

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
\$1.150 31/10/2024	A\$ 1.314 31/10/2024	A\$ 1.335 31/10/2024	8.1% p.a. 31/10/2024	4.7% 6.7% when grossed up ² for franking credits	15

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 2.9% in October, while the benchmark returned 3.8%.
- Global share markets moved lower in October, as investors grew more concerned about stretched valuation levels, longer-term inflation risks and continued weakness in China, however a stronger US dollar supported global equity returns in Australian dollar terms.
- Falling interest rates, lower oil prices and some resilient quarterly earnings reports provided a measure of support to equities, especially in the US which benefitted from US dollar strength.

Portfolio Manager Rick Schmidt provides a portfolio update and insights from the reporting season. A recording is available below for your review. CPD points are applicable for Australian Financial Planners [HERE](#).

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Oct 2024¹

	1M	1Y	5Y	15Y	20Y
Total Portfolio Return	2.9%	24.1%	8.8%	9.3%	8.1%
Total Shareholder Return	3.1%	21%	6.2%	6.5%	4.3%
Index	3.8%	29.2%	13.2%	12.7%	9.1%

STATISTICAL DATA

VOLATILITYⁱⁱ 12.8%

NUMBER OF STOCKS 54

BETAⁱⁱ 0.76

TOP HOLDINGS (ALPHABETICALLY)

Alphabet Inc	Communication Services	Rockwell Automation Inc	Industrials
Amazon.com Inc	Consumer Discretionary	Schneider Electric SE	Industrials
Meta Platforms Inc	Communication Services	Thermo Fisher Scientific Inc	Health Care
Microsoft Corp	Information Technology	UnitedHealth Group Inc	Health Care
Netflix Inc	Communication Services	Vertex Pharmaceuticals Inc	Health Care

OCTOBER REPORT

COMMENTARY

- The Portfolio returned 2.9% in October, while the benchmark returned 3.8%.
- Global share markets moved lower in October, as investors grew more concerned about stretched valuation levels, longer-term inflation risks and continued weakness in China, however a stronger US dollar supported global equity returns in Australian dollar terms.
- Falling interest rates, lower oil prices and some resilient quarterly earnings reports provided a measure of support to equities, especially in the US which benefitted from US dollar strength.

Portfolio Manager Rick Schmidt provides a portfolio update and insights from the reporting season. A recording is available below for your review. CPD points are applicable for Australian Financial Planners [HERE](#).

Market Review

Global share markets declined in October as they retraced following strong gains earlier this year. The US was the strongest market during the month, reflecting solid earnings results from a number of US companies and the strength of the US dollar.

Economic weakness in Europe led to its share markets underperforming global equities. Eurozone inflation fell to 1.8% in September, below the European Central Bank's (ECB) 2.0% target. This enabled it to reduce interest rates by 0.25% to 3.25%, its third cut this year.

Emerging market shares fell when Chinese equities gave back much of their recent gains, as China's economic growth slowed to 4.6% in the September quarter. Investors worried that the magnitude of recently announced fiscal and monetary policy stimulus measures may fail to boost consumption. Moreover, its economic model based on exports supported by low-cost finance and other inputs may face increasing challenges following the US presidential election in November.

The strongest performing sectors were financials and communications services. Communications services' company earnings are benefitting from the adoption of AI technology and hopes that a possible Trump election victory will bring less intensive regulatory scrutiny of mega tech businesses. The financials sector was boosted by some strong quarterly earnings reports by leading banks. Disappointing sales in China impacted the earnings of many global consumer staples stocks.

Portfolio Commentary

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

Strong stock performance in consumer discretionary, an overweight position in communications services and underweights in consumer discretionary and materials boosted relative returns in October. This was offset by an overweight position in health care, an underweight in financials and weaker stock performance in financials and industrials.

One of the strongest contributors to relative returns in October was the Portfolio's overweight position in US-based **Booking Holdings**, an online travel agency which owns brands such as Booking.com, Priceline and Agoda. The company is improving its customer experience and increasing workforce productivity by integrating artificial intelligence (AI) tools. The business benefits from economies of scale and network effects, which deliver strong cash flows to shareholders.

Booking Holdings is actively securing its competitive market position through investing in several AI innovations. These include an AI trip planner, a 'smart-filter' interface that makes 200 trip planner filters more accessible, a new chatbot to onboard partners, a voice bot called Penny Voice that enables verbal conversations with trip planners and broader AI deployments at specific brands such as Kayak, Agoda, and OpenTable.

Hong Kong-based pan-Asian life insurance giant AIA Group won two new provincial licenses allowing it to expand its operations in Mainland China. However, it underperformed during October due to weak sentiment across the broader Chinese share market, reflecting ongoing economic weakness.

Sweden-based industrial tool and equipment maker Atlas Copco underperformed upon reporting that orders, sales and profit growth for its compressors were slightly below analysts' expectations.

In October, the Portfolio established a position in DBS Group, one of the 'big three' banks in Singapore and the largest bank in Southeast Asia by assets. It is a commercial bank, active in business areas outside traditional lending, including in investment banking, treasury and stockbroking. DBS operates in Singapore, one of the most stable economies in Asia, which has attracted non-resident capital from neighbouring countries.

Singapore's financial regulation is conservative, bringing stability to the overall banking system which has fared well in past periods of financial stress. DBS's current management team has spearheaded a digital transformation of the company that has led to strong growth in both transaction banking and wealth management revenue. This leaves DBS well positioned to benefit from ongoing growth in Southeast Asian trade flows and wealth levels.

The Portfolio exited its position in French fashion house Kering. Its measures to turn around the flagship Gucci brand – including replacing the Gucci CEO with an interim head – have not succeeded in delivering shareholder value.

For
pers
on
al
use
only

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\$ 1.314 31/10/2024
NTA PRE TAX ^{iv}	A\$ 1.335 31/10/2024
PRICE CLOSE ^{iv}	A\$ 1.150
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.

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

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

None of Pengana International Equities Limited ("PIA"), Pengana Investment Management Limited (ABN 69 063 081 612, AFSL 219462) nor any of their related entities guarantees the repayment of capital or any particular rate of return from PIA. A Product Disclosure Statement (PDS) and Target Market Determination are available and can be obtained from our distribution team or website. 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. Past performance is not a reliable indicator of future performance, the value of investments can go up and down. This document 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.

Authorised by: Paula Ferrao, Company Secretary.

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com

