

**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, that exists 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 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.

**STATISTICAL DATA**

VOLATILITY<sup>3</sup> 11.5%

NUMBER OF STOCKS 66

BETA<sup>4</sup> 0.83

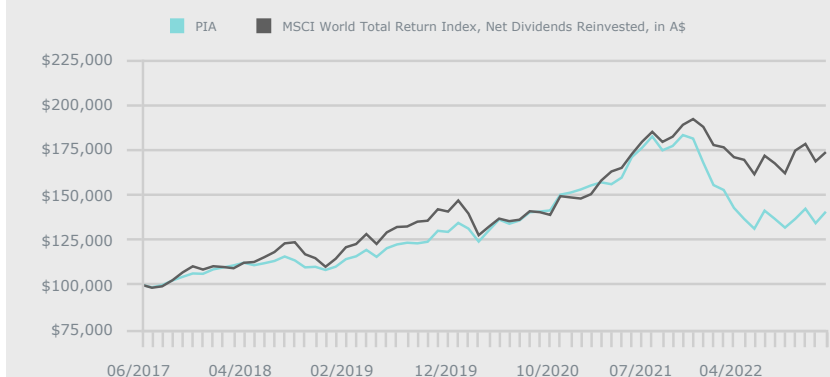
**PERFORMANCE TABLE**

NET PERFORMANCE FOR PERIODS ENDING 31 Jan 2023<sup>1</sup>

	1M	1Y	3Y	Pengana SI July 2017 <sup>1</sup>
(ASX: PIA)	4.7%	-16.2%	1.5%	6.3%
Index <sup>2</sup>	3%	-7.5%	5.8%	10.4%

**PERFORMANCE CHART**

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



**TOP HOLDINGS (ALPHABETICALLY)**

Alphabet Inc	Communication Services
AMETEK Inc	Industrials
Deere & Co	Industrials
First Republic Bank	Financials
Microsoft	Information Technology
Schneider Electric SE	Industrials
SVB Financial Group	Financials
Synopsys Inc	Information Technology
UnitedHealth Group Inc	Health Care
Vertex Pharmaceuticals Inc	Health Care

**SECTOR BREAKDOWN**

Consumer Discretionary	6.1%
Consumer Staples	3%
Financials	13.5%
Health Care	20.2%
Industrials	18.6%
Information Technology	24.1%
Real Estate	0.8%
Communication Services	9.7%
Cash	3.9%

**CAPITALISATION BREAKDOWN**

Under 5bn USD	2.3%
In between 5bn - 10bn USD	2.3%
In between 10bn - 50bn USD	30.4%
In between 50bn - 150bn USD	28.6%
In between 150bn - 500bn USD	23.5%
Above 500bn USD	9%
Cash	3.9%

**REGION BREAKDOWN**

North America	61.1%
Europe ex-UK	19.1%
Emerging Markets	9.8%
Japan	2.6%
UK	2.1%
Asia Pacific ex-Japan	1.3%
Cash	3.9%

## GLOBAL SHARE MARKETS STRENGTHEN

### COMMENTARY

- Global share markets strengthened in January as falling inflation led to expectations that interest rates are now nearing the peak of the current cycle
- China stocks continued to rebound as its economy re-opened following the ending of Covid lockdowns, which supported emerging market shares more broadly
- The Portfolio returned 4.7% in January, while the benchmark returned 3.0%

### Market Review

The MSCI World Total Return Index AUD increased 3.0% during January.

Global equity markets rose strongly over the month, spurred by declining global inflation. The December US consumer price index (CPI) fell to 6.5% year-on-year from 7.1% in the previous month. This led investors to expect that many central banks – including the US Federal Reserve – are now nearing the end of their current interest rate hiking cycles.

Stocks of growth companies underperformed the broader market last year when rising interest rates made them less attractive to investors. During January global growth stocks outperformed value by 5.3% in Australian dollar terms, with all global regions having delivered positive returns.

A relatively mild winter in Europe helped limit the impact of rising energy costs, which have now fallen back significantly. This has supported economic activity and company earnings. Meanwhile, the reopening of China following its strict COVID-19 lockdowns has supported emerging markets more broadly. The US dollar continued its recent decline against other currencies, boosting the relative returns of non-US companies and cash-flows.

### Portfolio Comment

The Portfolio's outperformance in January was due to astute stock picking. It benefitted from strong stock selection in health care, information technology, and consumer staples. The underweight positions in consumer staples, utilities, and energy also added to relative returns. However, the overweight position in health and the underweighting to consumer discretionary detracted from the relative performance over the month.

Large technology groups have announced large-scale redundancy programs over recent months. This follows management teams recognising that the high rates of revenue and earnings growth, which were experienced by many technology companies during the pandemic, could not be sustained over the long-term.

US enterprise software company **ServiceNow** has avoided this trend, reporting sustained high earnings growth, having expanded its relationships with existing customers. The company's cloud-based solution helps improve and automate business workflows; its clients use ServiceNow's software to lower costs and improve customer satisfaction. The Portfolio established a position in ServiceNow during the December quarter of 2022. This followed a sharp share price decline, which presented an opportunity to invest in this high-quality, durable-growth business at an attractive valuation level.

US-based biopharmaceutical group **Vertex Pharmaceuticals** focuses on developing drugs to treat Cystic Fibrosis (CF). It outperformed the market after it reported a rising total of CF patients globally, suggesting that the market for its drugs could expand.

The Portfolio benefitted from the strong performance of its US holdings, particularly its positions in US banks. US-based technology-focused bank **SVB Financial Group** outperformed the market after reporting a drop in its net income margin, which was less than some analysts had forecast. While the outlook remains uncertain, the company cited signs of an improvement in the venture capital environment, which is a key market for the bank.

UK shares underperformed the global market in January. Biotechnology company **Abcam**, which researches, develops, and manufactures antibodies and biological tools for the life science industry, reported disappointing revenue growth during 2022. The company highlighted Covid-19 outbreaks and lockdowns in China during the year which impacted revenue and also the roll-out of an enterprise resource planning system.

FEATURES	
ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the MSCI World***
INCEPTION DATE	19 March 2004
MANDATED	1 July 2017
BENCHMARK	MSCI World Total Return Index, Net Dividend Reinvested, in A\$
NTA POST TAX **	A\$ 1.151
NTA PRE TAX **	A\$ 1.135
PRICE CLOSE **	A\$ 0.950
SHARES ON ISSUE **	256.46m
DRP **	Yes

## FUND MANAGERS



**Peter Baughan**  
Portfolio Manager



**Jingyi Li**  
Portfolio Manager

1. As at the last day of last month prior to publishing of this report. Performance figures refer 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. 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.

2. Inception date of PIA: 19 March 2004, new investment team with new mandate adopted: 1 July 2017. Pengana International Equities Limited has been managed under the new investment mandate by the Pengana investment team since 1 July 2017. The performance since mandated in the table above refers to the movement in net assets per share since the new mandate adopted on 1 July 2017. The index is the MSCI World Total Return Index, Net Dividends Reinvested, in A\$. Annualised Standard Deviation since mandated

4. Relative to MSCI World

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

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

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### PENGANA INTERNATIONAL EQUITIES LIMITED

ACN 107 462 966

MANAGED BY PENGANA INVESTMENT MANAGEMENT LIMITED

PART OF THE PENGANA CAPITAL GROUP

AFSL 219462

### PENGANA.COM/PIA

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Authorised by: Paula Ferrao, Company Secretary.

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