

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.

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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 Oct 2024¹

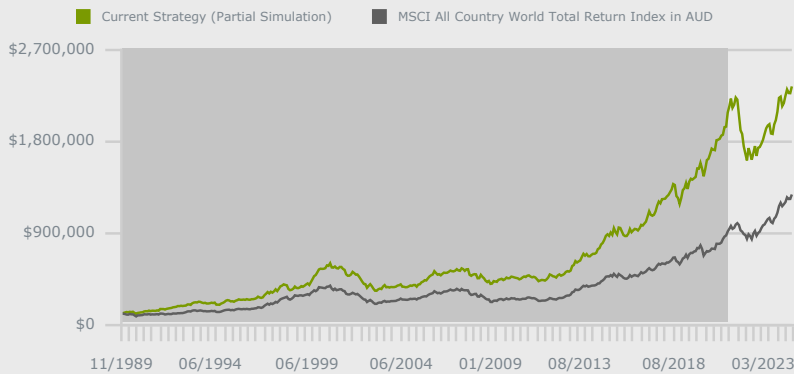
Pengana Harding Loevner International Fund Class B

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	2.9%	24.9%	17.8%	2.7%	5.6%	9.6%	9.6%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy						10.1%	11.1%	9.4%
Index⁵	3.5%	28.3%	19.7%	10.4%	11.8%	12.2%	11.3%	7.5%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

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

SECTOR BREAKDOWN

Consumer Discretionary	8.6%
Consumer Staples	3.6%
Energy	2.2%
Financials	9.9%
Health Care	18.8%
Industrials	15.4%
Information Technology	21.7%
Materials	1.1%
Real Estate	1.1%
Communication Services	15.2%
Cash	2.5%

CAPITALISATION BREAKDOWN

Under 5bn USD	0.7%
In between 5bn - 10bn USD	4.2%
In between 10bn - 50bn USD	16.2%
In between 50bn - 150bn USD	28.1%
In between 150bn - 500bn USD	24.2%
Above 500bn USD	24.1%
Cash	2.5%

REGION BREAKDOWN

North America	57.8%
Europe ex-UK	20%
Emerging Markets	6.5%
Japan	5.3%
UK	5.3%
Asia Pacific ex-Japan	2.6%
Cash	2.5%

STATISTICAL DATA

VOLATILITY⁸ 11%

NUMBER OF STOCKS 58

BETA⁹ 0.9

OCTOBER REPORT

COMMENTARY

- The Fund returned 2.9% in October, while the benchmark returned 3.5%.
- Global share markets moved lower in October, as investors grew more concerned about stretched valuation levels, longer-term inflation risks and continued weakness in China, however a stronger US dollar supported global equity returns in Australian dollar terms.
- Falling interest rates, lower oil prices and some resilient quarterly earnings reports provided a measure of support to equities, especially in the US which benefitted from US dollar strength.

Portfolio Manager Rick Schmidt provides a portfolio update and insights from the reporting season. A recording is available below for your review. CPD points are applicable for Australian Financial Planners [HERE](#).

Market Review

Global share markets declined in October as they retraced following strong gains earlier this year. The US was the strongest market during the month, reflecting solid earnings results from a number of US companies and the strength of the US dollar.

Economic weakness in Europe led to its share markets underperforming global equities. Eurozone inflation fell to 1.8% in September, below the European Central Bank's (ECB) 2.0% target. This enabled it to reduce interest rates by 0.25% to 3.25%, its third cut this year.

Emerging market shares fell when Chinese equities gave back much of their recent gains, as China's economic growth slowed to 4.6% in the September quarter. Investors worried that the magnitude of recently announced fiscal and monetary policy stimulus measures may fail to boost consumption. Moreover, its economic model based on exports supported by low-cost finance and other inputs may face increasing challenges following the US presidential election in November.

The strongest performing sectors were financials and communications services. Communications services' company earnings are benefitting from the adoption of AI technology and hopes that a possible Trump election victory will bring less intensive regulatory scrutiny of mega tech businesses. The financials sector was boosted by some strong quarterly earnings reports by leading banks.

Disappointing sales in China impacted the earnings of many global consumer staples stocks, while weak Chinese commodity demand dragged down earnings in the materials sector.

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 consumer discretionary, an overweight position in communications services and underweights in consumer discretionary and materials boosted relative returns in October. This was offset by an overweight position in health care, an underweight in financials and weaker stock performance in financials and industrials.

One of the strongest contributors to relative returns in October was the Fund's overweight position in US-based **Booking Holdings**, an online travel agency which owns brands such as Booking.com, Priceline and Agoda. The company is improving its customer experience and increasing workforce productivity by integrating artificial intelligence (AI) tools. The business benefits from economies of scale and network effects, which deliver strong cash flows to shareholders.

Booking Holdings is actively securing its competitive market position through investing in several AI innovations. These include an AI trip planner, a 'smart-filter' interface that makes 200 trip planner filters more accessible, a new chatbot to onboard partners, a voice bot called Penny Voice that enables verbal conversations with trip planners and broader AI deployments at specific brands such as Kayak, Agoda, and OpenTable.

Hong Kong-based pan-Asian life insurance giant AIA Group won two new provincial licenses allowing it to expand its operations in Mainland China. However, it underperformed during October due to weak sentiment across the broader Chinese share market, reflecting ongoing economic weakness.

Sweden-based industrial tool and equipment maker Atlas Copco underperformed upon reporting that orders, sales and profit growth for its compressors were slightly below analysts' expectations.

In October, the Fund established a position in DBS Group, one of the 'big three' banks in Singapore and the largest bank in Southeast Asia by assets. It is a commercial bank, active in business areas outside traditional lending, including in investment banking, treasury and stockbroking. DBS operates in Singapore, one of the most stable economies in Asia, which has attracted non-resident capital from neighbouring countries.

Singapore's financial regulation is conservative, bringing stability to the overall banking system which has fared well in past periods of financial stress. DBS's current management team has spearheaded a digital transformation of the company that has led to strong growth in both transaction banking and wealth management revenue. This leaves DBS well positioned to benefit from ongoing growth in Southeast Asian trade flows and wealth levels.

The Fund exited its position in French fashion house Kering. Its measures to turn around the flagship Gucci brand – including replacing the Gucci CEO with an interim head – have not succeeded in delivering shareholder value.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 1.0763
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 38.04m
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.

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