

### 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 58

BETA<sup>4</sup> 0.83

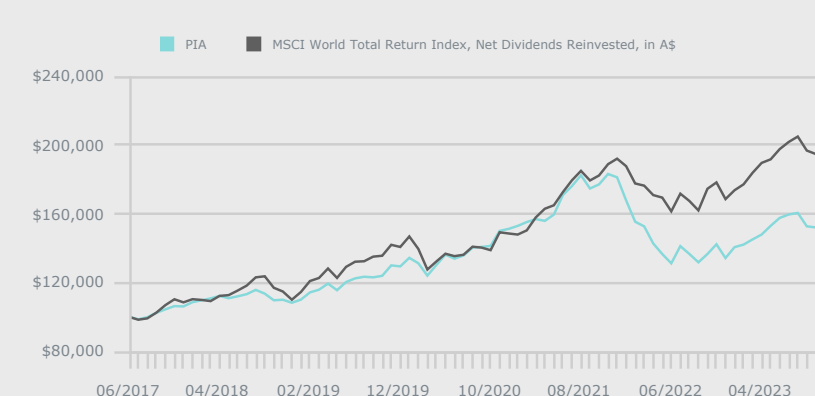
#### PERFORMANCE TABLE

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

	1M	1Y	3Y	Pengana SI July 2017 <sup>1</sup>
(ASX: PIA)	-0.4%	11.3%	2.5%	6.8%
Index <sup>2</sup>	-1%	11.6%	12%	11.1%

#### PERFORMANCE CHART

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



#### 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
Schneider Electric SE	Industrials
Thermo Fisher Scientific Inc	Health Care
UnitedHealth Group Inc	Health Care
Vertex Pharmaceuticals Inc	Health Care

#### SECTOR BREAKDOWN

Consumer Discretionary	7.8%
Consumer Staples	4.2%
Financials	8.7%
Health Care	21.1%
Industrials	19.1%
Information Technology	21%
Materials	1.2%
Real Estate	1.1%
Communication Services	13%
Cash	2.8%

#### CAPITALISATION BREAKDOWN

Under 5bn USD	2.4%
In between 5bn - 10bn USD	1.6%
In between 10bn - 50bn USD	22.3%
In between 50bn - 150bn USD	29.6%
In between 150bn - 500bn USD	24.3%
Above 500bn USD	17%
Cash	2.8%

#### REGION BREAKDOWN

North America	69.2%
Europe ex-UK	14.4%
Emerging Markets	6%
Japan	4.9%
UK	1.7%
Asia Pacific ex-Japan	1%
Cash	2.8%

## OCTOBER REPORT

### COMMENTARY

- Global share markets again moved lower during October as longer-term bond yields increased further and the economy continued to slow.
- Quality growth stocks outperformed the broader market, as the technology sector made gains, while consumer spending showed signs of moderating further.
- The Portfolio returned -0.4% in October, while the benchmark returned -1.0%.

We recently recorded an update from the investment team which you can access [here](#).

### Market Review

The global equity market fell for a third consecutive month as inflation remained 'sticky' across major developed economies. Rising prospects of ['higher-for-longer'](#) interest rates brought an increase in longer-term bond yields, which impacted most share prices. The outbreak of hostilities in the Middle East raised the level of geo-political risk and oil prices. This dampened risk appetite, which led to gold having its best month since March.

The fall in share markets affected most sectors of the economy, although defensive sectors such as utilities and consumer discretionary provided some protection. Information technology outperformed upon stronger earnings reports by some companies in the sector. However, the more cyclical industrial companies were dragged down by the underperformance of large multinational capital goods companies.

China underperformed within the Emerging Markets universe, as factory orders shrank upon weaker global goods demand and slower construction activity.

Growth stocks outperformed value during October. Investors became more concerned about the impact of weaker consumer spending on corporate earnings growth and energy stocks weakened upon lower oil prices.

The Portfolio's focus on high-quality stocks contributed to relative returns during October. The most-expensively-valued stocks relative to earnings outperformed, as the market's highest-priced quintile declined by 3% less than the cheapest quintile.

Both these dynamics helped the Portfolio outperform the benchmark during the month.

### Portfolio Comment

Strong stock performance in consumer discretionary, financials, and information technology contributed to relative returns. Weak stock performance and overweight positions in industrials and health care were the main detractors.

The underperformance of capital goods companies in October was perhaps a sign that global business sentiment is beginning to deteriorate. While it is impossible to accurately predict the future state of the economy, the Portfolio's capital goods holdings are well placed to weather a range of challenging business environments that could materialise.

The Portfolio is significantly overweight in the capital goods industry, with investments in diverse high-quality businesses that possess strong competitive advantages. Moreover, they stand to benefit from the energy transition and changes in industrial policies (e.g. onshoring) and technologies (e.g. automation).

The Portfolio's holdings include France-based digital automation and energy management group **Schneider Electric** the global leader in industrial electrification, **John Deere** the US-based expert in precision agriculture, and US-based **Ametek**, which produces ultra-precision instruments that monitor emission and power outputs.

Strong stock performance in the financials sector contributed to relative returns during October. Holdings in US financial exchanges **CME Group** and **Tradeweb** outperformed as rising market volatility led to higher trading volumes in bond and commodity markets.

The Portfolio's lack of exposure to US-based global automotive and clean energy company Tesla also contributed to relative returns. During the month, CEO Elon Musk cautioned investors that interest rates were putting pressure on the company to raise prices, which could hamper demand.

Weak stock performance in the healthcare sector detracted from relative returns. Danish biotechnology company **Genmab** which specialises in developing cancer treatments underperformed on fears of greater-than-anticipated operating expenses. Meanwhile, life sciences tools company **Thermo Fisher Scientific** reported a decline in year-on-year organic growth, citing continued weakness in China and falling demand for COVID-19 testing.

## 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\$ 1.171
NTA PRE TAX **	A\$ 1.203
PRICE CLOSE **	A\$ 0.995
SHARES ON ISSUE **	257.12m
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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### PENGANA INTERNATIONAL EQUITIES LIMITED

ACN 107 462 966

MANAGED BY PENGANA INVESTMENT MANAGEMENT LIMITED

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Authorised by: Paula Ferrao, Company Secretary.