

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 ¹	CONSECUTIVE QUARTERLY DIVIDENDS PAID
\$1.115 30/09/2024	A\$ 1.286 30/09/2024	A\$ 1.295 30/09/2024	8% p.a. 30/09/2024	4.8% 6.9% when grossed up ² for franking credits	15

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

- 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 Portfolio returned -0.1% in September, while the benchmark returned -0.4%, as a weaker US dollar detracted from global equity returns in Australian dollar terms.

Join Portfolio Manager Rick Schmidt for a webinar update where he will discuss the current portfolio holdings, factors influencing recent performance, and some of the market variables the investment team is considering moving forward. [Register here.](#)

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2024¹

	1M	1Y	5Y	15Y	20Y
Total Portfolio Return	-0.1%	20.1%	8.3%	9%	8%
Total Shareholder Return	1.4%	16.9%	6.2%	6.5%	4.2%
Index	-0.4%	23.1%	12.4%	12.1%	8.8%

STATISTICAL DATA

VOLATILITYⁱⁱ 12.8%

NUMBER OF STOCKS 56

BETAⁱⁱ 0.76

TOP HOLDINGS (ALPHABETICALLY)

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

SEPTEMBER REPORT

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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 Portfolio 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 Portfolio is appropriately positioned for any outcome.

Throughout the year, the Portfolio 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 Portfolio 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 Portfolio will take advantage of opportunities to increase its weightings to US quality growth companies at more reasonable price levels.

The Portfolio 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 somewhat 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	
ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the Index ^v
INCEPTION DATE	19 March 2004
MANDATED	1 July 2017
BENCHMARK	MSCI World Total Return Index, Net Dividend Reinvested, in A\$ ("Index")
NTA POST TAX ^{iv}	A\$ 1.286 30/09/2024
NTA PRE TAX ^{iv}	A\$ 1.295 30/09/2024
PRICE CLOSE ^{iv}	A\$ 1.115
SHARES ON ISSUE ^{iv}	257.17m
DRP ^{iv}	Yes

FUND MANAGERS	
	Peter Baughan Portfolio Manager
	Jingyi Li Portfolio Manager
	Rick Schmidt 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 Portfolio Return refers 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.

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

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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.

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ACN 107 462 966

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Authorised by: Paula Ferrao, Company Secretary.