

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.

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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 0.88

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 May 2023¹

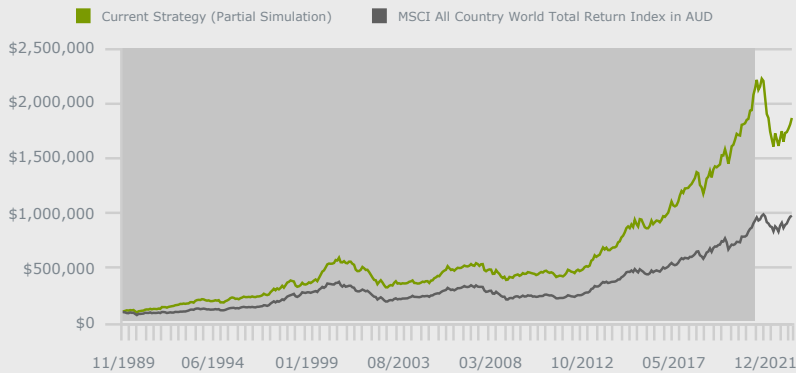
Pengana Harding Loevner International Fund Class B

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	3.2%	11.5%	-1.9%	3.5%	7.4%	8.4%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy				5.1%	8.1%	10.0%	9.1%
Index⁵	1.0%	11.8%	6.0%	11.0%	10.2%	9.8%	7.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
Bank Central Asia Tbk PT	Financials
Danaher	Health Care
Deere & Co	Industrials
Meta Platforms Inc	Communication Services
Microsoft	Information Technology
Schneider Electric SE	Industrials
Synopsys Inc	Information Technology
Vertex Pharmaceuticals Inc	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	6.2%
Consumer Staples	4.3%
Energy	1.4%
Financials	10.8%
Health Care	20.5%
Industrials	16.6%
Information Technology	23.3%
Materials	0.9%
Real Estate	0.4%
Communication Services	10.6%
Cash	4.8%

CAPITALISATION BREAKDOWN

Under 5bn USD	2%
In between 5bn - 10bn USD	0.6%
In between 10bn - 50bn USD	19%
In between 50bn - 150bn USD	33.4%
In between 150bn - 500bn USD	24.5%
Above 500bn USD	15.8%
Cash	4.8%

REGION BREAKDOWN

North America	57.9%
Europe ex-UK	21.1%
Emerging Markets	8.7%
Japan	4%
UK	2.3%
Asia Pacific ex-Japan	1.1%
Cash	4.8%

MAY REPORT

COMMENTARY

- Global share markets weakened in May as macro-economic concerns outweighed investor enthusiasm for the opportunities emerging in AI
- Australian dollar weakness contributed to share market returns in AUD terms
- The Fund returned 3.2% in May, while the benchmark returned 1.0%

Market Review

Global markets were slightly weaker in local currency terms in May. Macroeconomic worries during the month outweighed investor enthusiasm for companies exposed to generative Artificial Intelligence (AI) growth opportunities. The MSCI World All Countries Total Return Index AUD delivered 1.0% during the month.

Share prices of semiconductor companies soared 18% in May. This followed US-based chip developer **NVIDIA** announcing plans to dramatically increase production to meet surging demand for its advanced graphics processing unit (GPU) chips used to power AI applications.

In contrast, most other sectors weakened, with energy and materials sectors underperforming as commodity prices plummeted.

Declining manufacturing activity and service sector growth in China reversed the economic momentum seen since the COVID-19 lockdowns ended late last year. Concerns about economic deceleration also impacted European share markets, while the tech rally boosted US stocks and Japan edged higher despite rising inflation.

Portfolio Comment

The Fund benefitted in May from its overweight exposure to information technology and communication services. These sectors outperformed the broader market as investors focussed on opportunities which AI is expected to deliver.

However, the Fund's largest active weight is in health care, where as in the tech sectors, secular growth trends and innovation create opportunities but also attract competition. The Fund holds several biotech companies, a segment traditionally characterised by weak profitability. However, strong research and development by companies in the Fund has helped generate strong cash flows. This has been achieved by developing next-generation treatments that meaningfully improve the standard of patient care ahead of competitors. High levels of trust in established brands enables these first movers to capture new markets, delivering early commercial success. These factors contributed to the Fund's health care positions outperforming during May.

US-based biopharmaceutical group **Vertex Pharmaceutical's** new triple-combination therapy is extending its dominance in the treatment of cystic fibrosis. US pharmaceutical company **AbbVie**, a leader in arthritis treatment, known for its blockbuster Humira antibody, has also developed next-generation products Rinvoq and Skyrizi (which are also used to treat psoriasis).

The Fund's information technology and communication services holdings outperformed due to strong exposure to the potential earnings growth which AI innovation is expected to deliver. US-based chip design software company **Synopsys** is expected to compound its strong earnings results with an acceleration in revenue growth. Shares of US-based semiconductor and infrastructure software developer **Broadcom** rose upon expectations of rapid demand growth for its customised AI chips.

The Fund's consumer discretionary holdings underperformed as returns in the sector were dominated by auto stocks, especially Tesla, which were not held in the Fund.

Stock selection was strongest in the US. Streaming and production company **Netflix** outperformed after the company disclosed strong subscriber growth in its advertising-supported service. Google-owner **Alphabet**'s share price increased after the company highlighted multiple AI initiatives at its developer conference on 10 May.

The Fund benefitted from its underweight positions in energy, materials, consumer staples and financials sectors, which all underperformed during the month.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.8585
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 44.39m
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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