

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.

STATISTICAL DATA

VOLATILITY⁸ 11%

NUMBER OF STOCKS 63

BETA⁹ 0.89

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Dec 2023¹

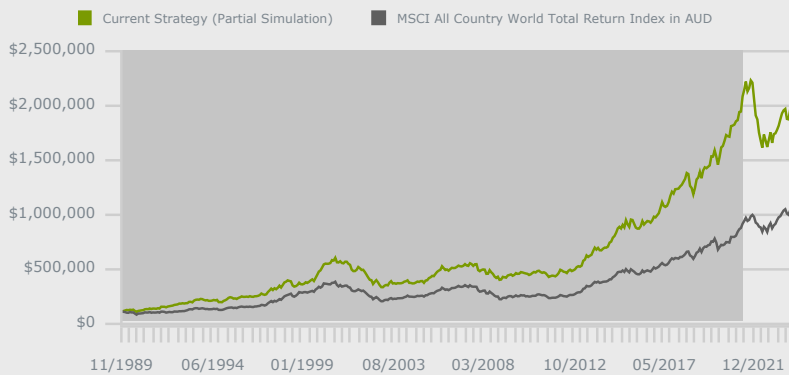
Pengana Harding Loevner International Fund Class B

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	Since Harding Loevner Appointed June 2021 ¹	3Y	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	2.2%	21.3%	-4.7%	1.3%	2.7%	9.4%	8.7%	
Current Strategy (Partial Simulation)⁴ Harding Loevner Global Equity Strategy					3.4%	11.2%	10.2%	9.2%
Index⁵	1.8%	21.4%	3.1%	7.7%	10.2%	12.4%	10.1%	7.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Accenture PLC	Information Technology
Alphabet Inc	Communication Services
Amazon.com Inc	Consumer Discretionary
Deere & Co	Industrials
Meta Platforms Inc	Communication Services
Microsoft Corp	Information Technology
Schneider Electric SE	Industrials
Sony Group Corp	Consumer Discretionary
Thermo Fisher Scientific Inc	Health Care
Vertex Pharmaceuticals Inc	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	7.6%
Consumer Staples	4.1%
Energy	1.5%
Financials	8%
Health Care	20.8%
Industrials	18.2%
Information Technology	21.5%
Materials	1.1%
Real Estate	1.2%
Communication Services	13.1%
Cash	2.8%

CAPITALISATION BREAKDOWN

Under 5bn USD	0.4%
In between 5bn - 10bn USD	2.9%
In between 10bn - 50bn USD	18.9%
In between 50bn - 150bn USD	31.4%
In between 150bn - 500bn USD	24%
Above 500bn USD	19.6%
Cash	2.8%

REGION BREAKDOWN

North America	61%
Europe ex-UK	22.1%
Emerging Markets	5.3%
Japan	5.1%
UK	2.8%
Asia Pacific ex-Japan	0.9%
Cash	2.8%

GLOBAL SHARE MARKETS CONTINUED TO PERFORM STRONGLY

COMMENTARY

- Global share markets continued to perform strongly during December as the world economy remained resilient and expectations grew that interest rates will start to fall in 2024 across most major developed economies.
- Australian dollar strength detracted from returns.
- The Fund returned 2.2% after fees and expenses in December, outperforming the benchmark which returned 1.8%.

Market Review

Global equity market performance remained strong in local currency terms during December. Signs that inflation is continuing to ease gave rise to growing investor optimism that the major central banks will begin cutting interest rates in 2024. Expectations that the US Federal Reserve will begin to reduce interest rates ahead of other major central banks pushed the US dollar lower against many of its key trading partners' currencies in December.

All sectors strengthened during December, except energy which was impacted by lower oil prices. All major markets delivered positive equity returns except China, where economic weakness reflecting cautious consumers and high debt levels impacted performance.

Inflation has fallen significantly across the major economies, lower bond yields are bringing down borrowing costs and implied volatility in the share markets is back down to pre-pandemic levels. This is an attractive environment for long-term investing in global equity markets.

Portfolio Comment

The Fund again outperformed the benchmark during December as higher quality stocks (those delivering higher returns with stronger balance sheets) continued to drive share market returns.

The Fund's overweight position in industrials, underweight in energy, and strong relative stock performance in health care and communications services boosted relative returns. Weaker stock performance in financials and information technology were the main detractors from relative returns.

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

During the second half of 2023, the Fund built up a position in Germany's leading online real estate portal **Scout24**, connecting buyers, renters, sellers, and landlords. The company has taken advantage of the ongoing digitalisation of the real estate market to expand its range of services, generating leads for real estate agents and mortgage lenders. Scout24 is developing an increasingly valuable brand that is expected to deliver sustainable revenue growth.

US-based biotechnology firm **Vertex Pharmaceuticals** outperformed after the company announced positive results from the phase 2 trial of VX-548. It is an experimental drug for the treatment of pain and numbness in legs and feet caused by nerve damage from diabetes. It has a similar effectiveness but a better safety record than the current

market leader Lycra and is taken once daily (instead of three times). The patient population is two million in the US alone and represents a US\$10 billion opportunity, which can extend to a further US\$5 billion if a phase 2 trial for lower back pain is successful.

The holding in US-based semiconductor and infrastructure developer **Broadcom** contributed to relative returns in December. It announced strong revenue and earnings growth in 2023 upon increased AI-driven demand with stable core semiconductor revenues. The company also published improved guidance for 2024 as its recently acquired VMWare business and rising demand for ASIC (application-specific integrated circuits) chips drive revenue growth. While the stock has performed strongly it continues to generate strong cash flow and has attractive AI-related earnings potential.

US-based fixed income trading platform **Tradeweb** and derivatives exchange **CME Group** both detracted from relative returns during December. Some investors took profits following a period of outperformance upon elevated average daily trading volumes, fearing these may fall as interest rate volatility subsides. Tradeweb remains well positioned to benefit from the shift to electronic trading in fixed income markets. CME maintains scale and network advantages that deliver strong profitability and create a strong barrier to entry.

China biotechnology company **WuXi AppTec** detracted from relative returns after the company published a full-year profit warning. It cited slowing growth in the demand for vaccines and a pullback in funding by foreign investors (especially in the US) which negatively impacted China's biotechnology sector. The stock remains a compelling investment with its contract research and manufacturing expected to grow earnings. It is well positioned for the growth in GLP-1 weight loss drugs across several products and is a key supplier for Eli Lilly's diabetes drug Mounjaro which has now been approved for weight loss.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.9222
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 42.76m
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

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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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

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