's holdings in information technology, consumer discretionary and communications services, and underweight positions in the weaker financials, materials and utilities sectors boosted relative returns. The underweight position in the high-performing technology sector and the overweight position in the underperforming industrials sector detracted from relative returns.

The Portfolio's largest contributor to relative returns was its overweight position in US-based content creation and publishing software company **Adobe**. It outperformed after reporting record revenue for the second fiscal quarter of 2024, helped by strong sales and earnings growth. The company also raised its guidance for the remainder of 2024.

Shares in US-based e-commerce and cloud computing company **Amazon** rose sharply after electric vehicle maker Rivian Automotive (in which **Amazon** owns a 16% stake) announced it would form a joint venture with Volkswagen.




US-based **Repligen**, a manufacturer of advanced bioprocessing technologies used to make biologic drugs, detracted from relative returns after the company did not reiterate its earlier forward guidance. It also announced that CEO Tony Hunt would be stepping down.

The Portfolio's holding in Denmark-based cancer drug manufacturer **Genmab** detracted from relative returns when it underperformed upon investor concerns regarding increasing costs.

The Portfolio exited its position in US-based sportswear manufacturer **Nike** due to rising competition from On Holding and HOKA. This has diminished the Portfolio Manager's confidence that Nike will be able to turn around the company's lagging sales trajectory.

Meanwhile, the Portfolio increased its position in US cloud-based software-as-a-service provider **Salesforce**, which provides customer relationship management and marketing automation software. It is attractively valued given the growth opportunities brought by its investment in generative AI capabilities.

FEATURES	
ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the Index <sup>v</sup>
INCEPTION DATE	19 March 2004
MANDATED	1 July 2017
BENCHMARK	MSCI World Total Return Index, Net Dividend Reinvested, in A\$ ("Index")
NTA POST TAX <sup>iv</sup>	A\$ 1.294 28/06/2024
NTA PRE TAX <sup>iv</sup>	A\$ 1.299 28/06/2024
PRICE CLOSE <sup>iv</sup>	A\$ 1.130
SHARES ON ISSUE <sup>iv</sup>	257.17m
DRP <sup>iv</sup>	Yes

FUND MANAGERS	
	<b>Peter Baughan</b> Portfolio Manager
	<b>Jingyi Li</b> Portfolio Manager
	<b>Rick Schmidt</b> Portfolio Manager

i. Performance for periods greater than 12 months is the compound annual return. Total Shareholder Return refers to the movement in share price plus dividends declared for the period, not including the benefit of franking credits attached to dividends paid Total Shareholder Return refers to the movement in share price plus dividends declared for the period. Index refers to MSCI World Total Return Index, Net Dividends Reinvested, in A\$. Past performance is not a reliable indicator of future performance, the value of investments can go up and down. None of Pengana International Equities Limited ("PIA"), Pengana Investment Management Limited nor any of their related entities guarantees the repayment of capital or any particular rate of return from PIA. This information has been prepared by PIA and does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered investment advice and should not be relied on as an investment recommendation. The figures are unaudited.

Source: PCG and Bloomberg.

ii. 20 Year Annualised Standard Deviation as at the last day of the last month prior to publishing this report.

iii. Relative to MSCI World Total Return Index, Net Dividends Reinvested, 20 Year annualised Beta as at the last day of the last month prior to publishing this report.

iv. As at the last day of last month prior to publishing of this report. The figures are unaudited.

v. Index/MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A\$.

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ACN 107 462 966

MANAGED BY PENGANA INVESTMENT MANAGEMENT LIMITED

PART OF THE PENGANA CAPITAL GROUP

AFSL 219462

[PENGANA.COM/PIA](http://PENGANA.COM/PIA)

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Authorised by: Paula Ferrao, Company Secretary.

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