

## 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

VOLATILITY<sup>8</sup> 11%

NUMBER OF STOCKS 63

BETA<sup>9</sup> 0.89

### PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jul 2023<sup>1</sup>

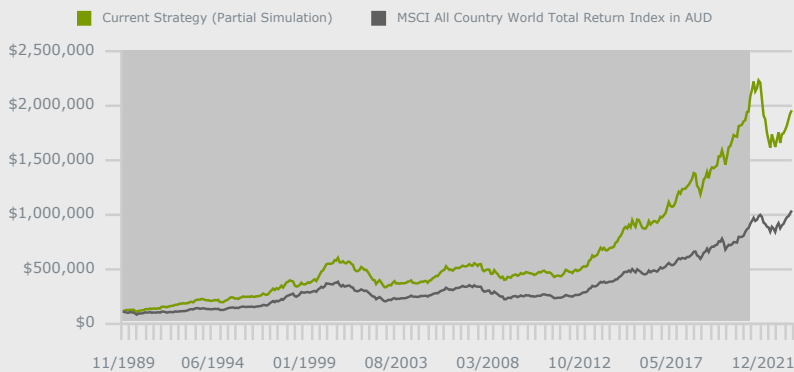
#### Pengana Harding Loevner International Fund Class B

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 <sup>1</sup>	3Y	5Y	Since Fund Inception July 2015 <sup>2</sup>	Since Strategy Inception November 1989 <sup>3</sup>
<b>Fund (APIR PCL0026AU)<sup>1,2</sup></b> Managed by Harding Loevner from June 2021	1.5%	12.9%	-4.5%	0.3%	4.8%	7.9%	8.8%	
<b>Current Strategy (Partial Simulation)<sup>4</sup></b> Harding Loevner Global Equity Strategy					5.3%	8.1%	10.4%	9.2%
<b>Index<sup>5</sup></b>	2.4%	16.9%	5.0%	8.1%	12.7%	10.4%	10.3%	7.2%

### PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION<sup>2</sup>



### TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
Bank Central Asia Tbk PT	Financials
Danaher	Health Care
Deere & Co	Industrials
Meta Platforms Inc	Communication Services
Microsoft	Information Technology
Rockwell Automation	Industrials
Schneider Electric SE	Industrials
Vertex Pharmaceuticals Inc	Health Care

#### SECTOR BREAKDOWN

Consumer Discretionary	6.7%
Consumer Staples	4.3%
Energy	1.7%
Financials	11.2%
Health Care	21.3%
Industrials	18.5%
Information Technology	21.6%
Materials	1.2%
Communication Services	11.1%
Cash	2.4%

#### CAPITALISATION BREAKDOWN

Under 5bn USD	0.2%
In between 5bn - 10bn USD	2.7%
In between 10bn - 50bn USD	21.1%
In between 50bn - 150bn USD	30.7%
In between 150bn - 500bn USD	26.2%
Above 500bn USD	16.6%
Cash	2.4%

#### REGION BREAKDOWN

North America	60.4%
Europe ex-UK	21.6%
Emerging Markets	8.2%
Japan	4.1%
UK	2.2%
Asia Pacific ex-Japan	1%
Cash	2.4%

## GLOBAL SHARE MARKETS STRENGTHENED

### COMMENTARY

- Global share markets strengthened in July as inflationary pressures eased across developed economies and China indicated it would stimulate its sluggish economy
- Big tech companies performed well upon ongoing AI-related excitement, while lower quality stocks outperformed upon optimism that the US will avoid recession
- The Fund returned 1.5% in July.

### Market Review

Global equity markets performed strongly in local currency terms during July. The US Federal Reserve increased interest rates by 0.25% to 5.25% – 5.50% in a move which was seen by some investors as the final interest rates hike in this cycle as inflationary pressures ease.

In Emerging Markets, China's share market surged nearly 11% as the government unveiled a series of measures which are intended to boost domestic consumption. International stocks in the materials sector rallied on the prospect of a recovery in China that will boost activity in its construction industry. Meanwhile, enthusiasm for the prospects of companies with business models aligned to innovation in artificial intelligence (AI) brought strong outperformances by some stocks in the communication services sector.

Having contributed to relative performance during the first half of the year, the Fund's quality style detracted from returns in July. The lowest quality quintile of companies in the MSCI ACWI Index (i.e. the bottom 20% of stocks, which the investment manager ranks on quality characteristics such as profitability, balance sheet strength and earnings growth) is a segment in which the Fund is underinvested. However, it outperformed the highest quality quintile by over 4.0% during July. This reflected optimism that the US will avoid a recession following publication of more resilient economic data.

### Portfolio Comment

The Fund benefitted from strong stock performance in North America, health care and communications services in July. However, this was offset by weak stock performance in industrials and information technology, and an overweight position in health care.

Medical equipment suppliers have performed well this year thanks to the continued recovery in the numbers of surgical procedures, following weaker activity levels during COVID.

**Intuitive Surgical** is US-based company that develops and manufactures robotic-assisted, minimally invasive surgical systems. It reported that procedures using its flagship da Vinci Surgical System grew 22% in the second quarter compared to the same period last year.

Meanwhile, **Edwards Lifesciences**, a US company which specialises in the manufacture of heart valves, reported 12% year-on-year organic earnings growth in the second quarter.

Despite their strong performances, neither company met the elevated expectations of the market, and their shares underperformed. This underperformance is expected to be short-term as it does not reflect the fundamental

strength of either company. They both provide critical supplies – which are not easily replaceable – for surgical procedures that help resolve severe, often urgent, health issues.

The underperformance of high-quality companies weighed heavily on relative performance in July. Many of the Fund's most significant detractors from relative returns, such as France-based digital automation and energy management group **Schneider Electric**, are among its highest-quality holdings.

Sweden-based global information technology company **Hexagon**, an industrial sensor and digital reality company, underperformed in July. This followed publication of an inflammatory report from short seller Viceroy which accused Hexagon of value-destructive acquisitions and inadequate corporate governance. This underperformance is expected to be temporary as there are strong reasons to disagree with the allegations.

Google-owner **Alphabet** outperformed during the month when its cloud division reported better-than-expected earnings in the second quarter.

US-based multinational technology group **Meta Platforms** which owns Facebook, outperformed when it announced improved user engagement and rapid adoption of its newest product – Threads – which aims to challenge X (formerly Twitter).

The spike in oil prices helped US-based oilfields services company **Schlumberger** to outperform during the month.

FEATURES	
APIR CODE	PCL0026AU
REDEMPTION PRICE	A\$ 0.897
FEES *	Management Fee: 0.974% Performance Fee: Nil
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 43.09m
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.

## PENGANA HARDING LOEVNER INTERNATIONAL FUND

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### PENGANA.COM

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