

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 Aug 2024¹

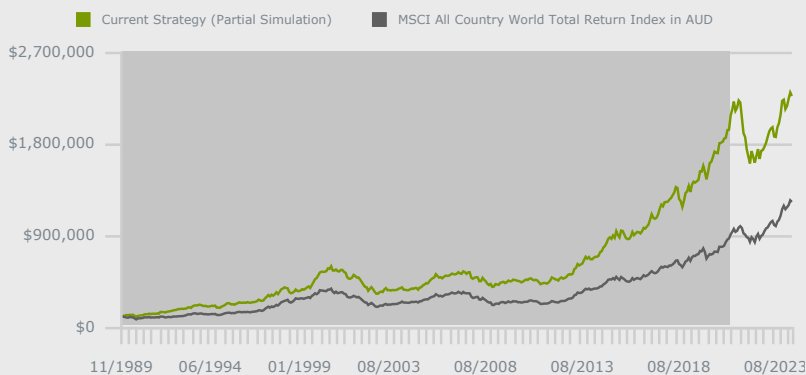
Pengana Harding Loevner International Fund Class B

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 ¹	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	-1.5%	15.6%	16.4%	0.8%	5.0%	9.1%	9.5%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy						9.8%	10.9%	9.4%
Index⁵	-1.3%	17.8%	19.2%	8.4%	11.2%	12.0%	11.1%	7.5%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Alcon Inc	Health Care
Alphabet Inc	Communication Services
Amazon.com Inc	Consumer Discretionary
CME Group Inc	Financials
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	9.5%
Consumer Staples	1.8%
Energy	1.1%
Financials	8%
Health Care	21.3%
Industrials	15.8%
Information Technology	21.9%
Materials	1.2%
Real Estate	1.2%
Communication Services	15.4%
Cash	2.8%

CAPITALISATION BREAKDOWN

Under 5bn USD	0.4%
In between 5bn - 10bn USD	4.4%
In between 10bn - 50bn USD	16.4%
In between 50bn - 150bn USD	29.4%
In between 150bn - 500bn USD	23.5%
Above 500bn USD	23.1%
Cash	2.8%

REGION BREAKDOWN

North America	60.4%
Europe ex-UK	20.2%
Emerging Markets	7%
Japan	5.5%
UK	3.5%
Asia Pacific ex-Japan	0.6%
Cash	2.8%

STATISTICAL DATA

VOLATILITY⁸ 11%

NUMBER OF STOCKS 59

BETA⁹ 0.9

AUGUST REPORT

COMMENTARY

- Volatility returned to global equity markets at the start of August upon fears of a US recession, but stocks finished the month higher after inflation continued to moderate.
- Technology underperformed upon mixed earnings results, especially amongst some semiconductor stocks.
- The Fund returned -1.5% in August, while the benchmark returned -1.3%, as a weaker US dollar detracted from global equity returns in Australian dollar terms.

Join Portfolio Manager Rick Schmidt for a webinar update where he will discuss the Fund's current portfolio holdings, the factors influencing recent performance, and some of the market variables the investment team is considering moving forward. [Register here.](#)

Market Review

Global stock markets rallied following a sharp sell-off in early August, closing the month higher in local currency terms. Equity markets initially fell steeply after the Bank of Japan's surprise 0.15% increase in its interest rate at the end of July gave rise to a scramble to unwind carry trades. These involve investors borrowing in currencies with low interest rates (e.g. yen) to invest in securities with higher return prospects (e.g. US Treasuries or tech shares). The unwinding of these trades brought an appreciation in the value of the yen, which sparked a 12% plunge of Japan's Nikkei index on 5 August.

Share market falls accelerated after weaker US labour market data suggested a faster slowdown in the US economy than markets had been expecting. Negative sentiment reverberated across global markets and measures of volatility spiked to levels not seen since the early days of COVID-19.

However, after falling 6% in the first three trading days of August, the MSCI ACWI Index finished August 2.6% higher, after lower inflation brought growing expectations of lower interest rates. European shares rose 3.9%, and even Japan's market delivered a modest 0.5% gain.

Health care was the strongest performing sector, returning 5.5% in August, while information technology, energy and materials underperformed. Semiconductor stocks stumbled in late August after NVIDIA's forward earnings guidance fell short of some investors elevated expectations, despite better-than-expected June quarter earnings. This heightened concerns that the returns on AI investments might be more gradual than had been anticipated.

Portfolio Commentary

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

Strong stock performance in financials and communications services and an overweight position in healthcare was offset by weaker stock performance in healthcare and industrials.

The Fund's exposure to financial stocks is focussed on securities and derivatives exchanges such as **CME Group** in the US and **B3** in Brazil, rather than banking groups which account for much of the sector. Unlike many financial companies, exchanges do not carry credit risk; they also enjoy high operational leverage and robust cash

generation. Exchanges often benefit from market volatility as trading volumes increase upon selling pressure, which drove CME Group's outperformance in August.

Both CME and B3 have created high barriers to entry by vertically integrating their own clearing houses and by operating across multiple asset classes to offer greater capital efficiency for clients. This structure creates a more diverse and stable revenue base compared to exchanges dependent on a single asset class. Additionally, CME and B3 benefit from a strong network effect, where their market-leading liquidity attracts more liquidity, reinforcing their competitive advantage and boosting profits.

US-based multinational technology group **Meta Platforms**, which owns Facebook, Instagram and WhatsApp outperformed in August. This reflected continued investor enthusiasm for the company's investments in AI tools designed to enhance the value of its platform to digital advertisers.

US-based biologic drug company **Repligen** underperformed following reports it intended to acquire Maravai Life Science (a developer of technology used in manufacturing COVID-19 vaccines) upon fears the takeover could dilute existing Repligen shareholders.

Atkore is a leading US-based global manufacturer of pipes, tubing, electrical cables and security-fencing products. It underperformed upon weaker-than-expected volumes for its PVC conduits and increased competition from steel conduits imported from Mexico.

The Fund has exited its position in UK-based **Spirax-Sarco**, a market leader in steam management systems and fluid path technologies. Shares have become highly priced, and a significant portion of the company's future earnings are expected to come from its Watson-Marlow business, which primarily serves the biopharmaceutical industry. While biopharmaceutical capital spending has been recovering, the portfolio already holds several strong companies which are focussed on drug-development, but which enjoy more attractive valuation levels.

The Fund has established a new position in **Alfa Laval**, a Swedish manufacturer of specialty heat-transfer, centrifugal-separation and fluid-handling products. It is a market leader in providing products addressing three environmental issues faced by shipping companies: ballast water, exhaust emissions and waste fuel oil recovery. The company has a long history of generating attractive profit margins. Moreover, Harding Loevner believes that regulations designed to reduce the environmental impact of shipping will increase the long-term demand for Alfa Laval's products.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 1.0458
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 38.7m
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

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

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Harding Loevner International Fund (ARSN 610 351 641) (the "Fund"). A Product Disclosure Statement (PDS) and Target Market Determination are available and can be obtained from our distribution team or website. A person should obtain a copy of the Product Disclosure Statement and should consider the Product Disclosure Statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the Fund is subject to investment risk including a possible delay in repayment and loss of income and principal invested.