PENGANA INTERNATIONAL EQUITIES LIMITED

MONTHLY REPORT
JANUARY 2024

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%	59	0.84

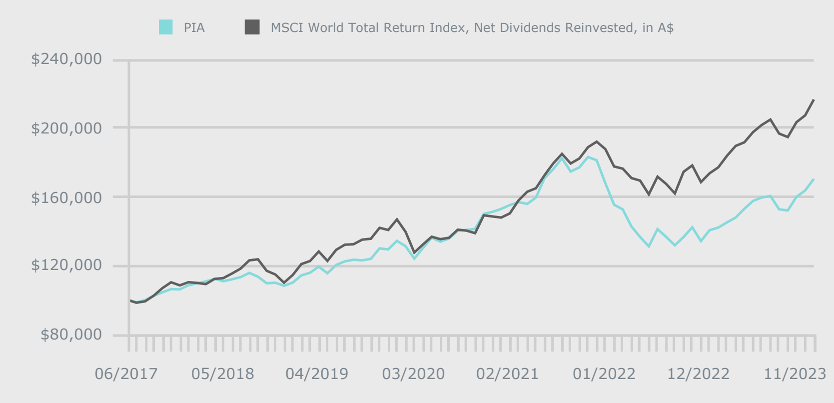
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jan 2024[1]

	1M	1Y	3Y	Pengana SI July 2017[1]
(ASX: PIA)	4.1%	21.2%	3.7%	8.4%
Index[2]	4.5%	24.7%	13.6%	12.5%

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
Netflix Inc	Communication Services
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	7.5%
Health Care	20.7%
Industrials	18.4%
Information Technology	22.4%
Materials	1%
Real Estate	1.1%
Communication Services	14.9%
Cash	2.2%

CAPITALISATION BREAKDOWN

In between 5bn - 10bn USD	3.3%
In between 10bn - 50bn USD	20.1%
In between 50bn - 150bn USD	28.1%
In between 150bn - 500bn USD	26.6%
Above 500bn USD	19.8%
Cash	2.2%

REGION BREAKDOWN

North America	61.8%
Europe ex-UK	21.8%
Emerging Markets	5.6%
Japan	5.2%
UK	2.6%
Asia Pacific ex-Japan	0.8%
Cash	2.2%

GLOBAL SHARE MARKETS CONTINUED TO MAKE GAINS

COMMENTARY

- Global share markets continued to make gains during January as corporate earnings announcements held up reasonably well, although expectations that interest rate cuts could be delayed have constrained market sentiment.
- Australian dollar weakness boosted returns when expressed in AUD terms.
- The Portfolio returned 4.1% in January, while the benchmark returned 4.5%.

Market Review

Global equity markets again delivered positive returns during January. Investors grew increasingly concerned that stubborn inflationary pressures would bring a delay in anticipated US interest rate cuts by the Federal Reserve. However, the US outperformed other international markets thanks in part to relatively stronger quarterly earnings releases.

The Information Technology (IT) sector delivered the strongest returns in January, while Materials fell on concerns about declining demand due to China's weak property market.

Japanese stocks posted a 5% gain in local currency terms while emerging market valuation levels fell by a similar amount, weighed down by the near 11% decline in China's share market. China continues to grapple with a weak economic outlook, a troubled property sector and geopolitical tensions.

Strong performance in the IT and communications services sectors ensured that growth stocks continued to outperform value during the month. This was reflected in the fastest-growing 20% of stocks in the MSCI ACWI Index outperforming the slowest-growing 20% by 6.0%.

Portfolio Comment

The Portfolio again outperformed the benchmark during January. Strong performance by the Portfolio's holdings in IT, consumer discretionary and communication services, underweight positions in materials and utilities, and overweight positions in health care, communications services and consumer discretionary boosted relative returns. Weaker performance by the Portfolio's holdings in industrials, financials and health care were the main detractors from relative returns.

The Portfolio is focussed on identifying great companies through bottom-up analysis and continues to identify exciting opportunities in health care, industrials and communications services, in which it maintains overweight positions.

Some December quarter corporate earnings reports showed a slowdown in profit growth. These reflected the more challenging macroeconomic environment across North America and Europe. However, some companies managed to deliver strong earnings growth, particularly those companies that are poised to benefit from innovation in artificial intelligence.

US-based multinational technology group Meta Platforms, which owns Facebook, reported a surge in revenues and operating margins during the December quarter. The company also announced it would pay its first quarterly dividend, which helped the stock outperform strongly.

US-based international streaming and production company Netflix outperformed after the company reported strong subscriber and revenue growth. This followed the company's crack down on password sharing and the introduction of advertisement-supported plans which have increased its total addressable market.

Netherlands-based ASML supplies manufacturers of advanced semiconductors and is Europe's largest technology company. It outperformed in January after reporting strong demand for its extreme ultraviolet lithography (EUV) equipment, demonstrating its insulation from the volatile chip cycle.

The Portfolio has long maintained a zero weighting to US-based global automotive and clean energy company Tesla. This reflects concerns about corporate governance and management behaviour. The stock underperformed in January after announcing lower-than-expected earnings, contributing to the Portfolio's outperformance.

US-based industrial automation company Rockwell Automation underperformed in January following a drop in operating margins caused by supply chain issues and customers' high inventory levels.

The Portfolio's financial holdings in emerging markets detracted from relative returns. India-based HDFC Bank underperformed after the company reported that loan growth exceeded deposit growth in the most recent quarter. Meanwhile, Hong Kong-based pan-Asian life insurance group AIA Group underperformed as broader negative sentiment in China's equity market impacted valuation levels, despite the company reporting an ongoing rebound in new business growth.

China-based WuXi AppTec, the world's largest contract drug developer and manufacturer, underperformed sharply during January. This followed a US House Select Committee introducing the Biosecure Act that would restrict US medical providers funded by the Federal Government from trading with biotech companies with links to China's military. WuXi AppTec was one of several companies named in the bill, but denies any military links. The legislation is currently delayed in the Senate.

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$ 1.263
NTA PRE TAX **	A$ 1.329
PRICE CLOSE **	A$ 1.120
SHARES ON ISSUE **	257.2m
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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