

**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	NTA POST-TAX	NTA PRE-TAX	PORTFOLIO RETURN (20 YEARS)	DIVIDEND YIELD <sup>1</sup>	CONSECUTIVE QUARTERLY DIVIDENDS PAID
<b>\$1.140</b> <small>Time: 05:07 pm</small>	<b>A\$ 1.265</b> <small>31/05/2024</small>	<b>A\$ 1.320</b> <small>31/05/2024</small>	<b>8% p.a.</b>	<b>4.7%</b> <small>6.3% when grossed up<sup>2</sup> for franking credits</small>	<b>15</b>

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

2. 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 equities delivered strong gains in May, driven by technology stocks, as semiconductor companies continued to report good earnings growth.
- Growing expectations that moderating inflation will enable major central banks to begin cutting interest rates later this year further supported share markets.
- The Portfolio returned 6.6% in May, while the benchmark returned 5.8%, as strong global equity returns were somewhat offset by the strength of the Australian dollar.

**PERFORMANCE TABLE**

NET PERFORMANCE FOR PERIODS ENDING 31 May 2024<sup>1</sup>

	1M	1Y	5Y	15Y	20Y
Total Portfolio Return	1.2%	15.7%	8.9%	10.2%	8%
Total Shareholder Return	-1%	17.4%	7.1%	7.7%	4.4%
Index	2%	21.5%	13.7%	12.3%	8.6%

**STATISTICAL DATA**

VOLATILITY<sup>ii</sup> 12.8%

NUMBER OF STOCKS 58

BETA<sup>ii</sup> 0.75

**TOP HOLDINGS (ALPHABETICALLY)**

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

## TECH STOCKS PROPEL GLOBAL EQUITIES IN MAY.

### COMMENTARY

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### Market Review

Global equity markets rebounded in May following the April pull-back, resuming the growth trajectory of recent months.

Market gains were driven by technology stocks, predominantly those across the semiconductor ecosystem. Investor excitement for companies aligned to the adoption of AI applications continues to build upon strong company earnings growth.

The fortunes of technology shares are showing signs of dispersion, with semiconductor stocks rising 14% in May, while software edged up just 1%. Semiconductors have outperformed software by a staggering 44% over the year-to-date. Several enterprise software stocks underperformed in May as companies' forward earnings guidance pushed back the timing of the monetisation of their generative AI initiatives.

Expectations that the Federal Reserve (Fed) would begin to reduce US interest rates later this year brought a weaker US dollar, relative to most of its major trading currencies.

Eurozone stocks outperformed the US (when adjusted for US dollar weakness) during May. Investors grew more confident that the European Central Bank would begin a series of interest rate cuts, which it did at its 6 June meeting. This came despite improvement in the region's manufacturing sector and labour market resilience, which raises the prospect of a softish landing in the European economy.

### Portfolio Commentary

The Portfolio underperformed the benchmark during May. Strong performance by the Portfolio's holdings in health care and communication services, the overweight position in communications services and the underweight position in energy boosted relative returns. However, this was offset by weaker performance by the Portfolio's holdings in information technology and financials, and the overweight position in health care, which detracted from relative returns.

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

The Portfolio's strongest contributor to relative returns in May was the overweight position in US-based **Vertex Pharmaceuticals**, a biopharmaceutical group that develops drugs to treat Cystic Fibrosis. It outperformed after announcing first quarter revenue and earnings ahead of investor expectations. The company also provided positive

updates on new products, including a gene editing therapy for sickle cell disease.

The Portfolio's holding in US-based image-sharing and social media platform **Pinterest** also contributed to relative returns. It outperformed after announcing strong first quarter earnings results, with a 23% growth in revenue and an 12% increase in global monthly active users.

Swiss-American eyecare specialist **Alcon** is a market leader in both ophthalmic surgery solutions and contact lenses. It contributed to relative returns when it outperformed after announcing stronger than expected earnings-per-share and margins for the March quarter. The company also increased its projected revenue growth.

The zero-weighting in US-based developer of advanced semiconductors, **Nvidia**, detracted from relative returns. It outperformed after announcing stronger than expected March quarter earnings, as net income increased 262% year-on-year. The Portfolio's zero-weighting in the stock reflects concern that its current market valuation appears to assume that semiconductor businesses will capture most of the value from AI innovation.

The Portfolio's holdings in software-focussed companies such as **Salesforce**, **Accenture** and **Globant** also underperformed, detracting from relative returns. This reflected the negative market sentiment towards software businesses. However, Harding Loevner believes that these companies are well positioned to develop AI applications that benefit customers, delivering sustainable revenue and earnings growth over time.

The Portfolio established a position in US-based **Atkore**, a leading global manufacturer of pipes, tubing, electrical cables, cable-management systems and security-fencing products. Its market leadership in various electrical equipment markets creates opportunities to benefit from ongoing growth in the electrification, digitalisation and improvements in US infrastructure.

The Portfolio sold its position in US industrial conglomerate **Ametek** which designs and manufactures electronic instruments and electromechanical devices. This follows a period of strong outperformance..

## FEATURES

ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the Index <sup>v</sup>
INCEPTION DATE	19 March 2004
MANDATED	1 July 2017
BENCHMARK	MSCI World Total Return Index, Net Dividend Reinvested, in A\$ ("Index")
NTA POST TAX <sup>iv</sup>	A\$ 1.265 31/05/2024
NTA PRE TAX <sup>iv</sup>	A\$ 1.320 31/05/2024
PRICE CLOSE <sup>iv</sup>	A\$ 1.120
SHARES ON ISSUE <sup>iv</sup>	257.15m
DRP <sup>iv</sup>	Yes

## FUND MANAGERS



**Peter Baughan**  
Portfolio Manager



**Jingyi Li**  
Portfolio Manager



**Rick Schmidt**  
Portfolio Manager

i. Performance for periods greater than 12 months is the compound annual return. Total Shareholder Return refers to the movement in share price plus dividends declared for the period, not including the benefit of franking credits attached to dividends paid Total Shareholder Return refers to the movement in share price plus dividends declared for the period. Index refers to MSCI World Total Return Index, Net Dividends Reinvested, in A\$. Past performance is not a reliable indicator of future performance, the value of investments can go up and down. None of Pengana International Equities Limited ("PIA"), Pengana Investment Management Limited nor any of their related entities guarantees the repayment of capital or any particular rate of return from PIA. This information has been prepared by PIA and does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered investment advice and should not be relied on as an investment recommendation. The figures are unaudited.

Source: PCG and Bloomberg.

ii. 20 Year Annualised Standard Deviation as at the last day of the last month prior to publishing this report.

iii. Relative to MSCI World Total Return Index, Net Dividends Reinvested, 20 Year annualised Beta as at the last day of the last month prior to publishing this report.

iv. As at the last day of last month prior to publishing of this report. The figures are unaudited.

v. 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

PART OF THE PENGANA CAPITAL GROUP

AFSL 219462

[PENGANA.COM/PIA](http://PENGANA.COM/PIA)

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Authorised by: Paula Ferrao, Company Secretary.

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