

## 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<sup>3</sup> 11.2%

NUMBER OF STOCKS 60

BETA<sup>4</sup> 0.83

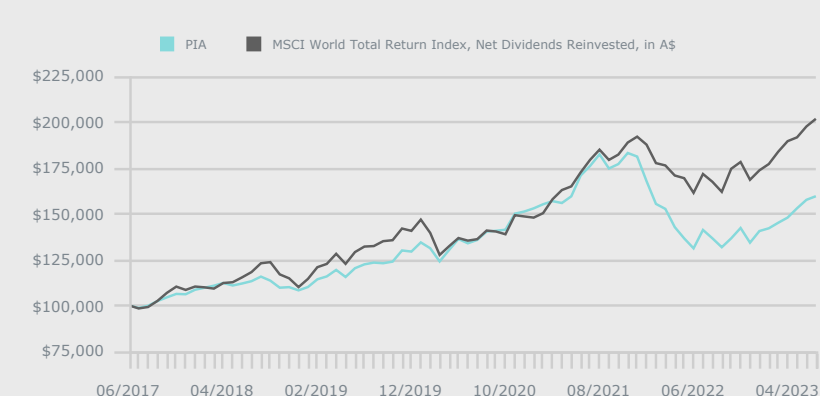
### PERFORMANCE TABLE

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

	1M	1Y	3Y	Pengana SI July 2017 <sup>1</sup>
(ASX: PIA)	1.2%	13%	5.5%	8%
Index <sup>2</sup>	2.1%	17.5%	14%	12.2%

### PERFORMANCE CHART

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



### TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services
Amazon	Consumer Discretionary
AMETEK Inc	Industrials
Bank Central Asia Tbk PT	Financials
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	4.2%
Financials	11.2%
Health Care	21.2%
Industrials	20%
Information Technology	21.6%
Materials	1.2%
Communication Services	11.1%
Cash	2.7%

### CAPITALISATION BREAKDOWN

Under 5bn USD	0.2%
In between 5bn - 10bn USD	2.5%
In between 10bn - 50bn USD	23.9%
In between 50bn - 150bn USD	27.7%
In between 150bn - 500bn USD	26.4%
Above 500bn USD	16.6%
Cash	2.7%

### REGION BREAKDOWN

North America	60.5%
Europe ex-UK	21.3%
Emerging Markets	8.3%
Japan	4.1%
UK	2.1%
Asia Pacific ex-Japan	1%
Cash	2.7%

## 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 Portfolio returned 1.2% 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 Portfolio 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 Portfolio '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

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")
NTA POST TAX **	A\$ 1.229
NTA PRE TAX **	A\$ 1.276
PRICE CLOSE **	A\$ 1.065
SHARES ON ISSUE **	256.84m
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\$.

## PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

### PENGANA INTERNATIONAL EQUITIES LIMITED

ACN 107 462 966

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Authorised by: Paula Ferrao, Company Secretary.