

ASX: PIA

PENGANA INTERNATIONAL EQUITIES LIMITED

The largest International Ethical LIC on the ASX

Targeting fully franked dividends, paid quarterly

ASX ANNOUNCEMENT

PIA DECEMBER 2023 INTERIM REPORT CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Pengana International Equities Limited released its results for the half year to 31 December 2023 to the ASX today.

Highlights

- Net Profit of \$8.9 million which was an increase of 88% on the previous corresponding period.
- Earnings per share were 3.5 cents per share.
- First fully franked quarterly dividend of 1.35 cps was paid on 15 December 2023
- Second fully franked quarterly dividend of 1.35 cps will be paid on 15 March 2024
- Net tangible assets after tax on unrealised gains were \$1.23 per share.

Performance for the Period

The Total Portfolio Returnⁱ (TPR), which comprises the dividends paid and the increase in value of the NTA before provision for tax on unrealised gains was 3.85%.

The Total Shareholder Return (TSR)ⁱⁱ, which combines dividends paid with changes in the share value, was 6.0%. The TSR increases to 6.9% if the value of franking credits is taken into account.

Financial Position

The Company is in a sound financial position with the value of its global listed investments at 31 December 2023 being \$310 million and cash of \$10 million. The Company has no borrowings.

Capital Management

In my report to the 2023 Annual General Meeting, I announced that the Board would investigate amendments to the operation of the dividend reinvestment plan that will minimise the dilutive effect of issuing shares at a discount to NTA and that these amendments would be in place for the upcoming March 2024 quarter dividend.

Having investigated a number of alternatives, the Board determined that an on-market buyback of shares would be the better alternative to amending the terms of the DRP.

In the period to 31 December, 144,685 shares were purchased and a further 50,001 were bought back in January 2024. This represented approximately 70% of the DRP shares issued in December 2023 in lieu of a cash dividend payment on the first quarterly dividend. The Company recommenced buying in February

to offset the dilutive effect of shares to be issued under the DRP in March 2024, and a further 37,115 shares have been bought to date.

It is the Board's intention to continue to buyback shares to reduce the dilutive effect of issuing DRP shares at a discount to NTA.

Investment Manager's Outlook

Global inflation is now moving back towards target levels, bringing optimism that official interest rates have peaked in most developed economies. However, there is considerable uncertainty regarding the timing of any reduction in official interest rates.

Geopolitical dynamics are challenging and extended global supply chains, controlled by potential geopolitical adversaries, remain vulnerable. The consumer economy is highly globalised as goods manufacturers operate on a global scale with consumers easily able to access both domestic and foreign retail sites. However, the industrial and manufacturing sectors must now navigate more fractured supply chains as new industrial policies prioritise national security considerations over cost, particularly in sensitive technologies.

Companies with superior quality and growth characteristics, valued by the market at reasonable levels, offer investors some resilience from any adverse market events. Companies in PIA's portfolio typically have strong balance sheets, well able to fund future growth opportunities from internal resources. This means that they are not dependent upon external financing, which may not be available on terms favourable to shareholders in the event of capital market dislocation.

The importance of managing supply chain risks has been elevated by the growing vulnerability of key components and materials, as innovation in technologies, such as AI and green energy, advances. However, despite ongoing global instability, advances in technology will give rise to exciting growth opportunities for portfolio companies.

The 2023 AI infrastructure boom is expected to serve as the foundation of long-term improvements in productivity and profitability across global enterprises. Companies of all sizes will enhance data to automate tasks, serve customers, and potentially sell new and perhaps more valuable insights and solutions. The portfolio is positioned to benefit from sustainable earnings growth in companies which are well aligned to this critical long-term structural change.

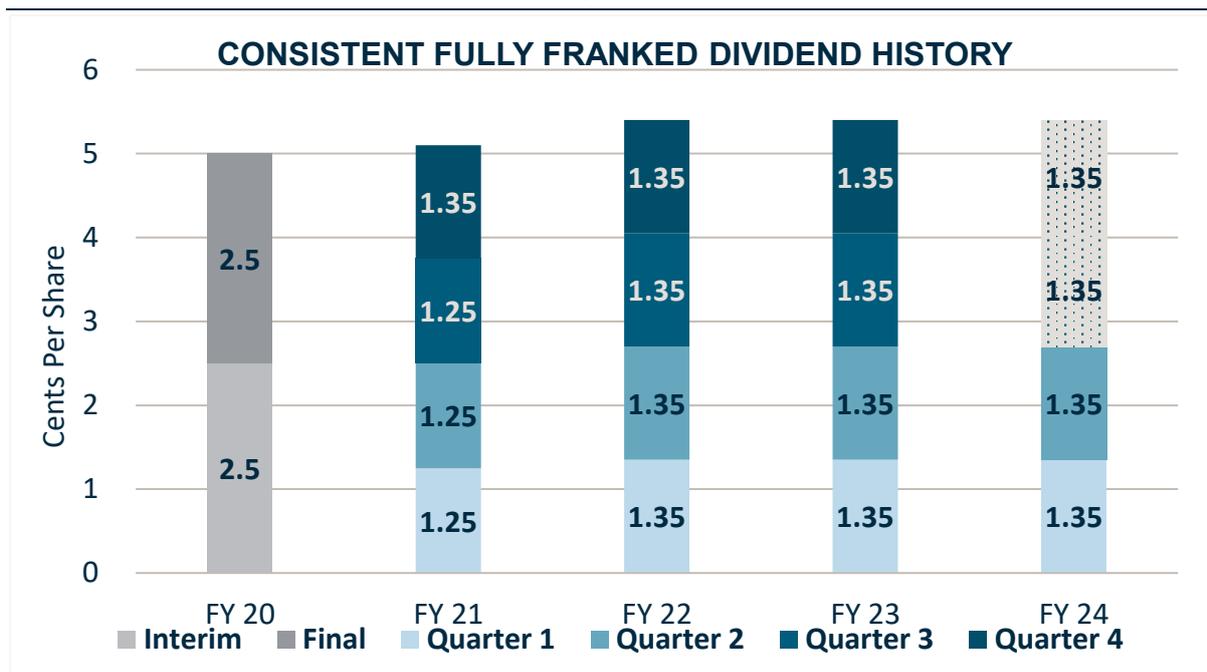
We thank you for your interest and ongoing support of PIA.

Yours sincerely,



Frank Gooch
Independent Chair
Sydney
20 February 2024

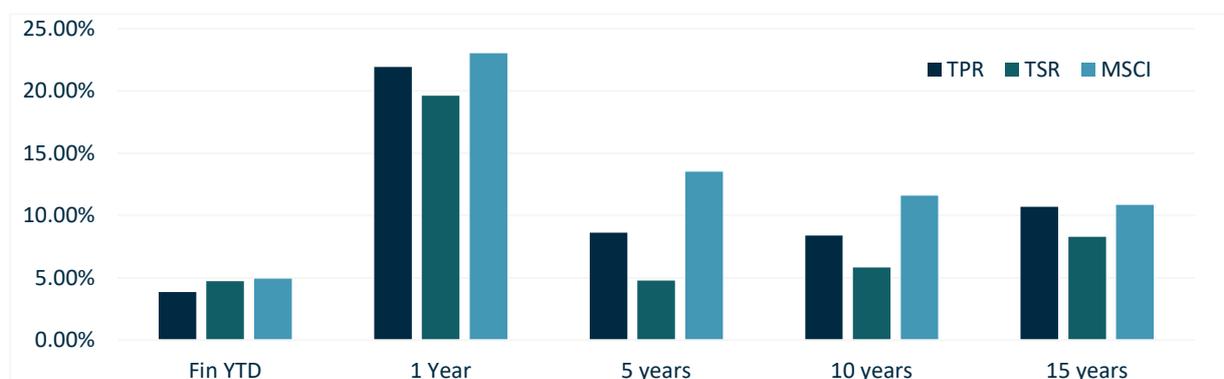
ABOUT PENGANA INTERNATIONAL EQUITIES LIMITED



TOP HOLDINGS (ALPHABETICALLY) at 31 December 2023

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

PIA PERFORMANCE HISTORY TO 31 December 2023 ⁱⁱⁱ



ⁱ TPR refers to “Total Portfolio Return” TPR for periods greater than 12 months are annualised. TPR 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. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

ⁱⁱ TSR refers to “Total Shareholder Return” TSR for periods greater than 12 months are annualised. TSR figures refer to the movement in closing share prices as quoted in the ASX, assuming the reinvestment of dividends. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

ⁱⁱⁱ MSCI refers to “MSCI World Total Return Index in AUD”

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

31 December 2023 Investor Presentation



Zenith
Recommended



Independent Investment Research
Recommended



Lonsec
Investment Grade



CERTIFIED BY RIAA



IMPORTANT INFORMATION & DISCLOSURES

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Pengana is the manager for Pengana International Equities Limited (ACN 107 462 966, ASX: PIA) ("PIA"). Pengana has appointed Harding Loevner LP ("Harding Loevner") as the sub-investment manager for PIA.

None of Pengana, Harding Loevner, nor any of their related entities, directors, partners or officers guarantees the performance of, or the repayment of capital, or income invested in PIA. An investment in PIA is subject to investment risk including a possible delay in repayment and loss of income and principal invested. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

Pengana has appointed Harding Loevner as Pengana's corporate authorised representative under Pengana's AFSL.

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The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned August 2021) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>.

Pengana International Equities Limited has been certified by the Responsible Investment Association Australasia (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details. RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance, or ethical considerations. The Symbol also signifies that Pengana International Equities Limited adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Pengana International Equities Limited's methodology, performance, and stock holdings can be found at www.responsiblereturns.com.au, together with details about other responsible investment products certified by RIAA. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

AGENDA

- I **Corporate overview**
- II Highlights for the half year ending 31 December 2023
- III Portfolio update
- IV Harding Loevner overview

CORPORATE OVERVIEW

RESPONSIBLE INVESTING – CAPITAL GROWTH – RELIABLE INCOME

PIA's objective is to provide shareholders with:

- **capital growth** from investing in an ethically screened and actively managed portfolio of international businesses, and
- regular, reliable and **fully franked dividends**, paid quarterly.

PIA is managed by Pengana Capital Group (PCG), a listed diversified funds management group, offering distinct investment strategies, that aim to deliver superior long-term risk-adjusted returns to investors, with a focus on capital preservation.

Harding Loevner, a highly regarded global institutional fund manager, is the investment team responsible for the investment of PIA's portfolio.

PIA has a “Recommended” rating from Zenith and Independent Investment Research, “Investment Grade” from Lonsec and is certified by the Responsible Investment Association of Australasia.

RESPONSIBLE INVESTING: THE LARGEST INTERNATIONAL ETHICAL LIC ON THE ASX



Ethical Screens

- Pre trade application of Pengana's Ethical Screens that seek to avoid investment in companies that derive operating revenues from direct and material business involvement¹ in the following:
 - Adult content, alcohol, non-regulatory testing on animals, fossil fuels, gambling, GMOs in agriculture, human right abuses, mining, nuclear, severe impact on ecosystems, tobacco, weapons



Sustainable Investing

- ESG risks and opportunities examined in each stage of our investment process.
- ESG scorecard considers consequences of ESG-related concerns for business's sustainability.



Responsible Engagement

- Engage regularly with company management over the potential impact of ESG risks on long-term returns.
- Encourage adoption of practices that foster sustainable growth.
- Promote high standards of behavior and disclosure in every proxy vote.



Responsible Investment

- PIA has been continuously certified by Responsible Investment Association of Australasia ('RIAA') since 2006
- Harding Loevner is a signatory to the UN Principles for Responsible Investment ('UNPRI') and the UK Stewardship Code
- Pengana Capital Group is a signatory to the UNPRI and member of RIAA

1. *Material business involvement is generally considered to be over 5% of production of, or 15% aggregate revenue from, the production, distribution and retail of the screened product/service. For thresholds on each specific screen please refer to the Responsible Investment Policy located [here](#).

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FINANCIAL HIGHLIGHTS

FOR THE HALF YEAR ENDING 31 DECEMBER 2023

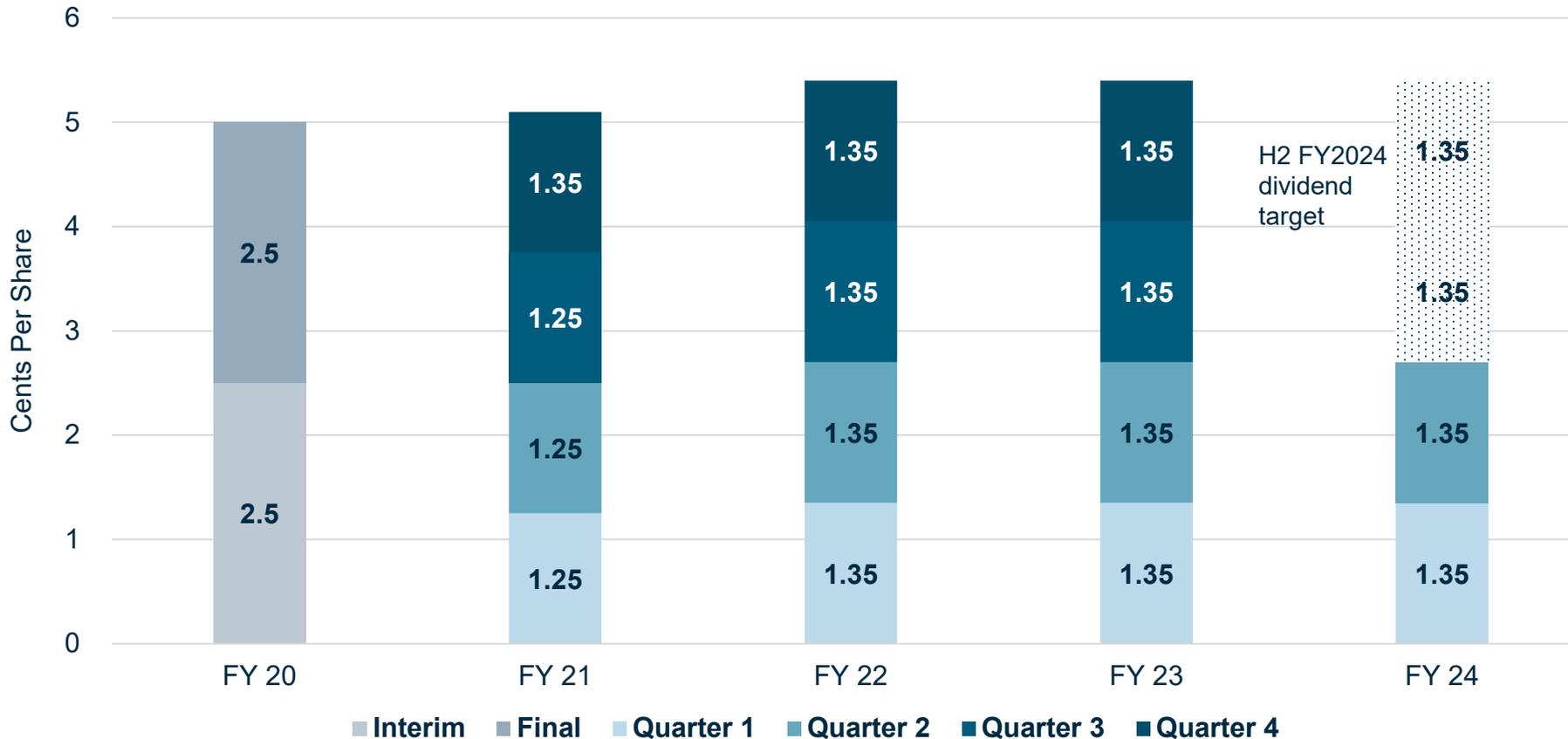
Second quarter dividend	1.35 cps to be paid on 15 March 2024, fully franked at 25% tax rate	Annual dividend	5.4 cps paid quarterly, yield of 4.7% or 6.3% grossed up for franking ¹
Net Assets 31 December 2023	\$315 million or \$1.225 per share (post-tax)	Net Assets 9 February 2024	\$338 million or \$1.31 per share (post-tax)
Net profit after tax	\$8.9 million	Earnings per share	3.47 cents per share
Portfolio return since inception²	7.9%	Buy back	144,685 shares were acquired at an average discount of 17.0% Buyback extended through to 22 August 2024
Profit reserves	\$190 million or over 13 years dividend cover	Franking reserves	\$5.8 million, equivalent to a fully franked dividend of 6.75 cps, franked at 25%

1. Based on \$1.15 share price at 19 February 2024 and a 25% company tax rate 2. To 30 June 2023. Pengana inception as the Investment Manager July 2017, Source: Pengana Capital. Performance figures refer to the movement in net assets per share, reversing out the impact of movements in capital and payments of dividends, before tax paid or accrued on realised and unrealised gains. Past performance is not a reliable indicator of future performance, the value of investments can go up and down

SUSTAINABLE FULLY FRANKED DIVIDENDS

PIA's objective is to provide shareholders with capital growth from investing in an ethically screened and actively managed portfolio of global businesses, in addition to providing shareholders with regular, reliable and fully franked dividends

FULLY FRANKED DIVIDEND HISTORY



Annual Dividend Target
5.4c per share
 Fully Franked

Upcoming Quarterly Dividend
1.35c per share
 Fully franked at 25% tax rate

Ex date:
 29 February 2024

Record date:
 1 March 2024

Payment date:
 15 March 2024

DIVIDEND YIELD

Quarterly Fully Franked Dividends

quarterly dividend

$$\frac{1.35c}{\$1.15} = \sim 4.7\% \text{ p.a. yield (cash basis)}$$

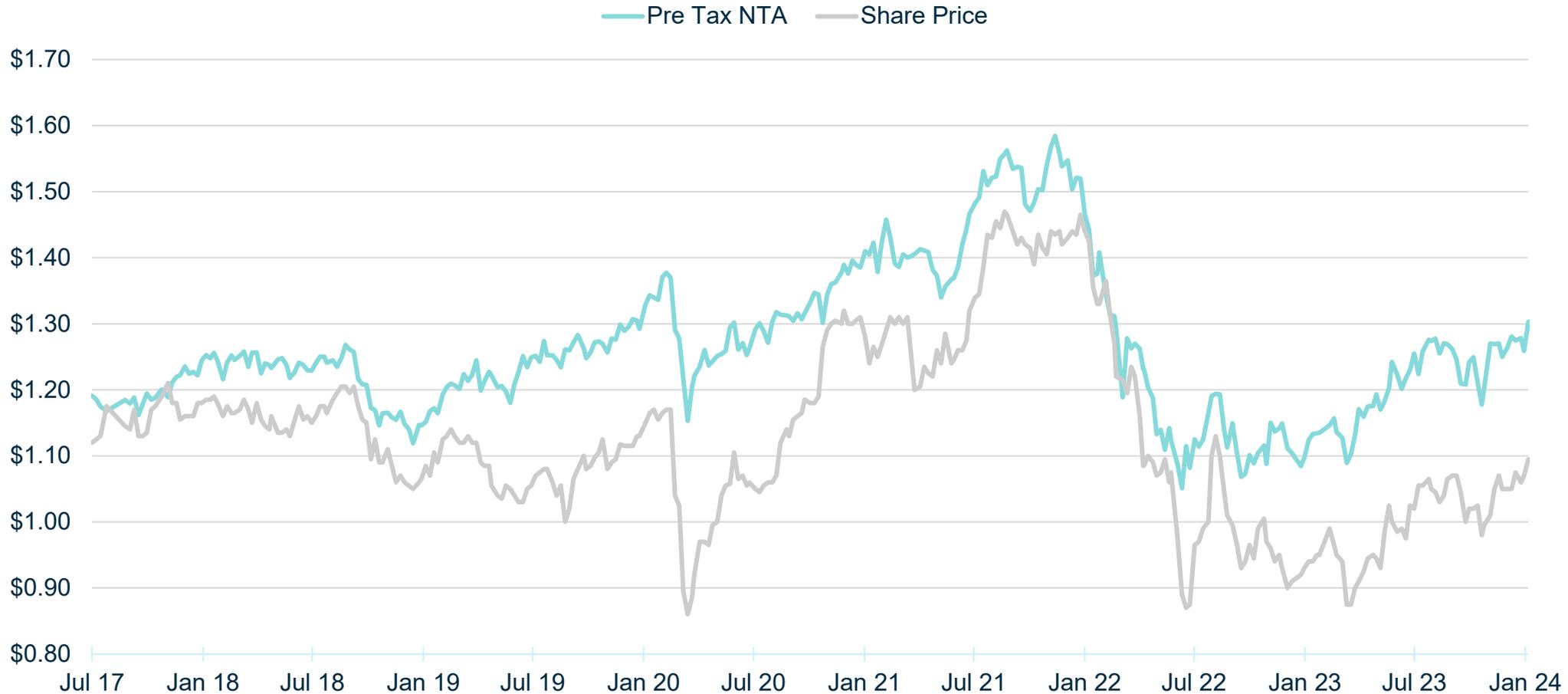
share price

6.3% p.a. yield 

when grossed-up for franking credits

The current profit reserves & franking balance are able to sustain fully franked quarterly dividends into FY2025

NTA AND SHARE PRICE MOVEMENTS 1 JULY 2017 TO 16 FEBRUARY 2024



As at 18 August 2023. Source: Bloomberg and Pengana Capital. Performance figures refer to the movement in net assets per share, reversing out the impact of movements in capital and payments of dividends, before tax paid or accrued on realised and unrealised gains. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

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TOP HOLDINGS

AS AT 31 DECEMBER 2023

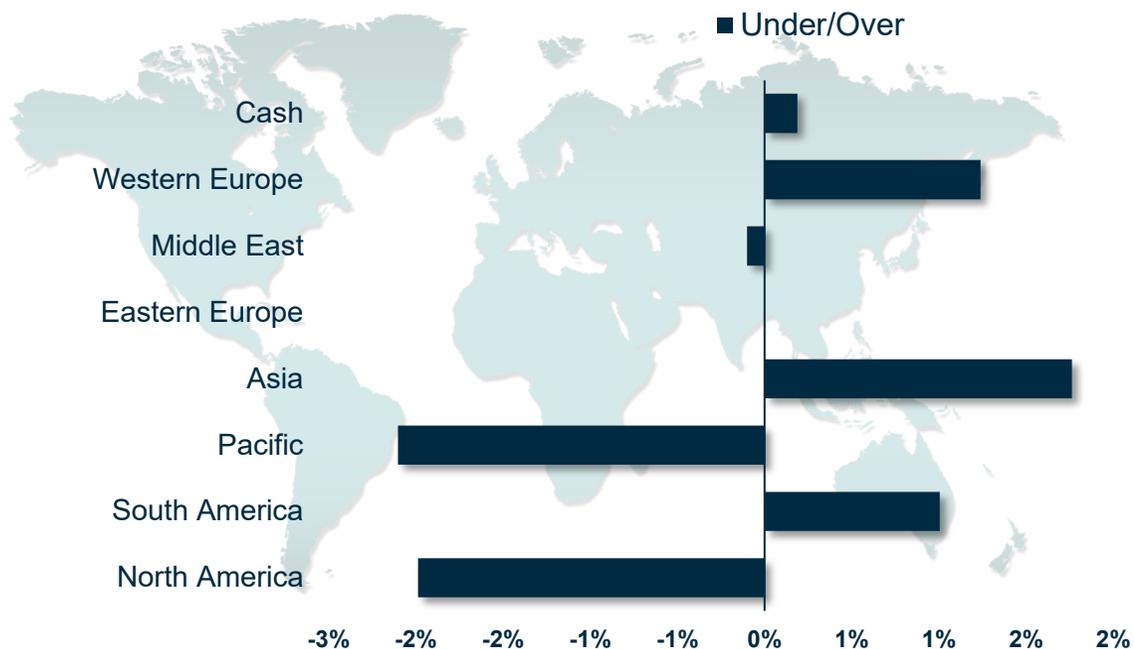
 Alphabet	Alphabet Inc	United States	Communication Services
 amazon	Amazon	United States	Consumer Discretionary
 AMETEK [®] MATERIALS ANALYSIS DIVISION	AMETEK Inc	United States	Industrials
 JOHN DEERE	Deere & Co	United States	Industrials
 Meta	Meta	United States	Communication Services
 Microsoft	Microsoft	United States	Information Technology
 Rockwell Automation	Rockwell Automation	United States	Industrials
 Schneider Electric	Schneider Electric	France	Industrials
 ThermoFisher SCIENTIFIC	Thermo Fisher Scientific	United States	Health Care
 VERTEX	Vertex Pharmaceuticals Inc	United States	Health Care

Total number of portfolio holdings: 60

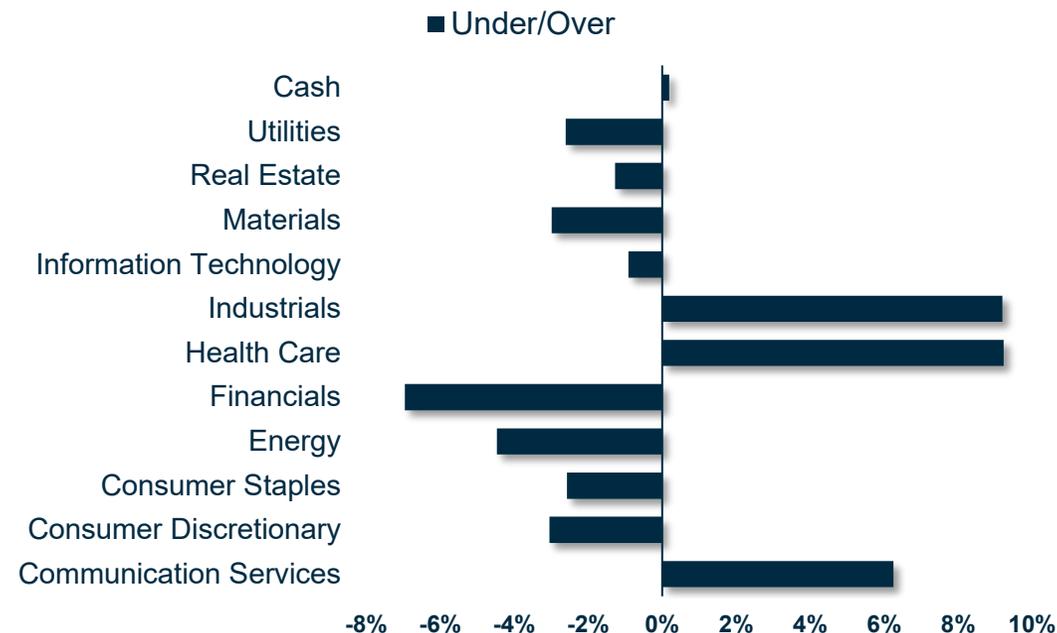
PORTFOLIO POSITIONING

EXPOSURES AS AT 31 DECEMBER 2023

GEOGRAPHIC EXPOSURE

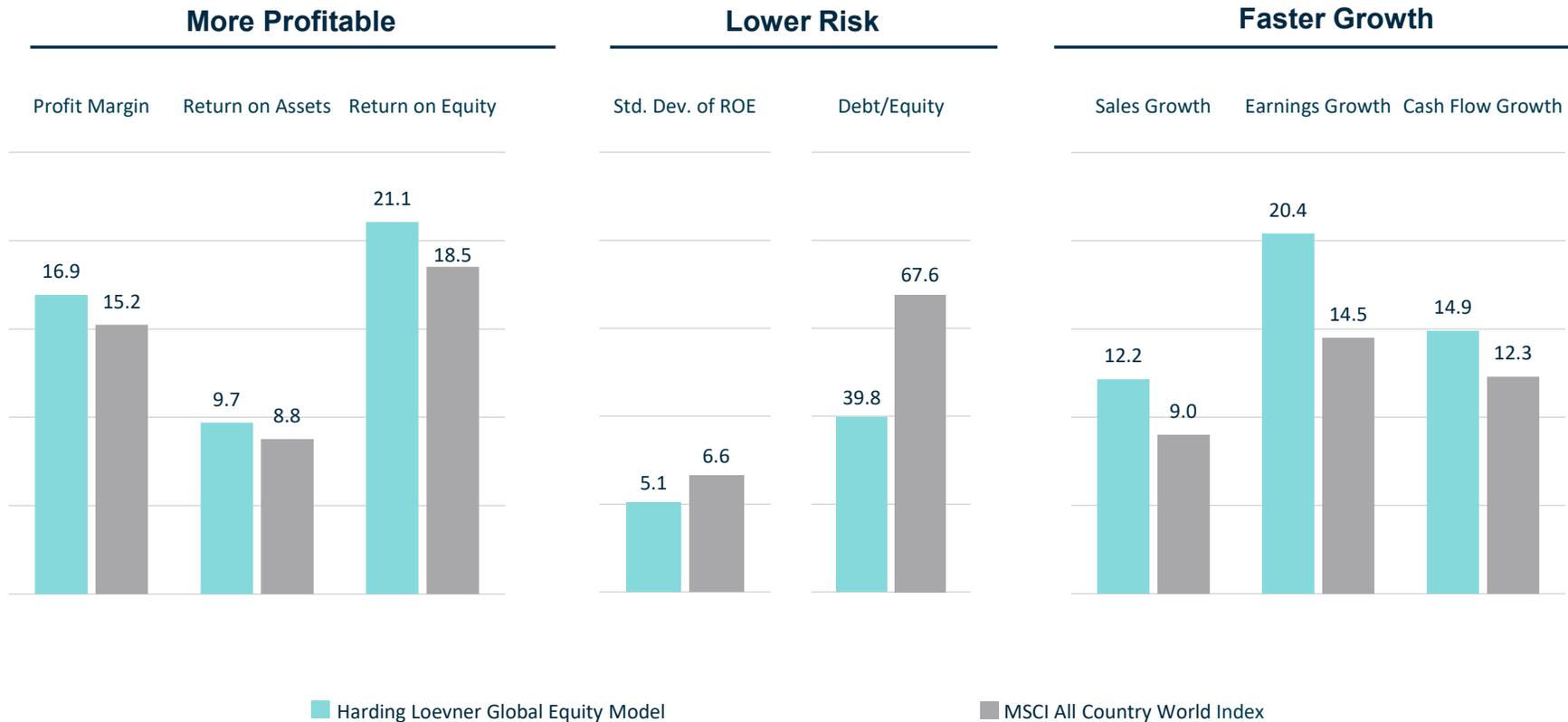


SECTOR EXPOSURE



QUALITY & GROWTH INVESTMENT PHILOSOPHY

WE BUILD DIVERSIFIED PORTFOLIOS OF HIGH-QUALITY, GROWING COMPANIES.



Source: MSCI Inc., FactSet. Data as at September 30, 2023. Growth and volatility metrics are based on five-year historical data; the other ratios are based on the most recent annual data. All metrics and ratios are percentages presented as weighted medians.

WHAT'S ON OUR MIND?

Four years after the COVID-19 outbreak, the global macroeconomy is nearly healed, but risks remain

1

The current backdrop

Inflation is abating and unemployment levels remain low
Interest rates are unlikely to revisit pre-pandemic levels
Underlying conditions of global instability persist

2

The stock market

Apparent market calm belies simmering risks
Innovation and new technologies underpin growth

3

What are we doing

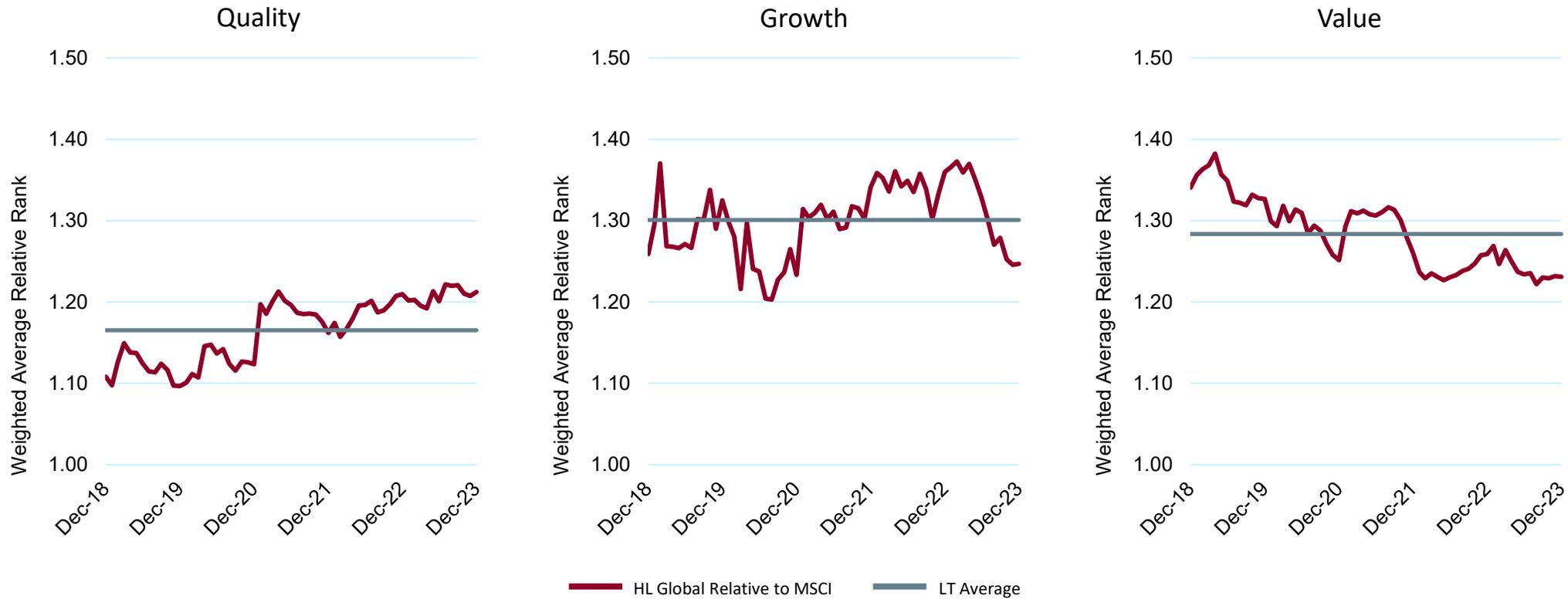
Focusing on business fundamentals while being mindful of risk
Investing in higher quality and lower valuations



Rising Quality at Lower Valuations

We have maintained our quality and growth premium while lowering relative valuation

HL Global vs. MSCI ACWI: Relative Quality, Growth, and Value Rank

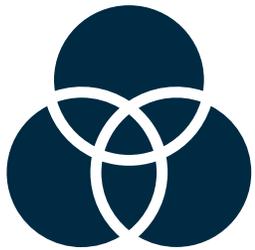


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INVESTMENT HYPOTHESIS



Investing in high quality, growing businesses at reasonable prices leads to long term superior risk adjusted returns.

This “QUALITY GROWTH” Investment philosophy has been the foundation of our strategies since the firm was founded.

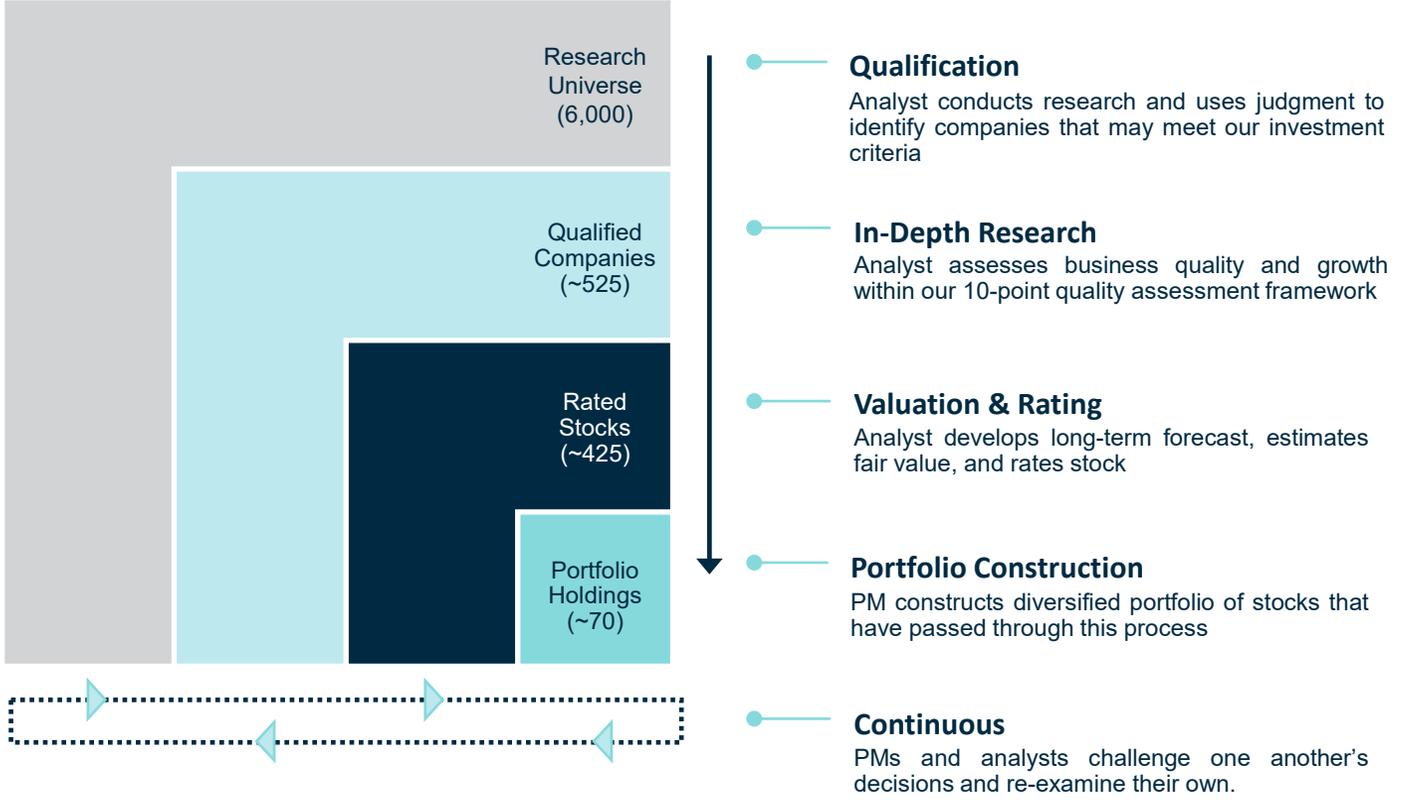


INVESTMENT PROCESS

Analysts search the world for companies that meet high quality and sustainable growth criteria, conduct fundamental research, then value and rate their stocks to make them available to PMs for investment.

ESG issues are considered in each step of the process.

Collaborative, Highly Structured Process that Promotes Individual Accountability



Harding Loevner

Circa US\$55 billion under management
33-year track record

Investment Philosophy

- Quality growth
- Distinct decision making
- Behavioral finance
- Patient & Disciplined

INVESTMENT STRATEGY

DECISION MAKING PRODUCING A DISTINCTIVE PATTERN OF PERFORMANCE

5-Year Annualised Rolling Returns (Net, AUD)¹



HL Outperformance Frequency (All Periods: 73%)

Falling Markets MSCI < 0%	Moderate Markets 0% < MSCI < 10%	Strong Markets MSCI > 10%
88%	75%	68%

The Harding Loevner Global Equity strategy invests worldwide in high-quality, growing companies.

The Global Equity strategy has been consistently applied by Harding Loevner since 1989.

Track record indicates the strategy has provided superior risk adjusted medium to long term returns.

Prior to June 2021, the Harding Loevner Global Equity Strategy performance has been simulated by Pengana from the monthly gross returns of the Harding Loevner Global Equity strategy. This simulation was done by converting the USD gross returns to AUD, then applying a management fee of 0.974% p.a. (the Class B management fee). Net performance figures are after all fees and expenses and assume reinvestment of distributions. MSCI refers to the MSCI AC World Total Return Index (net, AUD) No allowance has been made for buy/sell spreads. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

1. November 30, 1989 (strategy inception) to June 30, 2023

HARDING LOEVNER GLOBAL EQUITY PERFORMANCE

Growth of \$100,000 invested since inception¹ (net, AUD) to June 30, 2023



Prior to June 2021, the Harding Loevner Global Equity Strategy performance has been simulated by Pengana from the monthly gross returns of the Harding Loevner Global Equity strategy. This simulation was done by converting the USD gross returns to AUD, then applying a management fee of 1.23% p.a. and performance fee of 15.38% of any return greater than the Benchmark. The simulation does not include the Pengana ethical screen. Net performance figures are after all fees and expenses and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance, the value of investments can go up and down

1. November 30, 1989 (strategy inception) to June 30, 2023



PENGANA
INTERNATIONAL
EQUITIES LIMITED

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

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