PENGANA INTERNATIONAL EQUITIES LIMITED

MONTHLY REPORT
JANUARY 2025

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[1]	CONSECUTIVE QUARTERLY DIVIDENDS PAID
$1.225 31/01/2025	A$ 1.406 31/01/2025	A$ 1.473 31/01/2025	8.3% p.a. 31/01/2025	4.4% 6.3% when grossed up[2] for franking credits	17

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

- The Portfolio returned 3.4% while the benchmark delivered 2.8%, in January, driven by strong gains in information technology and communications services, with **Meta Platforms** and **Vertex Pharmaceuticals** as top performers; it also benefitted from an underweight semiconductor exposure.
- Global equities rebounded despite a semiconductor sell-off triggered by **DeepSeek** AI's announcement and threats of higher US tariffs; falling inflation and strong US earnings lifted markets, though a weaker USD detracted from AUD returns.
- The Portfolio added a new position in **AMETEK**, a US-based industrial group, as part of its strategic adjustments.

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jan 2025 [i]

	1M	1Y	5Y	15Y	20Y
Total Portfolio Return	3.4%	22.8%	9.3%	9.6%	8.3%
Total Shareholder Return	0.8%	14.2%	5.9%	6.6%	4.6%
Index	2.8%	28.6%	13.7%	13.2%	9.5%

STATISTICAL DATA

VOLATILITY [ii]	NUMBER OF STOCKS	BETA [ii]
12.8%	56	0.76

TOP HOLDINGS (ALPHABETICALLY)

Accenture Plc Class A	Information Technology	**Microsoft Corporation**	Information Technology
Alphabet Inc. Class A	Communication Services	**Netflix, Inc.**	Communication Services
Amazon.com, Inc.	Consumer Discretionary	**Schneider Electric SE**	Industrials
Deere & Company	Industrials	**UnitedHealth Group Incorporated**	Health Care
Meta Platforms Inc Class A	Communication Services	**Vertex Pharmaceuticals Incorporated**	Health Care

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- Global equities rebounded despite a semiconductor sell-off triggered by DeepSeek AI's announcement and threats of higher US tariffs; falling inflation and strong US earnings lifted markets, though a weaker USD detracted from AUD returns.
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Market Review

Global equity markets bounced back in January, following the pull-back at the end of last year. This reflected falling inflation, enabling central banks in the Eurozone, Canada and Sweden to ease interest rates by a further 0.25%. This raised hopes of further interest rate cuts and a soft landing this year.

The US economy remained robust as unexpectedly strong job growth helped push December unemployment down to just 4.1%. Meanwhile, retail sales, existing home sales and industrial production all strengthened. Moreover, share prices were further boosted when the US December quarter corporate earnings season got off to a reasonably good start.

However, tech-heavy US markets underperformed global equities in January upon news of the DeepSeek artificial intelligence (AI) model. This appeared to have been created much faster and more cheaply than comparable western models. This challenged investors' assumptions about the demand growth for advanced computing capacity and, hence, the fastest semiconductors. This led to AI infrastructure and semiconductor stocks underperforming following DeepSeek's release in late January.

Information Technology accounts for over 30% of the US market, but less than 14% of the global investment universe, leading to the US market underperforming in January.

The prospect of higher US import tariffs and the possibility of an escalation into a trade war added to equity market volatility. Auto makers (none held in the Portfolio) were especially impacted.

Greater efficiency in the training of AI models risks reducing the growth rate of demand for computing power, the pace of investment in AI infrastructure and the demand for advanced semiconductors. However, the history of technological advances shows that better performance and lower costs typically lead to wider adoption and faster volume growth over time.

Among the likely beneficiaries of cheaper, more efficient AI are the software providers building applications using these models. Increased demand for AI-powered software also helps the cloud service companies that provide computing power and data storage. However, the commoditisation of large language models may negatively affect the creators of these models, particularly those that have eschewed open-source technology.

The AI ecosystem is still evolving, and further advances in the technology are expected. Innovation is always disruptive, but DeepSeek's breakthrough seems to be positive for the AI industry overall.

Portfolio Commentary

The Portfolio returned 3.4% in January, while the benchmark delivered 2.8%. Strong stock performance in information technology (IT) and communications services and an overweight position in communications services drove relative returns. This was partially offset by weaker stock performance and the underweight position in the financial sector.

The strong stock performance in IT was driven by the underweight to semiconductor and technology hardware industries, which underperformed. The overweight holding in software underperformed, but by less than the other IT sub-sectors.

The largest contributor to relative returns in January was the overweight position in the US-based multinational technology group and Facebook-owner **Meta Platforms**. It outperformed after announcing stronger than expected December quarter revenue, earnings and user numbers. This reflects its previous investment in AI, which has brought improved user engagement and early monetisation.

The Portfolio's holding in US-based biopharmaceutical group **Vertex Pharmaceuticals** also outperformed. This followed reports that the US Food and Drug Administration had approved the company's non-opioid (and importantly, non-addictive) pain relief drug, Journavx.

The Portfolio's holding in US-based **Tradeweb**, which builds and operates electronic over-the-counter (OTC) marketplaces for institutional, wholesale and retail investors, underperformed in January. This was because of concerns that the growth of its fixed income business might be slowing over the near-term.

India-based bank **HDFC** also underperformed, as liquidity in India's banking system remains constrained. This has increased competition for customer deposits and led to concerns that margins are narrowing.

The Portfolio established a new position in the US-based industrial group AMETEK, which holds a portfolio of high-quality, niche businesses that generate strong cash flows. The company has two main business units: electronic instruments (e.g. analytical instruments, aerospace, and power and industrials) and electromechanical devices (e.g. motors and systems, and engineered materials). AMTEK has improved its board and executive leadership diversity, upgraded its sustainability monitoring and disclosures, reduced its greenhouse gas emissions, cut water use in its operations and made good progress towards eliminating workplace accidents. Harding Loevner is confident that the company can continue to deliver growth and profitability over the long term through acquisitions, international expansion and a shift in manufacturing to low-cost regions.

FEATURES

ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the Index[v]
INCEPTION DATE	19 March 2004
MANDATED	1 July 2017
BENCHMARK	MSCI World Total Return Index, Net Dividend Reinvested, in A$ ("Index")
NTA POST TAX [iv]	A$ 1.406 31/01/2025
NTA PRE TAX [iv]	A$ 1.473 31/01/2025
PRICE CLOSE [iv]	A$ 1.225
SHARES ON ISSUE [iv]	257.17m
DRP [iv]	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 Portfolio Return refers 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.

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.

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