

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 11.1%

NUMBER OF STOCKS 67

BETA⁹ 0.85

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2022¹

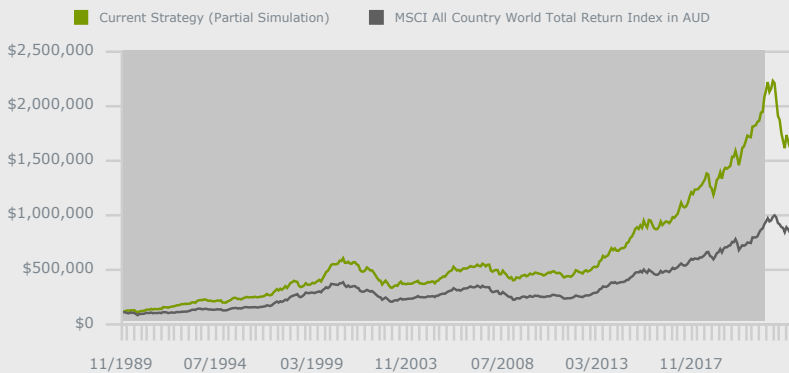
Pengana Harding Loevner International Fund Class B

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

	1M	1Y	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	-3.6%	-24.0%	-12.9%	3.4%	6.0%	7.0%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy				4.1%	7.8%	8.8%	8.8%
Index⁵	-3.6%	-10.9%	-3.2%	5.4%	8.7%	8.3%	6.7%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
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	8.2%
Consumer Staples	2.6%
Energy	1.3%
Financials	14.5%
Health Care	23.3%
Industrials	15.5%
Information Technology	22.7%
Real Estate	0.5%
Communication Services	8.7%
Cash	2.7%

CAPITALISATION BREAKDOWN

Under 5bn USD	2.9%
In between 5bn - 10bn USD	2.3%
In between 10bn - 50bn USD	34.7%
In between 50bn - 150bn USD	29.3%
In between 150bn - 500bn USD	17.9%
Above 500bn USD	10.3%
Cash	2.7%

REGION BREAKDOWN

North America	63%
Europe ex-UK	17.1%
Emerging Markets	11.4%
Japan	2.3%
UK	2.4%
Asia Pacific ex-Japan	1.1%
Cash	2.7%

THE MORE DEFENSIVE SECTORS OUTPERFORMED THE MARKET.

COMMENTARY

- Global equity markets fell in September upon expectations of higher for longer interest rates after the US Federal Reserve increased rates by 0.75%
- The more defensive Health Care, Consumer Staples, and Materials sectors outperformed the market, while interest rate-sensitive sectors such as Real Estate and Communication Services underperformed
- In September the Portfolio returned -3.6%, in line with the MSCI All Country World Total Return Index.

We recently held a Portfolio and Investment Update webinar, along with Q&A for shareholders, which is available below for your review.



Market Review

Global equity markets fell in September upon higher inflation data and expectations that interest rates would rise further and remain elevated for longer than had been previously expected.

The US Federal Reserve raised interest rates by a further 0.75% and acknowledged that it would continue to raise rates some way beyond the current level. All the major central banks, except for the Bank of Japan, followed with comparable hikes during September.

Interest rate increases and high energy prices weighed heavily on the economic outlook. This led the Organisation for Economic Co-operation and Development (OECD) to further slash its global GDP growth forecast for next year.

Russia's decision to suspend indefinitely its exports of natural gas to Europe increased expectations of recession across the continent. Additionally, the stronger US dollar exacerbated the inflationary impact of higher imported energy prices (which are denominated in US dollars). This makes it more difficult for debtor countries and companies to service US dollar-denominated debts.

Emerging Markets were the weakest performing region as China's severe property slowdown and COVID-19 lockdowns impacted returns. Japan also underperformed as the Bank of Japan's reluctance to raise interest rates caused the yen to rapidly depreciate against the higher-yielding US dollar. Both the US and Europe outperformed (although share markets declined significantly in absolute terms).

The UK announced an aggressive fiscal stimulus package of tax cuts and spending to subsidise high energy prices. This will be financed by increased government borrowing. The news sent gilt (UK sovereign bond) prices tumbling, causing sterling to fall to a record low against the US dollar.

Real Estate was the worst performing sector due to high debt levels, rising financing costs and weaker economic conditions. Communication Services also underperformed due to rising interest rates and concerns over a slowdown in advertising spending. Health Care, Consumer Staples, and Materials delivered smaller declines than the overall market.

Portfolio Comment

Rockwell Automation, a US-based industrial automation company, underperformed at the start of the year. Rising input costs and component shortages prevented it from fulfilling its overflowing order books.

Uncertainty arising from the COVID-19 lockdowns in China and the war in Ukraine prompted the company to warn in May that it expected profits would be lower over the rest of the year. Despite these challenges, the business outlook remains strong.

New orders continue to increase, despite the company raising prices at the end of 2021. It also reported stronger earnings results despite ongoing supply chain issues. Rockwell has been accumulating inventory and redesigning certain products to mitigate the risk of supply chain disruption. The company's revenues are expected to grow as its resilience improves and supply chain shortages recede.

Polish video game developer **CD Projekt** strongly outperformed the market during September. The success of its Netflix anime series *Cyberpunk: Edgerunners* helped to renew interest in the company's *Cyberpunk 2077* video game.

Chinese pharmaceutical research and development services platform **WuXi Biologics** underperformed the market along with other Chinese pharmaceutical companies. This followed an executive order by the US Administration that is intended to accelerate development of biotechnology and biomanufacturing in the US. This rekindled concerns that Chinese companies might find themselves cut off from the lucrative US market.

FEATURES

APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.7402
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 42.64m
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.

PENGANA HARDING LOEVNER INTERNATIONAL FUND

PENGANA CAPITAL LIMITED

ABN 30 103 800 568
AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900
F: +61 2 8524 9901
E: clientservice@pengana.com



PENGANA.COM

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Harding Loevner International Fund (ARSN 610 351 641) (the "Fund"). A Product Disclosure Statement for the Fund is available and can be obtained from our distribution team or website. A person should obtain a copy of the Product Disclosure Statement and should consider the Product Disclosure Statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the Fund is subject to investment risk including a possible delay in repayment and loss of income and principal invested.