

**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.

**PERFORMANCE TABLE**

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

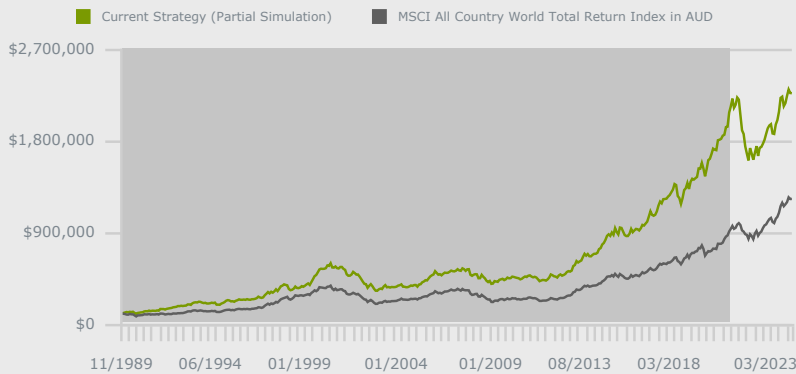
**Pengana Harding Loevner International Fund Class B**

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	3Y	Since Harding Loevner Appointed June 2021 <sup>1</sup>	5Y	Since Fund Inception July 2015 <sup>2</sup>	Since Strategy Inception November 1989 <sup>3</sup>
<b>Fund (APIR PCL0026AU)<sup>1,2</sup></b> Managed by Harding Loevner from June 2021	-0.1%	21.1%	18.5%	2.2%	4.8%	9.2%	9.4%	
<b>Current Strategy (Partial Simulation)<sup>4</sup></b> Harding Loevner Global Equity Strategy						9.6%	10.8%	9.4%
<b>Index<sup>5</sup></b>	0.1%	22.5%	21.4%	9.6%	10.9%	11.6%	11.0%	7.5%

**PERFORMANCE CHART**

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



**TOP HOLDINGS (ALPHABETICALLY)**

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

**SECTOR BREAKDOWN**

Consumer Discretionary	9.5%
Consumer Staples	1.8%
Energy	1.1%
Financials	8.1%
Health Care	20.4%
Industrials	15.9%
Information Technology	21.9%
Materials	1.2%
Real Estate	1.1%
Communication Services	16%
Cash	2.9%

**CAPITALISATION BREAKDOWN**

Under 5bn USD	0.3%
In between 5bn - 10bn USD	4.4%
In between 10bn - 50bn USD	16.3%
In between 50bn - 150bn USD	23.4%
In between 150bn - 500bn USD	27.2%
Above 500bn USD	25.5%
Cash	2.9%

**REGION BREAKDOWN**

North America	60%
Europe ex-UK	20.4%
Emerging Markets	7%
Japan	5.4%
UK	3.5%
Asia Pacific ex-Japan	0.8%
Cash	2.9%

**STATISTICAL DATA**

VOLATILITY<sup>8</sup> 11%

NUMBER OF STOCKS 59

BETA<sup>9</sup> 0.9

## SEPTEMBER REPORT

### COMMENTARY

- Global share markets finished higher in September, as inflation continued to moderate across developed economies.
- This enabled interest rates to start falling in the US and to move further down in the Eurozone.
- The Fund returned -0.1% in September, while the benchmark returned +0.1%, as a weaker US dollar detracted from global equity returns in Australian dollar terms.

### Market Review

Global share markets finished September higher in local currency terms, with most sectors and regions posting gains. US inflation showed further signs of heading back to the Federal Reserve's (Fed's) 2.0% target during the month. This enabled the central bank to shift its focus to the second component of its mandate, that of maximising employment. The Fed duly cut its interest rate by 0.5% to 4.50% – 5.00% in September to support the labour market. The European Central Bank also lowered rates, delivering its second cut in three months to support the region's faltering economy.

China unveiled a sweeping package of monetary stimulus measures aimed at reducing borrowing costs and boosting credit availability. Key measures included lowering the minimum down payment on mortgages to 15%, to stabilize the struggling residential real estate market. The creation of a new lending pool to encourage share buybacks and enable asset managers to buy more domestic stocks, was also announced. Additionally, China's government promised it would shortly support monetary easing with fiscal support. This brought a strong improvement in market sentiment, which resulted in the MSCI China Index soaring more than 20% in just two weeks during late September. This was its strongest performance in more than a decade.

Despite escalating tensions in the Middle East, oil prices fell upon growing expectations that the OPEC+ group of oil exporters will increase production later this year. It also reflected market rumours that Saudi Arabia may abandon its US\$100 per barrel price target.

### Portfolio Commentary

Countries that are home to almost half of the world's population will have held national elections in 2024. By the time of our next report, we will (likely) know the result of the one which is most significant to global equity markets, the November US presidential election. It may bring policy shifts which have implications for the global economy, in particular the US share market, in which 60% of the Fund is invested. The result remains finely balanced, with any policy changes and their impact on regions, sectors or stocks even more uncertain. Nonetheless, the Portfolio Managers have carefully analysed the risks and remain confident the Fund is appropriately positioned for any outcome.

Throughout the year, the Fund has continued to reduce its exposure to stocks which are valued on higher multiples of earnings, particularly in the US. The proceeds have been reinvested into high-quality businesses (those with strong balance sheets and positive cash flows) that we believe can grow earnings under any economic or market environment which may lie ahead.

This leaves the Fund with an underweight position to the US relative to the index. It is possible that the election aftermath gives rise to undue market volatility, leaving high-quality businesses more attractively valued. In such circumstances the Fund will take advantage of opportunities to increase its weightings to US quality growth companies at more reasonable price levels.

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

Strong stock performance in financials, health care and communications services, an overweight position in communications services and an underweight to energy boosted relative returns in September. This was offset by an overweight position in health care and weaker stock performance in consumer discretionary.

One of the strongest contributors to relative returns in September was the Portfolio's overweight position in Hong Kong-based pan-Asian life insurance group **AIA Group**. It outperformed upon stronger investor sentiment towards the broader China share market and hopes that the stimulus measures will support consumer demand in the life insurance sector.

Germany's leading online real estate portal **Scout24** outperformed after real estate advertising company REA Group increased its bid to acquire the leading UK property portal Rightmove. The move highlighted the attraction of the European online property listing industry and fed speculation that Scout24 may itself become an acquisition target.

Japan-based entertainment and electronics group **Sony** underperformed after its internally developed online game Concord failed to generate the expected user interest. Furthermore, the launch of Grand Theft Auto 6, which has been highly anticipated by gamers and which was expected to drive Sony's hardware sales and live services revenues next year, was delayed until 2026.

Brazilian clearing house and stock exchange operator **B3** underperformed amid a broad decline in Brazilian share prices during September. This followed the country's central bank raising interest rates in response to a robust labour market and rising wage pressures.

There were no positions established or exited during September.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 1.0455
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 37.94m
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

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.

## PENGANA HARDING LOEVNER INTERNATIONAL FUND

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### PENGANA.COM

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