PENGANA INTERNATIONAL EQUITIES LIMITED

MONTHLY REPORT
DECEMBER 2023

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.

STATISTICAL DATA

VOLATILITY[3]	NUMBER OF STOCKS	BETA[4]
11.2%	60	0.84

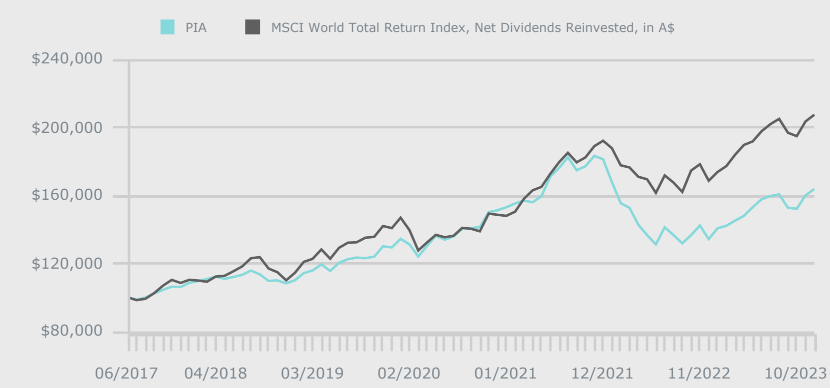
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Dec 2023[1]

	1M	1Y	3Y	Pengana SI July 2017[1]
(ASX: PIA)	2.3%	21.9%	2.7%	7.9%
Index[2]	1.9%	23%	11.8%	11.9%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

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

SECTOR BREAKDOWN

Consumer Discretionary	7.6%
Consumer Staples	4.1%
Financials	8%
Health Care	20.7%
Industrials	19.7%
Information Technology	21.4%
Materials	1.1%
Real Estate	1.2%
Communication Services	13%
Cash	3.2%

CAPITALISATION BREAKDOWN

Under 5bn USD	0.4%
In between 5bn - 10bn USD	3%
In between 10bn - 50bn USD	21.5%
In between 50bn - 150bn USD	28.6%
In between 150bn - 500bn USD	23.8%
Above 500bn USD	19.5%
Cash	3.2%

REGION BREAKDOWN

North America	60.8%
Europe ex-UK	22%
Emerging Markets	5.3%
Japan	5.1%
UK	2.8%
Asia Pacific ex-Japan	0.9%
Cash	3.2%

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 Portfolio returned 2.3% after fees and expenses in December, outperforming the benchmark which returned 1.9%.

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 Portfolio 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 Portfolio'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 Portfolio 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 Portfolio 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

ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the Index***
INCEPTION DATE	19 March 2004
MANDATED	1 July 2017
BENCHMARK	MSCI World Total Return Index, Net Dividend Reinvested, in A$ ("Index")
PRICE CLOSE **	A$ 1.060
SHARES ON ISSUE **	257.25m
DRP **	Yes

FUND MANAGERS

Peter Baughan
Portfolio Manager

Jingyi Li
Portfolio Manager

1. As at the last day of last month prior to publishing of this report. Performance figures refer to the movement in net assets per share, reversing out the impact of option exercises and payments of dividends, before tax paid or accrued on realised and unrealised gains. 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.
2. Inception date of PIA: 19 March 2004, new investment team with new mandate adopted: 1 July 2017. Pengana International Equities Limited has been managed under the new investment mandate by the Pengana investment team since 1 July 2017. The performance since mandated in the table above refers to the movement in net assets per share since the new mandate adopted on 1 July 2017.

3. Annualised Standard Deviation since mandated
4. Relative to MSCI World
**As at the last day of last month prior to publishing of this report. The figures are unaudited.
*** Index/MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A$.

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