

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.

SHARE PRICE

\$1.165

Time: 04:37 pm

NTA POST-TAX

A\$ 1.314

29/02/2024

NTA PRE-TAX

A\$ 1.398

29/02/2024

INVESTMENT PERFORMANCE¹

9.4% p.a.

DIVIDEND YIELD²

4.6%

6.2% when grossed
up³ for franking
credits

CONSECUTIVE DIVIDENDS PAID

14

1. Investment performance since new mandate adopted 1 July 2017.

2. Dividend yield is based on current displayed share price and dividends declared over the previous 12 months

3. Grossed up yield is based on current displayed share price, dividends declared over the previous 12 months and the tax rate and franking percentage applicable for the most recently declared dividend

COMMENTARY

- Global share markets continued to perform strongly in February, setting new highs in the US, Europe, and Japan.
- Equity gains were driven by growth stocks, many of which reported stronger than expected quarterly earnings, especially technology businesses benefitting from AI innovation.
- The Portfolio returned 6.6% in January, outperforming the benchmark which returned 5.8%.

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 29 Feb 2024¹

	1M	1Y	3Y	Pengana SI July 2017 ¹
(ASX: PIA)	6.6%	27.9%	5.4%	9.4%
Index ²	5.8%	29.4%	15.1%	13.3%

STATISTICAL DATA

VOLATILITY³ 11.3%

NUMBER OF STOCKS 56

BETA⁴ 0.85

TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services	Microsoft Corp	Information Technology
Amazon.com Inc	Consumer Discretionary	Netflix Inc	Communication Services
AMETEK Inc	Industrials	Schneider Electric SE	Industrials
Deere & Co	Industrials	Thermo Fisher Scientific Inc	Health Care
Meta Platforms Inc	Communication Services	Vertex Pharmaceuticals Inc	Health Care

GLOBAL SHARE MARKETS CONTINUED TO PERFORM

COMMENTARY

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Market Review

Global equity markets made strong gains across all major regions and sectors during February. The US performed particularly strongly, with the S&P 500 market index closing above 5,000 for the first time.

Emerging Markets also fared well as China stock prices rebounded upon the prospect of increased consumer spending during the lunar new year. Meanwhile, South Korea also delivered strong share market returns as its financial regulator launched a major initiative to improve corporate governance. In contrast, valuation levels in Europe outside the eurozone were little changed in aggregate.

Share market gains were led by strong performance in the consumer discretionary, information technology, and industrial sectors. Index heavyweights such as **NVIDIA**, **Microsoft**, and **Amazon.com** – which announced strong earnings growth – boosted returns in the information technology and consumer discretionary sectors.

Utilities were the only sector to deliver a negative return in US dollar terms during February. Growth stocks comfortably outperformed value, with the fastest growing 20% of companies beating the slowest by over 7.0%.

Financial stocks performed well over the month, but New York Community Bank announced it had identified material weaknesses in internal controls related to how it monitors and assesses risk in its loan books. The company's shares plummeted, suggesting the turmoil which has impacted some US regional banks may not have yet run its course.

Portfolio Commentary

The Portfolio outperformed the benchmark during February. Strong performance by its holdings in communication services and financials, the overweight position in industrials and underweight positions in utilities, consumer discretionary, materials and energy boosted relative returns. Weaker performance by the Portfolio's holdings in consumer discretionary, the overweight position in health care, and the underweight in consumer discretionary were the main detractors of relative returns.

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

The strongest contributor to relative returns during February was the overweight position in US-based technology group **Meta Platforms** which owns Facebook. The company reported its best quarterly sales growth in more than two years and announced its first-ever dividend. This follows its significant investment in AI tools which have

improved the targeting of its digital advertisements, increasing their value to enterprise customers.

France-based digital automation and energy management group **Schneider Electric** was another major contributor to relative returns. It reported record revenue and free cash flow in 2023, which exceeded investor expectations.

The Portfolio's holding in Japanese entertainment and consumer electronics company **Sony** was the largest detractor from relative returns in February. The stock underperformed after the company reported lower hardware sales of its PlayStation console and lower margins in its gaming business. Sony expects margins to improve next year and its long-term growth prospects remain positive.

The Portfolio sold its holding in US-based semiconductor developer **NVIDIA** in early February. Following the surge in stock price throughout 2023 and so far this year, the current market valuation now appears much less attractive. It reflects scant possibility of either a slowdown in the growth rate of artificial intelligence (AI) infrastructure spending or a shift in spending to its competitors. The mega-tech groups, which are NVIDIA's biggest customers, continue to aggressively develop their own processors that could potentially impact NVIDIA's sales.

However, NVIDIA outperformed strongly in February after announcing stronger than expected December quarter revenues and earnings. The Portfolio's underweight position detracted from its relative returns during the month.

Harding Loevner believes generative AI will have a disruptive—and even profound—impact on businesses and employees across the global economy. Many of the Portfolio's holdings are well positioned to benefit from this structural growth trend. However, few businesses are better placed than US technology group **Microsoft** to deliver next-generation solutions at immense scale. Accordingly, the Portfolio increased its position in the stock during February.

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\$ 1.314 29/02/2024
NTA PRE TAX **	A\$ 1.398 29/02/2024
PRICE CLOSE **	A\$ 1.145
SHARES ON ISSUE **	257.09m
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 Total Return Index, Net Dividends Reinvested

**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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ACN 107 462 966

MANAGED BY PENGANA INVESTMENT MANAGEMENT LIMITED

PART OF THE PENGANA CAPITAL GROUP

AFSL 219462

PENGANA.COM/PIA

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Authorised by: Paula Ferrao, Company Secretary.

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com

