

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 61

BETA⁹ 0.89

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2023¹

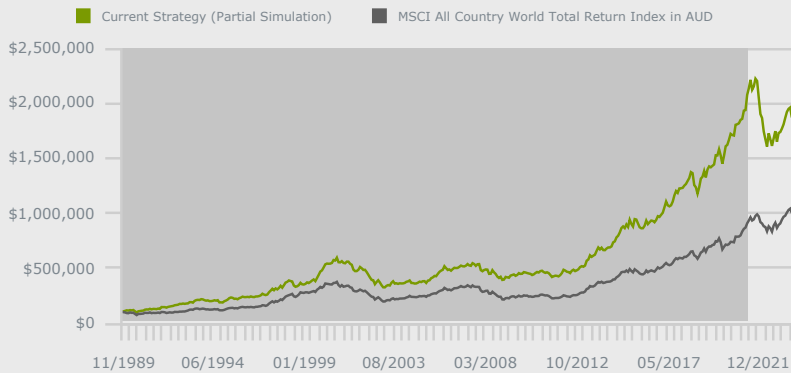
Pengana Harding Loevner International Fund Class B

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	-4.6%	16.0%	-6.1%	-1.5%	2.7%	6.9%	8.0%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy					3.0%	6.5%	9.6%	9.0%
Index⁵	-3.8%	20.3%	3.6%	6.3%	10.7%	8.9%	9.7%	7.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon.com Inc	Consumer Discretionary
Danaher Corp	Health Care
Deere & Co	Industrials
Meta Platforms Inc	Communication Services
Microsoft Corp	Information Technology
Schneider Electric SE	Industrials
Thermo Fisher Scientific Inc	Health Care
UnitedHealth Group Inc	Health Care
Vertex Pharmaceuticals Inc	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	7.5%
Consumer Staples	4.1%
Energy	1.8%
Financials	8.3%
Health Care	22%
Industrials	18.9%
Information Technology	20.2%
Materials	1.1%
Communication Services	12.4%
Cash	3.8%

CAPITALISATION BREAKDOWN

Under 5bn USD	1.4%
In between 5bn - 10bn USD	2.5%
In between 10bn - 50bn USD	17.8%
In between 50bn - 150bn USD	32.5%
In between 150bn - 500bn USD	25.5%
Above 500bn USD	16.5%
Cash	3.8%

REGION BREAKDOWN

North America	68.4%
Europe ex-UK	14.3%
Emerging Markets	6%
Japan	4.8%
UK	1.9%
Asia Pacific ex-Japan	0.9%
Cash	3.8%

SEPTEMBER REPORT

COMMENTARY

- Global share markets continued to weaken during September as long-term bond yields increased and the economy slowed.
- Growth stocks underperformed the broader market and interest rate sensitive stocks, such as information technology and real estate, were particularly weak.
- The Fund returned -4.6% in September, while the benchmark returned -3.8%.

Market Review

The global equity market sell-off which began in August continued through September. The US share market performed particularly poorly after continued strong economic data led the Federal Reserve to declare that it may need to keep interest rates [higher for longer](#).

This pushed up ten-year US Treasury yields to levels not seen since 2007, denting the appeal of equities. The sectors most sensitive to rising interest rates, such as information technology and real estate, underperformed the most.

Japan's stock market declined nearly 2% but was still the strongest-performing region. The Tokyo Stock Exchange's January drive to reform capital allocation at companies with lowly valued shares continued to capture investor and management attention.

Meanwhile, hints from the new Bank of Japan Governor Kazuo Ueda that the country's two-decade-long zero interest rate policy may soon be at an end further fuelled market sentiment.

Portfolio Commentary

The surge in long-term global bond yields last month drove an equity market switch out of growth stocks – which are more sensitive to changes in yields – and into value stocks. This led global growth stocks to underperform value by around 2.7% during September. The Fund underperformed its benchmark, but by a smaller margin of 0.8%.

Despite the increasing political and regulatory challenges, the immense size and growth potential of China's economy makes it a critical market for many global businesses.

L'Oréal's operations in China have been robust over the past two years, as its consumer products revenue has grown three times as fast as the overall mainland China market. Strategic brand introductions and gradual expansion into lower-tier cities have boosted its luxury unit, which now has a larger share of China's market than its two largest competitors combined. L'Oréal's local management team has also been agile in reacting to changing market conditions. When China reopened from COVID-19 lockdowns at the start of the year, the company cut its social media marketing spending. It had found that its strategy wasn't as effective as it had hoped in what was proving to be a difficult market. However, it subsequently stepped-up media spending decisively when demand accelerated in the second quarter of this year. L'Oréal's flagship brand has also enjoyed success on TikTok and is leveraging its expertise to boost the performance of other brands, in both China as well as in adjacent South-east Asian markets.

Hong Kong-based insurer **AIA Group** declined as negative investor sentiment in China impacted the broader share market. AIA also reported a slower than anticipated rebound in new business margins following the easing of pandemic-era restrictions.

Stock performance was positive within the consumer staples sector. The Fund's holdings in US-based retail company **Costco** and UK-based consumer health company **Haleon** both contributed to relative returns.

Stock performance in the Fund's European holdings detracted from relative performance, particularly French luxury goods company **Kering**, which owns Gucci and other leading brands. Share prices of luxury goods companies broadly declined as investors grew concerned that demand from Chinese, US and European consumers may slow in 2024.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.8615
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 41.04m
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. 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.
 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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