

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 ¹	CONSECUTIVE QUARTERLY DIVIDENDS PAID
\$1.100 30/08/2024	A\$ 1.287 30/08/2024	A\$ 1.296 30/08/2024	8.1% p.a. 30/08/2024	4.9% 7.0% when grossed up ² for franking credits	15

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

- 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 Portfolio returned -1.9% in August, while the benchmark returned -1.2%, 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 Portfolio’s current holdings, the factors influencing recent performance, and some of the market variables the investment team is considering moving forward. [Register here.](#)

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 2024¹

	1M	1Y	5Y	15Y	20Y
Total Portfolio Return	-1.9%	14.4%	8.3%	9.5%	8.1%
Total Shareholder Return	1.7%	8.4%	8%	6.5%	4.1%
Index	-1.2%	18.8%	13%	12.1%	8.8%

STATISTICAL DATA

VOLATILITYⁱⁱ 12.8%

NUMBER OF STOCKS 56

BETAⁱⁱ 0.76

TOP HOLDINGS (ALPHABETICALLY)

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

AUGUST REPORT

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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 Portfolio 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 Portfolio'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 Portfolio 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 Portfolio 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

ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the Index ^v
INCEPTION DATE	19 March 2004
MANDATED	1 July 2017
BENCHMARK	MSCI World Total Return Index, Net Dividend Reinvested, in A\$ ("Index")
NTA POST TAX ^{iv}	A\$ 1.287 30/08/2024
NTA PRE TAX ^{iv}	A\$ 1.296 30/08/2024
PRICE CLOSE ^{iv}	A\$ 1.100
SHARES ON ISSUE ^{iv}	257.14m
DRP ^{iv}	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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ACN 107 462 966

MANAGED BY PENGANA INVESTMENT MANAGEMENT LIMITED

PART OF THE PENGANA CAPITAL GROUP

AFSL 219462

[PENGANA.COM/PIA](https://www.pengana.com/pia)

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