

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 11.2%

NUMBER OF STOCKS 63

BETA⁹ 0.88

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 2023¹

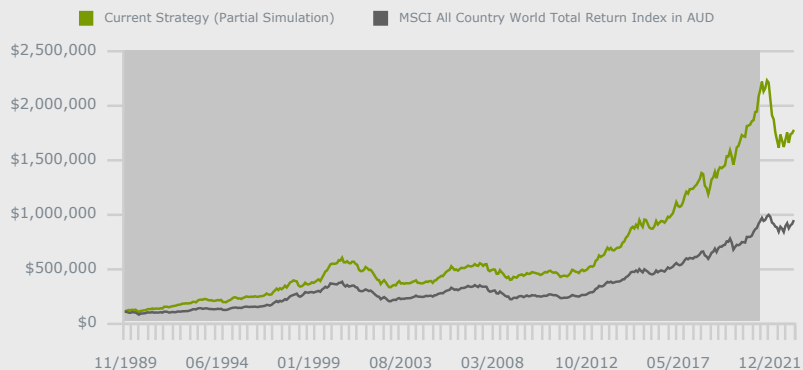
Pengana Harding Loevner International Fund Class B

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

	1M	1Y	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	1.8%	-5.1%	-4.8%	5.5%	6.1%	7.8%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy				6.9%	7.5%	9.5%	9.0%
Index⁵	3.8%	3.8%	4.4%	12.0%	9.9%	9.5%	7.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Bank Central Asia Tbk PT	Financials
Deere & Co	Industrials
Meta Platforms Inc	Communication Services
Microsoft	Information Technology
Rockwell Automation	Industrials
Schneider Electric SE	Industrials
Synopsys Inc	Information Technology
UnitedHealth Group Inc	Health Care
Vertex Pharmaceuticals Inc	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	5.5%
Consumer Staples	3.6%
Energy	1.6%
Financials	12.1%
Health Care	20.9%
Industrials	18%
Information Technology	22.8%
Real Estate	0.6%
Communication Services	11.2%
Cash	3.8%

CAPITALISATION BREAKDOWN

Under 5bn USD	2.1%
In between 5bn - 10bn USD	1.2%
In between 10bn - 50bn USD	22%
In between 50bn - 150bn USD	33.1%
In between 150bn - 500bn USD	25.1%
Above 500bn USD	12.7%
Cash	3.8%

REGION BREAKDOWN

North America	58.8%
Europe ex-UK	21%
Emerging Markets	10%
Japan	3%
UK	2.2%
Asia Pacific ex-Japan	1.2%
Cash	3.8%

MARCH REPORT

COMMENTARY

- Global share markets strengthened in March, led by large US tech stocks, but offset by weakness in the banking sector
- Australian dollar weakness supported share market returns in AUD terms
- The Fund returned 1.8% in March, while the benchmark returned 3.8%

Market Review

Global equity markets rose in March, as investors grew more confident that interest rates would soon reach a peak. The MSCI World All Countries Total Return Index AUD returned 3.8% during the month. Share markets increased in all regions, despite the elevated stress in the banking industry across global financial centres and continued interest rate hikes by central banks.

Information technology and the tech-like communication services sectors made the strongest returns during March. Financials was the weakest sector by far, with real estate and energy also underperforming during the month.

Japan and the tech-heavy US were the strongest share markets, while stocks in the Pacific ex-Japan region underperformed the broader global market.

Since the start of this year, growth stocks have outperformed value, especially in the US market. This has been largely driven by the strong returns of a relatively small number of the largest technology stocks. Share prices of higher-quality companies across global markets – those with more stable returns and lower debt levels – in which the Fund tends to invest, have also outperformed.

Portfolio Comment

While the Fund's focus on quality growth stocks strongly supported investment returns in March, relative returns were impacted by stock-specific issues in the US banking sector.

The Fund's underperformance was mainly due to stock weakness in financials (SVB Financial Group and First Republic Bank). This was somewhat offset by strong stock performance in communication services (Meta Platforms and Alphabet), health care (Vertex Pharmaceuticals and Illumina) and information technology (Salesforce). Overweight positions in communications and information technology and underweight positions in financials, energy, real estate and materials also contributed to relative returns in March.

The Fund's portfolio manager had maintained a position in **SVB Financial Group (SVB)** for more than a decade. It was considered to be a strong business, with sound liquidity and competent management, which managed risk in a considered manner. The company provided exposure to a niche area of banking that focused on the "innovation economy" of the venture capital ecosystem and its portfolio companies.

However, risks concerning the bank's asset-liability duration mismatch and the industry concentration of depositors proved to be greater than had been expected. An unsuccessful recapitalisation brought a loss of investor confidence, which led to a rapid withdrawal of customer deposits that the bank was unable to survive. Regulators placed SVB into receivership in mid-March, causing a total loss of the Fund's position in SVB.

The failure impacted other US regional banks, including **First Republic Bank (FRB)** in which the Fund held a position. FRB experienced some deposit outflows – despite a different business model and support from Federal agencies and the wider banking community – leading to it significantly underperforming. The position was subsequently sold. The holdings in the two banking groups were significant detractors from relative returns during March.

The Fund took advantage of the March rebound in share prices of high-priced growth companies to exit some of its more expensively valued and higher volatility holdings.

In March the Fund sold **Align Technology** which makes Invisalign clear aligners, online marketplace **Etsy** and **Verisk**, a data provider to the insurance market.

This capital was reinvested in more reasonably priced and less volatile stocks including **AbbVie**. This is a US drugmaker best known for Humira, a medicine which is used to treat a variety of autoimmune diseases. AbbVie is building upon its maturing blockbuster drug Humira by expanding its stable of autoimmune-disorder treatments. It has launched new products such as Skyrizi and Rinvoq, which have been well received and should support continued earnings growth.

Separately, the slowdown in venture capital funding is expected to foster increased collaboration between biotechnology companies with promising, early-stage pipelines and established large pharmaceutical companies. This may allow AbbVie to supplement its own drug development pipeline at cheaper valuation levels than biotech companies have commanded in recent years.

Meta Platforms, the US-based parent of Facebook, Instagram and WhatsApp outperformed the market when it continued to experience resilient user engagement levels. It also benefitted from its pledge to boost efficiency through a hiring freeze and laying off more staff. The company also announced a reduction in capital expenditure and increased share repurchases.

The overweight position in French cosmetics company **L'Oréal** contributed to relative returns when it outperformed the market. It announced organic revenue growth which outpaced that of the wider global beauty market in 2022.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.8139
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 44.42m
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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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

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