

**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. PIA's objective is 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 investment 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.

SHARE PRICE	NTA POST-TAX	NTA PRE-TAX	PORTFOLIO RETURN (20 YEARS)	DIVIDEND YIELD <sup>1</sup>	CONSECUTIVE QUARTERLY DIVIDENDS PAID
<b>\$1.120</b> 31/07/2024	<b>A\$ 1.319</b> 31/07/2024	<b>A\$ 1.336</b> 31/07/2024	<b>8.3% p.a.</b>	<b>4.9%</b> 6.9% when grossed up <sup>2</sup> for franking credits	<b>15</b>

1. Dividend yield is based on current displayed share price and dividends declared over the previous 12 months

2. Grossed up yield is based on current displayed share price, dividends declared over the previous 12 months and the tax rate and franking percentage applicable for the most recently declared dividend

**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 Portfolio returned 2.7% in July, while the benchmark returned 4.1%.

**PERFORMANCE TABLE**

NET PERFORMANCE FOR PERIODS ENDING 31 Jul 2024<sup>1</sup>

	1M	1Y	5Y	15Y	20Y
<b>Total Portfolio Return</b>	2.7%	17.3%	8.9%	10.1%	8.3%
<b>Total Shareholder Return</b>	-3.1%	7.9%	6.1%	6.5%	4.1%
<b>Index</b>	4.1%	22.1%	13.3%	12.4%	8.9%

**STATISTICAL DATA**

VOLATILITY<sup>ii</sup> 12.8%

NUMBER OF STOCKS 58

BETA<sup>ii</sup> 0.76

**TOP HOLDINGS (ALPHABETICALLY)**

<b>Alcon Inc</b>	Health Care	<b>Netflix Inc</b>	Communication Services
<b>Alphabet Inc</b>	Communication Services	<b>Rockwell Automation Inc</b>	Industrials
<b>Amazon.com Inc</b>	Consumer Discretionary	<b>Schneider Electric SE</b>	Industrials
<b>Meta Platforms Inc</b>	Communication Services	<b>Thermo Fisher Scientific Inc</b>	Health Care
<b>Microsoft Corp</b>	Information Technology	<b>Vertex Pharmaceuticals Inc</b>	Health Care

## JULY REPORT

### COMMENTARY

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### 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 Portfolio 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 Portfolio 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 Portfolio 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 Portfolio'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 Portfolio'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 Portfolio'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 Portfolio 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 portfolio managers believe L'Oréal's long-held premium valuation is no longer justified.

## FEATURES

ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the Index <sup>v</sup>
INCEPTION DATE	19 March 2004
MANDATED	1 July 2017
BENCHMARK	MSCI World Total Return Index, Net Dividend Reinvested, in A\$ ("Index")
NTA POST TAX <sup>iv</sup>	A\$ 1.319 31/07/2024
NTA PRE TAX <sup>iv</sup>	A\$ 1.336 31/07/2024
PRICE CLOSE <sup>iv</sup>	A\$ 1.095
SHARES ON ISSUE <sup>iv</sup>	257.15m
DRP <sup>iv</sup>	Yes

## FUND MANAGERS



**Peter Baughan**  
Portfolio Manager



**Jingyi Li**  
Portfolio Manager



**Rick Schmidt**  
Portfolio Manager

i. Performance for periods greater than 12 months is the compound annual return. Total Shareholder Return refers to the movement in share price plus dividends declared for the period, not including the benefit of franking credits attached to dividends paid Total Shareholder Return refers to the movement in share price plus dividends declared for the period. Index refers to MSCI World Total Return Index, Net Dividends Reinvested, in A\$. Past performance is not a reliable indicator of future performance, the value of investments can go up and down. None of Pengana International Equities Limited ("PIA"), Pengana Investment Management Limited nor any of their related entities guarantees the repayment of capital or any particular rate of return from PIA. This information has been prepared by PIA and does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered investment advice and should not be relied on as an investment recommendation. The figures are unaudited.

Source: PCG and Bloomberg.

ii. 20 Year Annualised Standard Deviation as at the last day of the last month prior to publishing this report.

iii. Relative to MSCI World Total Return Index, Net Dividends Reinvested, 20 Year annualised Beta as at the last day of the last month prior to publishing this report.

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

v. Index/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](http://PENGANA.COM/PIA)

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