

**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 31 May 2024<sup>1</sup>

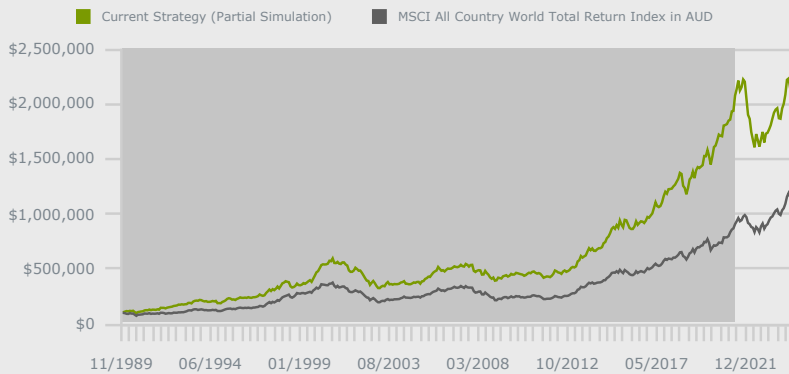
**Pengana Harding Loevner International Fund Class B**

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	Since Harding Loevner Appointed June 2021 <sup>1</sup>	3Y	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	1.4%	16.2%	13.8%	3.8%	3.8%	9.7%	9.2%	
<b>Current Strategy (Partial Simulation)<sup>4</sup></b> Harding Loevner Global Equity Strategy						10.3%	10.7%	9.3%
<b>Index<sup>5</sup></b>	1.6%	20.2%	15.9%	10.6%	10.6%	12.6%	10.9%	7.4%

**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
Danaher Corp	Health Care
Meta Platforms Inc	Communication Services
Microsoft Corp	Information Technology
Netflix Inc	Communication Services
Schneider Electric SE	Industrials
Thermo Fisher Scientific Inc	Health Care
Vertex Pharmaceuticals Inc	Health Care

**SECTOR BREAKDOWN**

Consumer Discretionary	8.7%
Consumer Staples	3.7%
Energy	1.2%
Financials	7.2%
Health Care	19.7%
Industrials	16.1%
Information Technology	21.2%
Materials	1.1%
Real Estate	1%
Communication Services	17%
Cash	3.2%

**CAPITALISATION BREAKDOWN**

Under 5bn USD	0.4%
In between 5bn - 10bn USD	5.1%
In between 10bn - 50bn USD	15.7%
In between 50bn - 150bn USD	28.9%
In between 150bn - 500bn USD	24.9%
Above 500bn USD	21.8%
Cash	3.2%

**REGION BREAKDOWN**

North America	61.1%
Europe ex-UK	22.6%
Emerging Markets	5.5%
Japan	4.2%
UK	2.7%
Asia Pacific ex-Japan	0.7%
Cash	3.2%

**STATISTICAL DATA**

VOLATILITY<sup>8</sup> 11.1%

NUMBER OF STOCKS 61

BETA<sup>9</sup> 0.9

## TECH STOCKS PROPEL GLOBAL EQUITIES IN MAY

### COMMENTARY

- Global equities delivered strong gains in May, driven by technology stocks, as semiconductor companies continued to report good earnings growth.
- Growing expectations that moderating inflation will enable major central banks to begin cutting interest rates later this year further supported share markets.
- The Fund returned 1.4% in May, while the benchmark returned 1.6%, as strong global equity returns were somewhat offset by the strength of the Australian dollar.

### Market Review

Global equity markets rebounded in May following the April pull-back, resuming the growth trajectory of recent months.

Market gains were driven by technology stocks, predominantly those across the semiconductor ecosystem. Investor excitement for companies aligned to the adoption of AI applications continues to build upon strong company earnings growth.

The fortunes of technology shares are showing signs of dispersion, with semiconductor stocks rising 14% in May, while software edged up just 1%. Semiconductors have outperformed software by a staggering 44% over the year-to-date. Several enterprise software stocks underperformed in May as companies' forward earnings guidance pushed back the timing of the monetisation of their generative AI initiatives.

Expectations that the Federal Reserve (Fed) would begin to reduce US interest rates later this year brought a weaker US dollar, relative to most of its major trading currencies.

Eurozone stocks outperformed the US (when adjusted for US dollar weakness) during May. Investors grew more confident that the European Central Bank would begin a series of interest rate cuts, which it did at its 6 June meeting. This came despite improvement in the region's manufacturing sector and labour market resilience, which raises the prospect of a softish landing in the European economy.

### Portfolio Commentary

The Fund underperformed the benchmark during May. Strong performance by the Fund's holdings in health care and communication services, the overweight position in communications services and the underweight position in energy boosted relative returns. However, this was offset by weaker performance by the Fund's holdings in information technology and financials, and the overweight position in health care, which detracted from relative returns.

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

The Fund's strongest contributor to relative returns in May was the overweight position in US-based **Vertex Pharmaceuticals**, a biopharmaceutical group that develops drugs to treat Cystic Fibrosis. It outperformed after announcing first quarter revenue and earnings ahead of investor expectations. The company also provided positive updates on new products, including a gene editing therapy for sickle cell disease.

The Fund's holding in US-based image-sharing and social media platform **Pinterest** also contributed to relative returns. It outperformed after announcing strong first quarter earnings results, with a 23% growth in revenue and an 12% increase in global monthly active users.

Swiss-American eyecare specialist **Alcon** is a market leader in both ophthalmic surgery solutions and contact lenses. It contributed to relative returns when it outperformed after announcing stronger than expected earnings-per-share and margins for the March quarter. The company also increased its projected revenue growth.

The zero-weighting in US-based developer of advanced semiconductors, **Nvidia**, detracted from relative returns. It outperformed after announcing stronger than expected March quarter earnings, as net income increased 262% year-on-year. The Fund's zero-weighting in the stock reflects concern that its current market valuation appears to assume that semiconductor businesses will capture most of the value from AI innovation.

The Fund's holdings in software-focussed companies such as **Salesforce**, **Accenture** and **Globant** also underperformed, detracting from relative returns. This reflected the negative market sentiment towards software businesses. However, Harding Loevner believes that these companies are well positioned to develop AI applications that benefit customers, delivering sustainable revenue and earnings growth over time.

The Fund established a position in US-based **Atkore**, a leading global manufacturer of pipes, tubing, electrical cables, cable-management systems and security-fencing products. Its market leadership in various electrical equipment markets creates opportunities to benefit from ongoing growth in the electrification, digitalisation and improvements in US infrastructure.

The Fund sold its position in US industrial conglomerate **Ametek** which designs and manufactures electronic instruments and electromechanical devices. This follows a period of strong outperformance.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.9997
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 39.64m
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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