

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

**FEBRUARY 2018
PERFORMANCE
UPDATE**

DESCRIPTION AND FEATURES

Pengana International Equities Limited provides access to investments in 30-50 companies across developed and developing markets via a listed investment company structure.

Investments are made predominantly in companies that deliver stable yet growing free cash flow throughout cycles (which we classify as 'Core' holdings) whilst also taking positions in more cyclical companies ('Cyclical') and those whose valuation has been materially misconstrued by the market ('Opportunistic').

We avoid investments in companies that in our opinion are harmful to people, animals or the environment. Visit our website for more information on the Company.

Portfolio Managers	Jordan Cvetanovski Steven Glass
ASX code	PIA
ASX code options	PIAO
Founded	19 March 2004
Mandate inception	1 July 2017
Asset Class	International Equities
Fees	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the MSCI
DRP	Yes
Share Price¹	\$1.17
Option Price¹	\$0.02
NTA (pre-tax)^{1,2}	\$1.25
NTA (post tax)^{1,2}	\$1.23
Premium/Discount to pre-tax NTA¹	(6.43%)
Ordinary Shares on Issue¹	245.36m
Bonus Options on Issue¹	244.11m
Benchmark	MSCI World ³

¹ At 28 February 2018.

² The figures are unaudited.

³ MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A\$.

PERFORMANCE COMMENTARY

In February the portfolio delivered 1.0% while its benchmark returned -0.4%. Key contributors to this performance were stock selection and portfolio hedging. It was pleasing to observe that our conservative positioning paid off when it mattered most and on 5-Feb-18, when the market declined 3.1%, the Portfolio declined 1.2%.

The biggest positive individual stock contributors were Flow Traders, Bakkafrøst and Deutsche Boerse. Flow Traders and Deutsche Boerse primarily rose due to their strong positive leverage to capital market volatility and solid earnings reports. Bakkafrøst rose steadily throughout the month as salmon prices remained elevated and the company delivered solid 4Q17 earnings.

The three largest individual stock detractors were Wacker Chemie, Reckitt Benckiser and Celgene. Wacker's performance was due to the declining polysilicon price, which affects sentiment more than Wacker's economics. Reckitt's decline followed its 4Q17 earnings. Celgene's share price declined as the FDA refused to review Ozanimod

(MS drug) due to insufficient data in its regulatory filing.

During the month, we continued our practice of reducing the portfolio's exposure to positions that are close to our price targets while adding new positions that are both attractively priced and positively related to the cyclical reflation theme. We exited GoDaddy and Itau Unibanco.

The portfolio now has only 11% invested in the IT sector, reflecting our assessment that the IT sector has become overly expensive. In the same vein the portfolio only has 32% invested in the US. Meanwhile we have increased the portfolio's allocation to Financials to 16% and direct exposure to Emerging Markets to 11%.

The weight of the Core segment was 58%, which is below the target 60%. The team has a pipeline of prospective ideas that we have already started to act on and our priority is to take the Core segment exposure back above 60%. Cyclical exposure remains within the 20-25% range and Opportunistic remains 5-10%.

**CONSERVATIVE
POSITIONING
AND PORTFOLIO
HEDGING PAID
OFF WHEN IT
MATTERED MOST**

PERFORMANCE

Net performance for periods ending 28 February 2018⁴

	1 Month	FYTD	Since Inception p.a. ⁵
PIA	1.0%	9.7%	7.9%
Benchmark	-0.4%	9.9%	7.0%

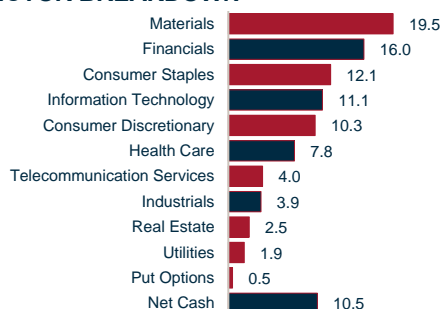
Pengana International Equities Limited has been managed under the new investment mandate by the Pengana investment team since 1 July 2017. The performance since inception in the table above refers to the movement in net assets per share since the inception of PIA in March 2004. See footnotes ⁴ and ⁵ below for further details.

PORTFOLIO INFORMATION

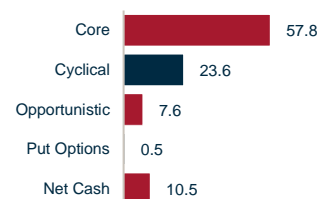
Top 10 Stocks		
Name	Country	Sector
Bakkafrost P/F	Denmark	Consumer Staples
Deutsche Boerse AG	Germany	Financials
Dollar General Corporation	United States	Consumer Discretionary
Howard Hughes Corporation	United States	Real Estate
Intercontinental Exchange, Inc.	United States	Financials
Novo Nordisk A/S Class B	Denmark	Health Care
Oracle Corporation	United States	Information Technology
Reckitt Benckiser Group plc	United Kingdom	Consumer Staples
Sealed Air Corporation	United States	Materials
Wacker Chemie AG	Germany	Materials

Largest 3 Contributors	Largest 3 Detractors
Flow Traders NV	Wacker Chemie AG
Bakkafrost P/F	Reckitt Benckiser Group plc
Deutsche Boerse AG	Celgene Corporation

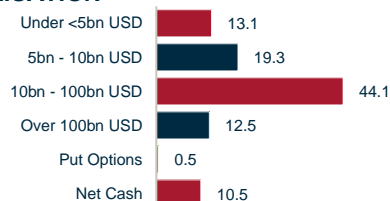
SECTOR BREAKDOWN



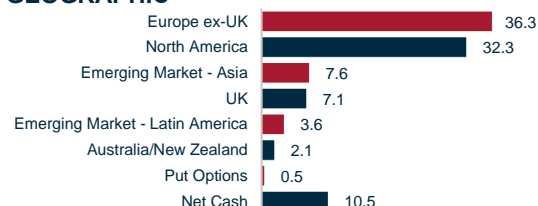
SEGMENT



CAPITALISATION



GEOGRAPHIC



4. 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.

5. Inception date of PIA: 19 March 2004, new investment team with new mandate adopted: 1 July 2017

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. Past performance is no guarantee of future performance. 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.

FOR FURTHER
INFORMATION
PLEASE VISIT
OUR WEBSITE:
PENGANA.COM



PENGANA INTERNATIONAL EQUITIES LIMITED
ACN 107 462 966

MANAGED BY PENGANA INVESTMENT MANAGEMENT LIMITED
PART OF THE PENGANA CAPITAL GROUP
AFSL 219462

CLIENT SERVICE

T: +61 2 8524 9900
F: +61 2 8524 9901
E: clientservice@pengana.com

Level 12, 167 Macquarie Street,
SYDNEY, NSW 2000

PENGANA.COM