

**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 Jul 2024<sup>1</sup>

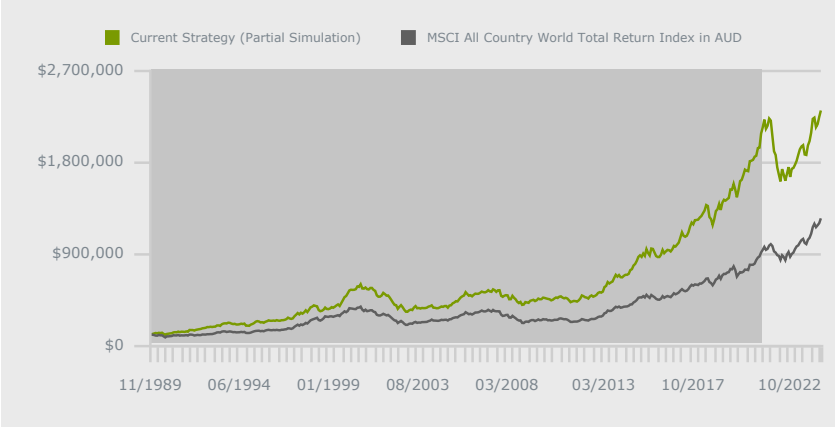
**Pengana Harding Loevner International Fund Class B**

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	3Y	Since Harding Loevner Appointed June 2021 <sup>1</sup>	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	2.8%	18.1%	15.5%	2.5%	5.6%	9.6%	9.8%	
<b>Current Strategy (Partial Simulation)<sup>4</sup></b> Harding Loevner Global Equity Strategy						10.1%	11.2%	9.5%
<b>Index<sup>5</sup></b>	3.9%	20.7%	18.8%	10.0%	12.0%	12.2%	11.4%	7.5%

**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%
Consumer Staples	2%
Energy	1.3%
Financials	6.8%
Health Care	21.3%
Industrials	15.9%
Information Technology	22.8%
Materials	1.2%
Real Estate	0.9%
Communication Services	15.9%
Cash	4%

**CAPITALISATION BREAKDOWN**

Under 5bn USD	0.6%
In between 5bn - 10bn USD	5.1%
In between 10bn - 50bn USD	15.3%
In between 50bn - 150bn USD	26.5%
In between 150bn - 500bn USD	24.6%
Above 500bn USD	24%
Cash	4%

**REGION BREAKDOWN**

North America	61.2%
Europe ex-UK	20.3%
Emerging Markets	6.4%
Japan	4.8%
UK	2.8%
Asia Pacific ex-Japan	0.6%
Cash	4%

**STATISTICAL DATA**

VOLATILITY<sup>8</sup> 11.1%

NUMBER OF STOCKS 61

BETA<sup>9</sup> 0.9

## JULY REPORT

### COMMENTARY

- Global equities moved higher in July as the continued slowdown in inflation raised expectations that this will bring lower interest rates later this year.
- July saw a rotation out of high performing growth stocks into a broader range of shares, which led to value outperforming growth.
- The Fund returned 2.8% in July, while the benchmark returned 3.9%.

### Market Review

Global equity markets rose a further 1.6% in US dollar terms during July, making gains across all major economic regions. This followed a further slowing in inflation, which raised hopes that major central banks will ease interest rates later this year. Australian dollar weakness further boosted returns in Australian dollar terms.

Share market gains broadened in July, with a much wider group of stocks performing well. Global value stocks outperformed growth by over 5.7% during the month. July saw a reversal in the momentum of the concentrated group of stocks aligned to the growth trends in generative AI and GLP-1 weight loss drugs that had previously led equities higher.

Shares of semiconductor stocks dragged the information technology sector lower. Investors grew more fearful that projections of earnings growth from commercial applications of generative AI were too optimistic. The same concerns weighed on the internet platform giants in the communication services sector, such as Google-owner Alphabet and Facebook-owner Meta Platforms.

While the market leaders in developing GLP-1 weight loss drugs US-based Eli Lilly and Denmark-based Novo Nordisk underperformed during July, the broader health care sector performed well overall.

### Portfolio Commentary

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

The growth of the global biological drug industry has been a powerful long-term trend that is expected to continue for many years. However, successfully identifying the winners among early phase drug candidates is a notoriously difficult task.

During a gold rush it is said that often it is the sellers of pickaxes and shovels, rather than those mining for gold, who are more likely to strike riches. Similarly, the Fund has invested in manufacturers of bioproduction components and consumables, such as US-based Thermo Fisher, Danaher and Repligen. These high-quality businesses are expected to deliver more stable earnings growth through their alignment to the structural growth in health care, than those chasing uncertain medical breakthroughs.

Historically, these businesses have delivered steady growth in revenues and profits. However, their experience during and since the COVID pandemic has led them to appear deceptively cyclical. COVID-related research and inventory stocking initially turbocharged sales, but normalisation of demand led to a fall in revenue as customers ran

down their supplies. As stock prices weakened, the Fund added to its exposure to all three over the past 18 months. Recent corporate earnings results provide evidence that the industry's long-term growth trends are now back to normal.

The Fund's strong stock performance in health care and information technology and its overweight exposure to health care and industrials contributed to relative returns. Its weaker stock performance in communications services and consumer discretionary, and its overweight position in communications services detracted from relative returns.

The Fund's largest contributor to relative returns in July was its overweight position in Japan-based **Chugai** Pharmaceuticals. This followed continued strong sales of its haemophilia treatment Hemlibra. Furthermore, investors expect sales of Chugai's oral anti-obesity drugs to grow earnings. One was developed in partnership with Switzerland-based pharmaceutical company Roche Holding. The other was developed by Chugai, which receives a revenue share from US-based pharmaceutical company Eli Lilly.

The most significant detractor from relative returns in July was the Fund's holding in US-based image-sharing and social media platform **Pinterest**, which had outperformed strongly during the second quarter. It announced better than expected June quarter revenue and profits, but its September quarter revenue guidance was weaker than the consensus forecast.

This month the Fund sold its position in French cosmetics giant **L'Oréal** due to concerns that its market valuation had reached an excessive level. While L'Oréal is still a quality company, growth in the overall beauty market is expected to slow, as consumer spending across the global economy weakens. Stagnation in China's economy is expected to have a particular impact on sales. Hence, the fund managers believe L'Oréal's long-held premium valuation is no longer justified.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 1.0616
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 39.67m
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

- Harding Loevner was appointed fund manager as of 10 May 2021. June 2021 represents the first full month of Harding Loevner managing the Fund.
  - 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.
  - Harding Loevner Global Equity Strategy inception 1 Dec 1989
  - 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.
  - MSCI All Country World Total Return Index in AUD.
  - 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.
  - 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.
  - Annualised standard deviation since inception.
  - 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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