



PENGANA
CAPITAL

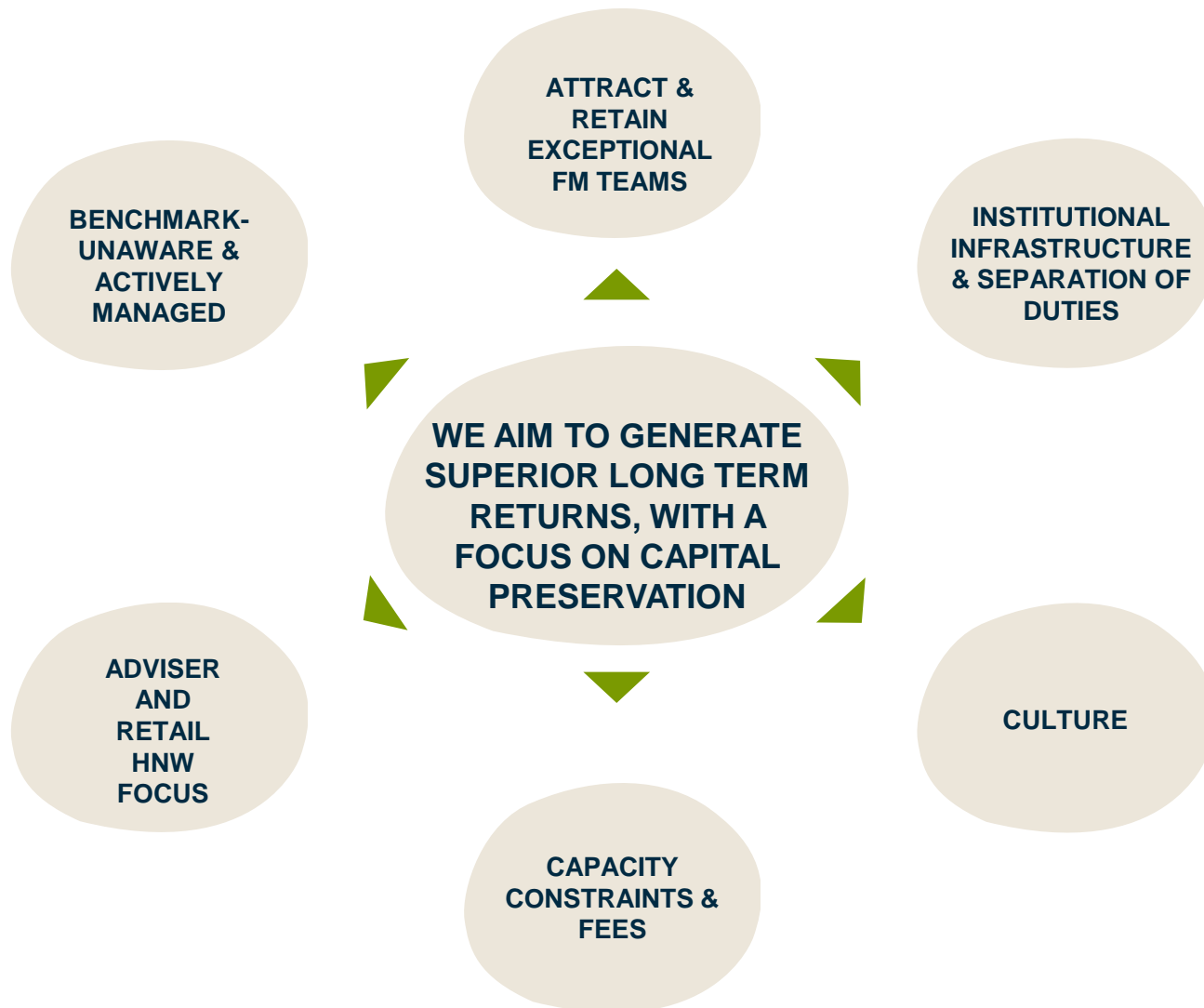
- ▶ Diversified group with FUM of over \$3.5 billion
- ▶ Leading provider of premium products
- ▶ Proven long-term performance over multiple funds
- ▶ Focus on 'high-end' retail market

Primary focus is to deliver superior long term returns for our investors

OUR PHILOSOPHY



HOW WE IMPLEMENT THIS



FUND STRATEGIES

INTERNATIONAL EQUITIES

ALL CAPS

International Fund
International Fund - Managed Risk
International Fund - Ethical
International Fund - Ethical Opportunity
Pengana International Equities Limited

SMALL CAPS

Global Small Companies Fund

SUSTAINABLE INVESTING

WHEB Sustainable Impact Fund

AUSTRALIAN EQUITIES

ALL CAPS

Australian Equities Fund
Australian Equities Income Fund

SMALL CAPS

Emerging Companies Fund

ABSOLUTE RETURNS

MARKET NEUTRAL

PanAgora Absolute Return Global
Equities Fund

ABSOLUTE RETURN ASIA

Absolute Return Asia Pacific Fund

PENGANA INTERNATIONAL EQUITIES LIMITED

ASX: PIA



Overview of PIA options at as 16 March 2018

Net Tangible Assets

Pre-tax	\$1.25
Post-tax	\$1.23

Shares

Price	\$1.18
Shares on issue	245,416,830
Market capitalisation	\$289,591,859

Options

Price	\$0.02
Options outstanding	244,049,198
Exercise price	\$1.18
Expiry	10 May 2019

Interim Dividend

Dividend	\$0.035
Franking	100% fully franked
Record date	13 April 2018 – exercise by this date to be entitled to the dividend
Payment date	30 April 2018



PENGANA
CAPITAL

INTERNATIONAL EQUITIES INVESTOR ROADSHOW

**MARCH
2018**



FUNDS IN FOCUS

1.

**Pengana
International
Fund - Ethical**

2.

**Pengana
International
Fund**

3.

**Pengana
International
Equities
Limited (PIA)**

**Some things never
change....
Some things can't
stay the same**

FUND OVERVIEW



WHO WE ARE

CORE FUND

AIMS:

CONSISTENTLY MAKE MONEY

MINIMISE LOSSES & VOLATILITY

HOW WE DO IT

PORTFOLIO
CONSTRUCTION

ACTIVE
MANAGEMENT

PORTFOLIO CONSTRUCTION

Some things never change

PORTFOLIO CONSTRUCTION

i) How we pick stocks



**POSITIVE
TAILWINDS**



**GOOD
MANAGEMENT**



**UNLIKELY
TO BLOW UP**



**CASH
GENERATION**



**REASONABLE
VALUATION**



GROWING

LOGICAL, COMMON SENSE AND WIDELY PROVEN TO WORK

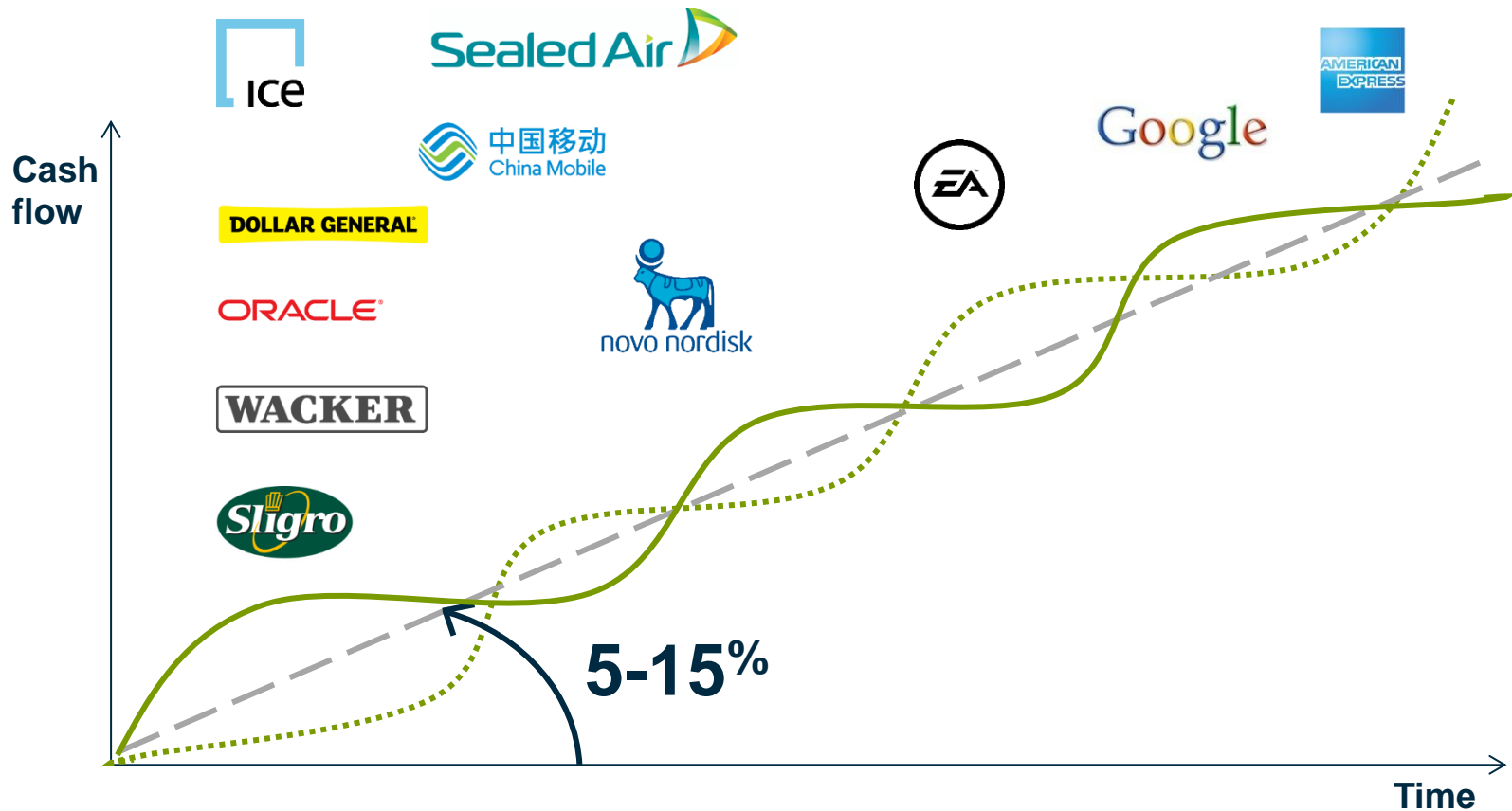
PORTFOLIO CONSTRUCTION

ii) Segmentation strategy

CORE	CYCLICAL	OPPORTUNISTIC
60–80% OF FUND Stable and growing companies with favourable tailwinds	0–30% OF FUND Operating in cyclical industries that are poised for an upturn	0–20% OF FUND Unique company specific situations with attractive potential upside
PORTFOLIO		
✓ DIVERSIFIED	✓ GROWING	✓ RIGHT VALUATION

1) PORTFOLIO CONSTRUCTION

iii) Core: 60-80% of Fund



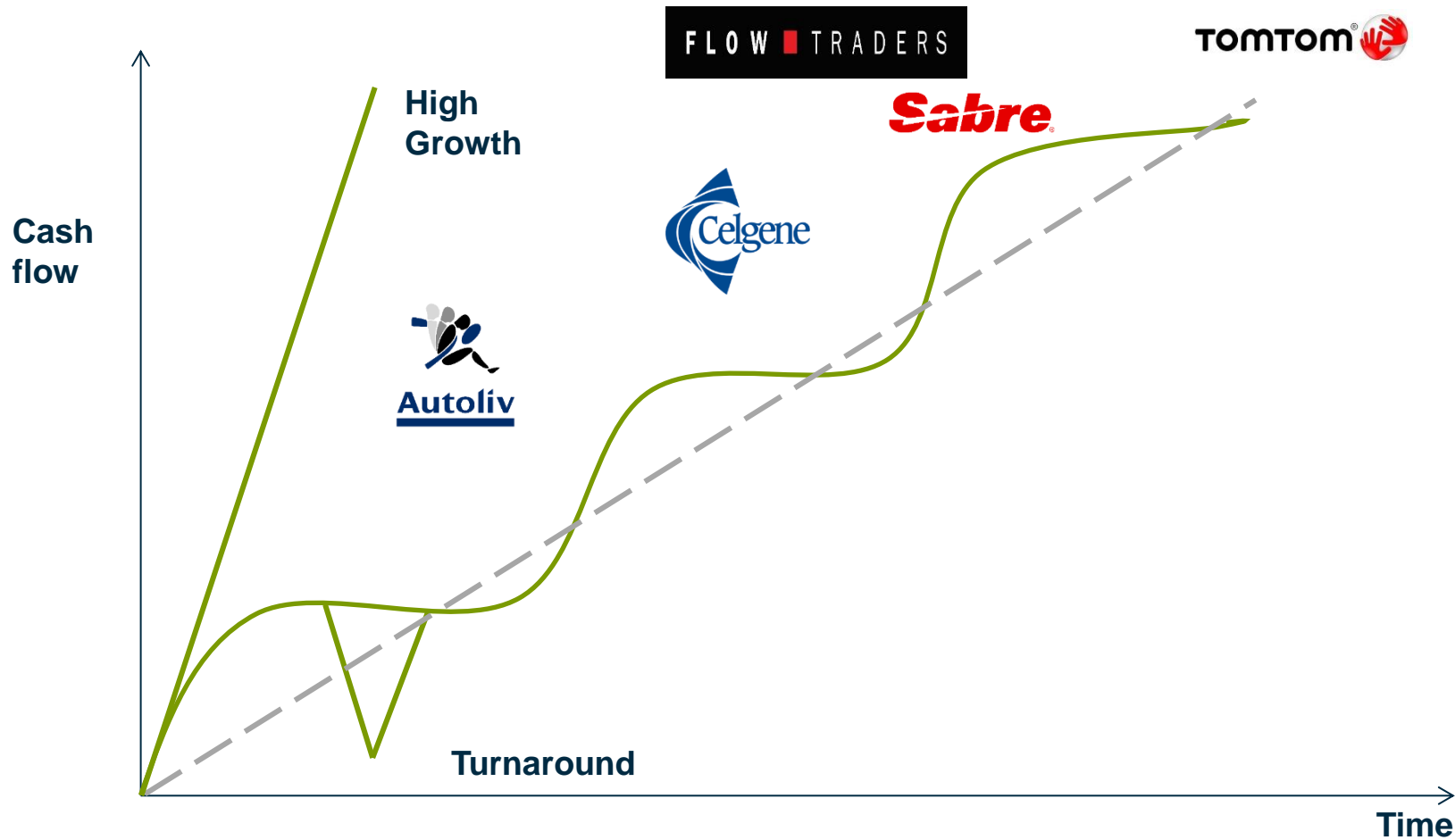
1) PORTFOLIO CONSTRUCTION

iv) Cyclical: 0-30% of Fund



1) PORTFOLIO CONSTRUCTION

v) Opportunistic: 0-20% of Fund



1) PORTFOLIO CONSTRUCTION

vi) Summary



Disciplined
& systematic
approach



High quality stocks –
growing & reasonable
value



Portfolio segmentation
= 30-50 stocks that
work best together

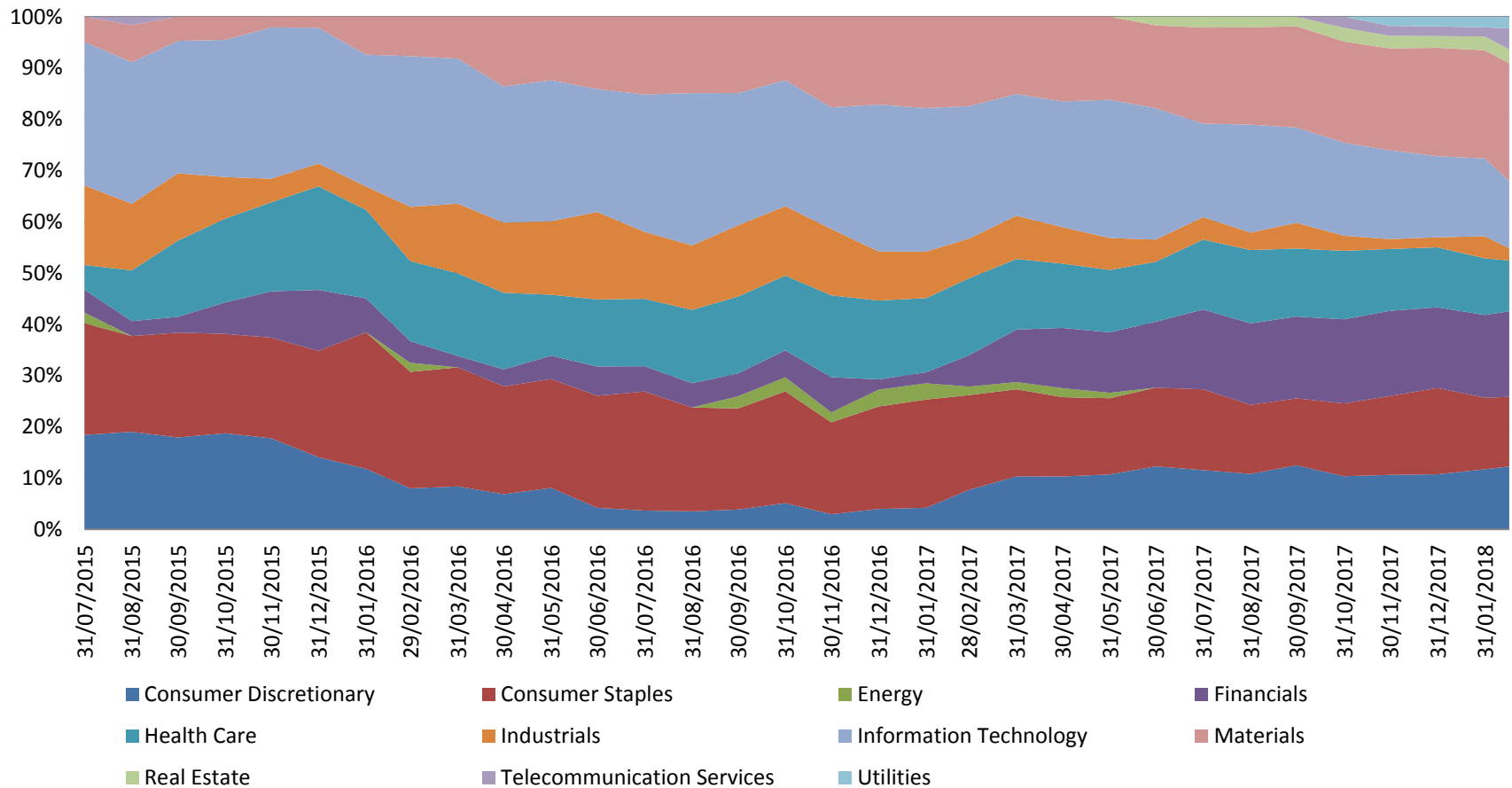
NOTHING HAS CHANGED SINCE WE LAST SPOKE BECAUSE IT WORKS

ACTIVE MANAGEMENT

Some things can't stay the same

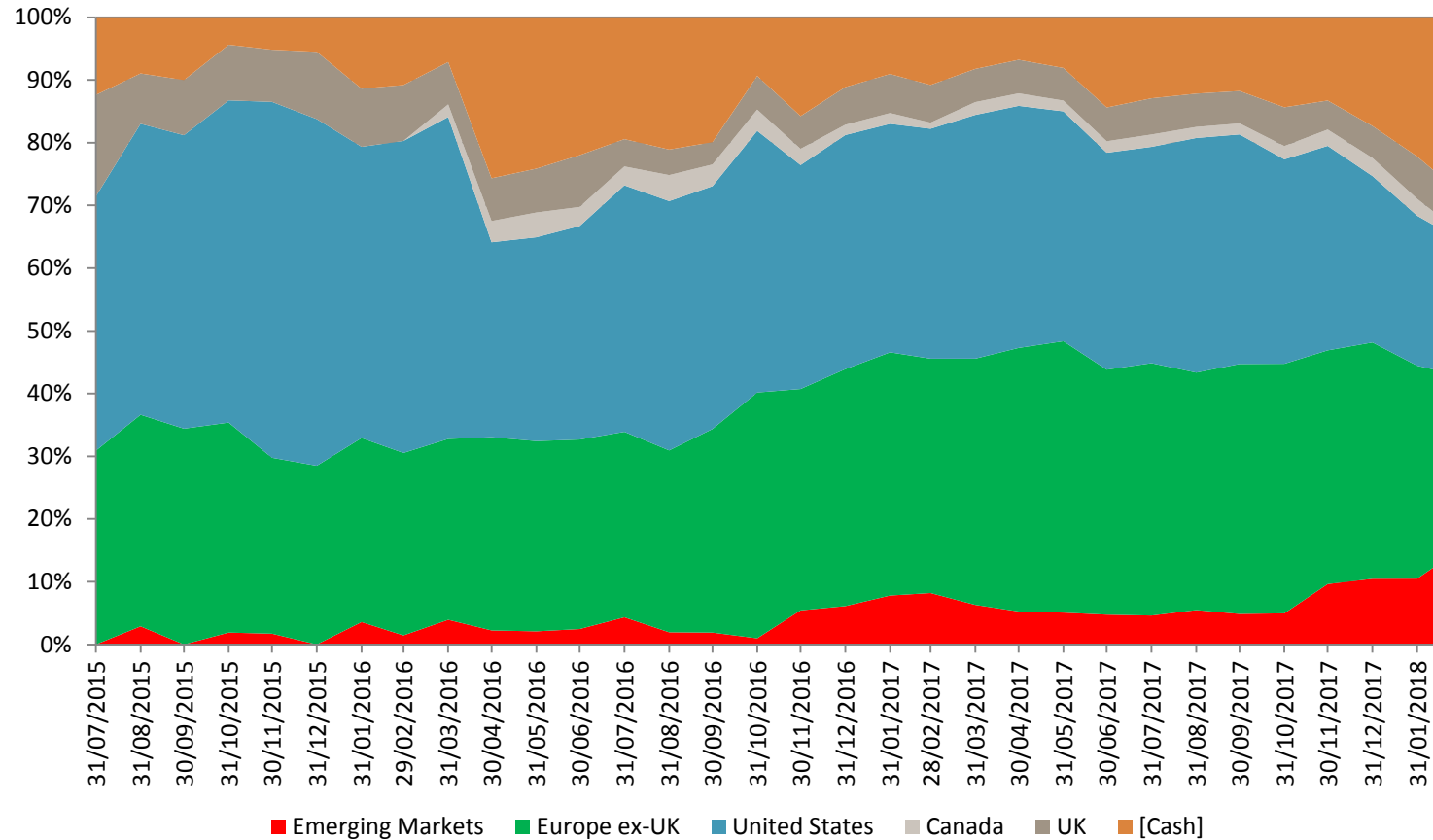
2) ACTIVE MANAGEMENT

i) Industry exposure



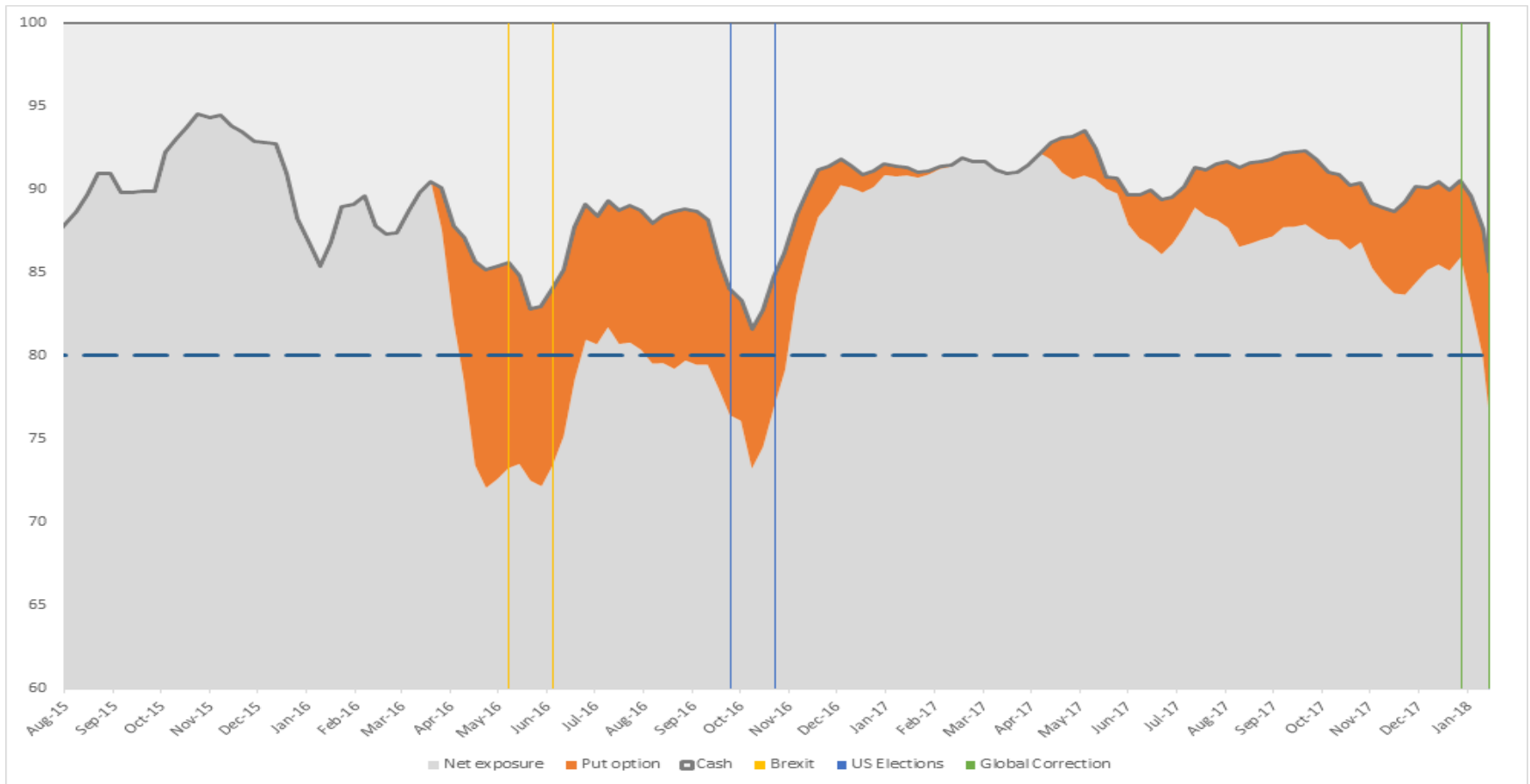
2) ACTIVE MANAGEMENT

ii) Geographic exposure



2) ACTIVE MANAGEMENT

iii) Portfolio insurance



2) ACTIVE MANAGEMENT

iv) Summary



Industry,
geographic



Portfolio
insurance



Not hard-
boiled eggs

ACT WHEN WARRANTED

PERFORMANCE

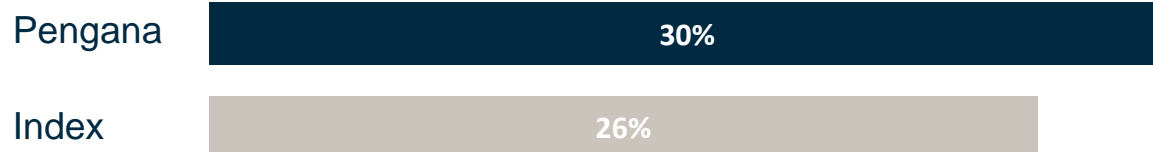
Make money

Avoid losses

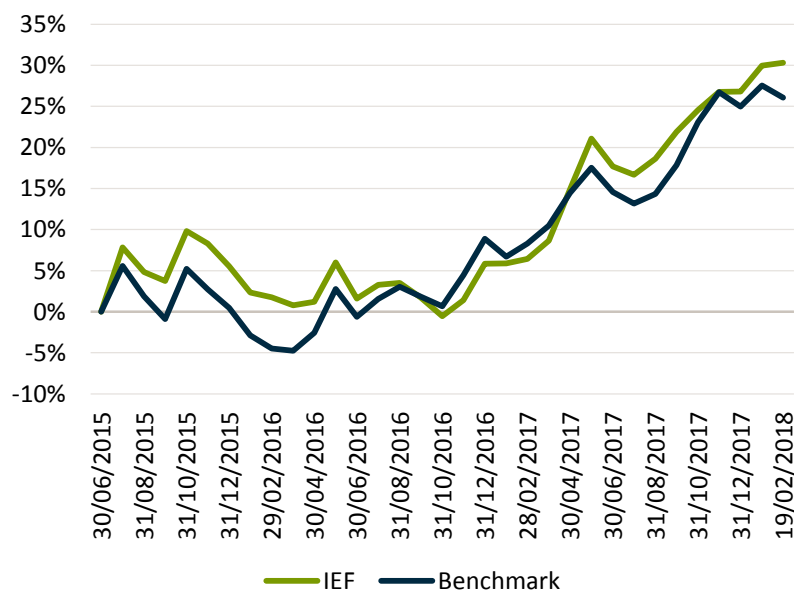
Minimize volatility

3) PERFORMANCE

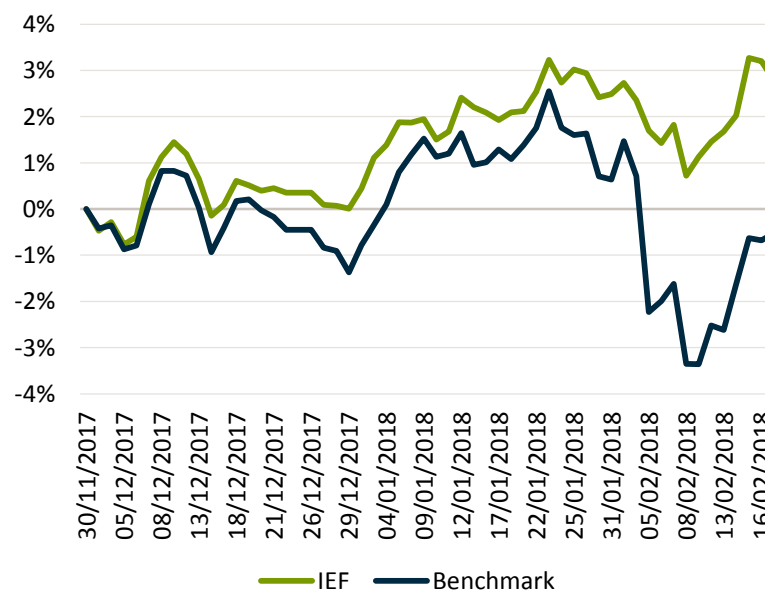
i) Total return since inception



Performance since inception to 19 Feb 18

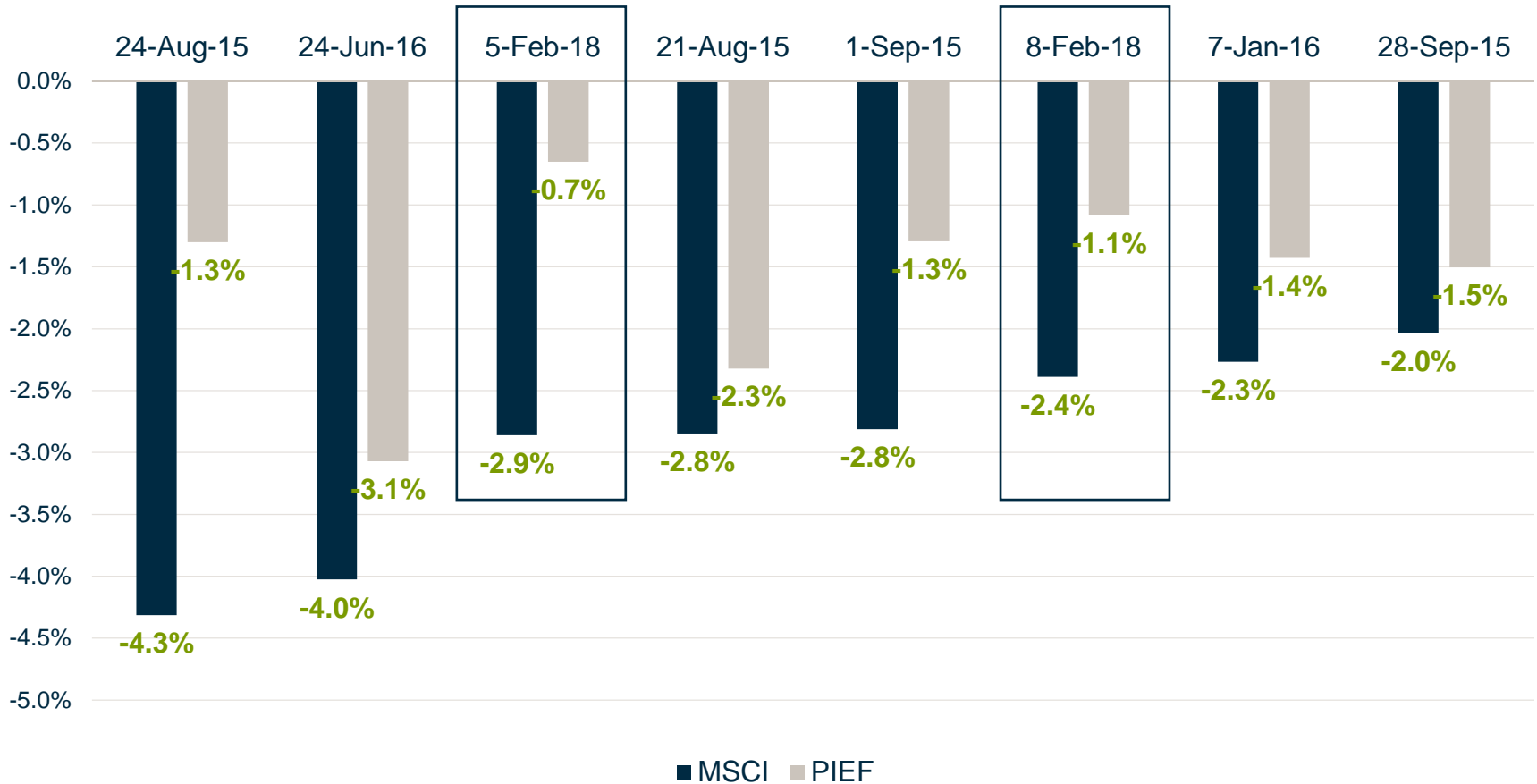


Performance from 1 Dec 17 to 19 Feb 18



3) PERFORMANCE

ii) Saving money when it counts



3) PERFORMANCE

iii) Summary



MADE MONEY
30% since inception



**MINIMIZE
VOLATILITY**



SAVED MONEY
when it counts

DELIVERED ON AIMS

ETHICAL FRAMEWORK

Achieve financial objectives ethically

4) ETHICAL FRAMEWORK



SUSTAINALYTICS

Forbidden
activities
Controversies



PENGANA RISK MANAGER

Independent of
investment team
Veto power



ENGAGE WITH UNITHOLDERS

Respond to
unitholder views

CONCLUSION

5) SUMMARY



Core fund



Some things never
change



Some things cant
stay the same



Delivered on
financial aims,
ethically

**THIS IS HOW WE WANT OUR MONEY TO BE MANAGED
& WE ARE INVESTORS IN THE FUND**

APPENDIX

INVESTMENT TEAM



JORDAN CVETANOVSKI
CIO & PORTFOLIO MANAGER

- 16 years experience
- Partner at Carmignac Gestion (Paris)
- Robeco, Platinum, BT



STEVEN GLASS
HEAD OF RESEARCH &
PORTFOLIO MANAGER

- 16 years experience
- Hunter Hall portfolio manager



RONALD YU
EQUITY ANALYST

- 6 years experience
- Morphic Asset Management



JAMES MCDONALD
PORTFOLIO MANAGER

- 21 years experience
- Hunter Hall
- BT Funds Management



TIM BLAKE
EQUITY ANALYST

- 16 years experience
- Analyst Hunter Hall.
- Five Oceans,
- Macquarie Group



RYAN FISHER
EQUITY ANALYST

- 21 years experience
- Goldman Sachs
- Credit Suisse
- ANZ Securities

PORTFOLIO CONSTRUCTION

Cyclical: 0-30% of Fund – European Banks – Cycle and Stockpicking

**POSITIVE MACRO
BACKDROP**



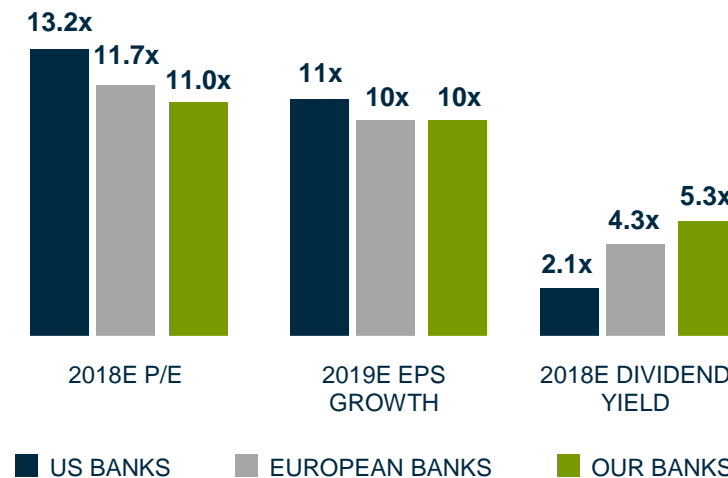
**LEVERAGE TO
RISING RATES**



**STRONG
OUTLOOK**

PREFER EURO VS US BANKS

KEY METRICS



OUR POSITIONS

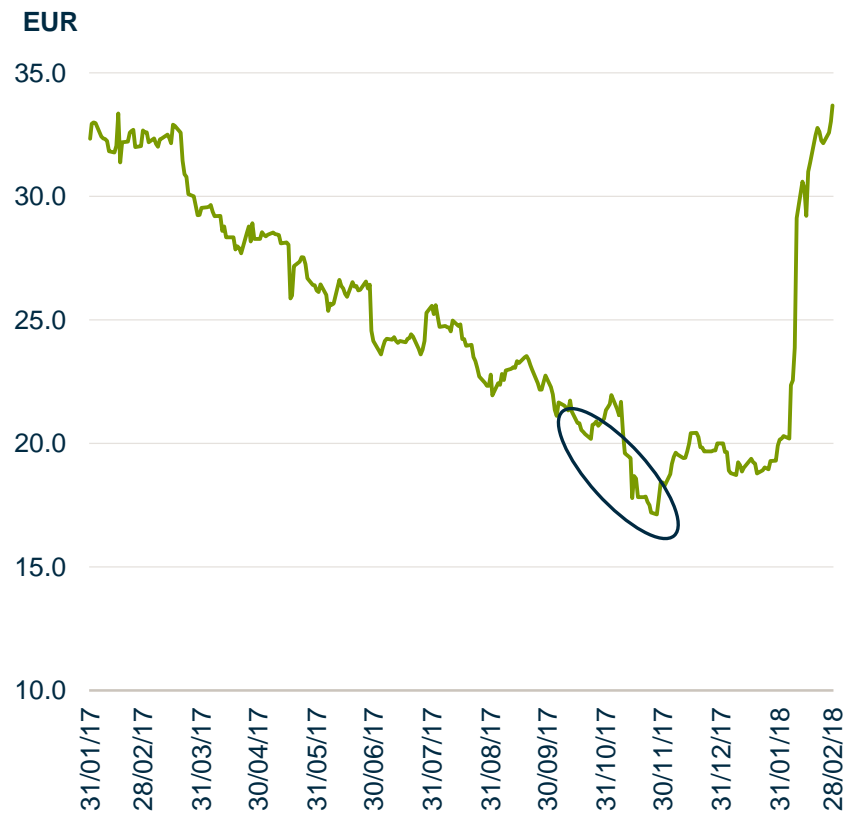
ABN Amro (Netherlands)
CaixaBank (Spain)
Credit Agricole (France)
Intesa SanPaolo (Italy)

PORTFOLIO CONSTRUCTION

Opportunistic: 0-20% of Fund

- ✓ Leading market maker in ETFs (no market risks)
- ✓ **CYCLE:** Market volatility drives returns
- ✓ **TAILWINDS:** ETF structural growth
- ✓ Hedge against market turmoil

FLOW ■ TRADERS

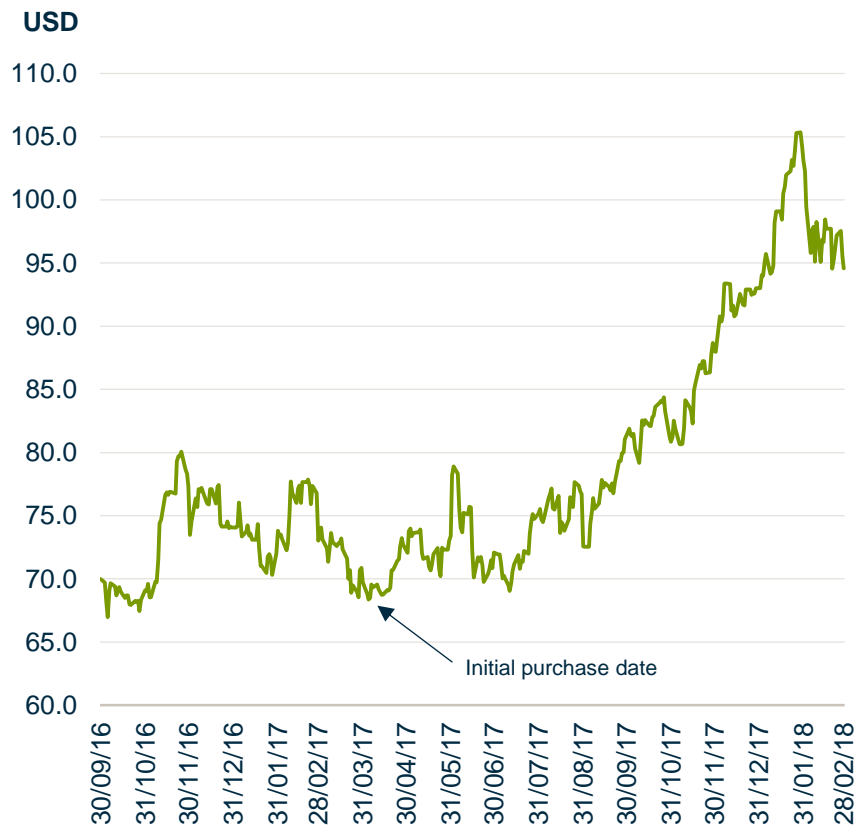


1) PORTFOLIO CONSTRUCTION

iii) Core: 60-80% of Fund

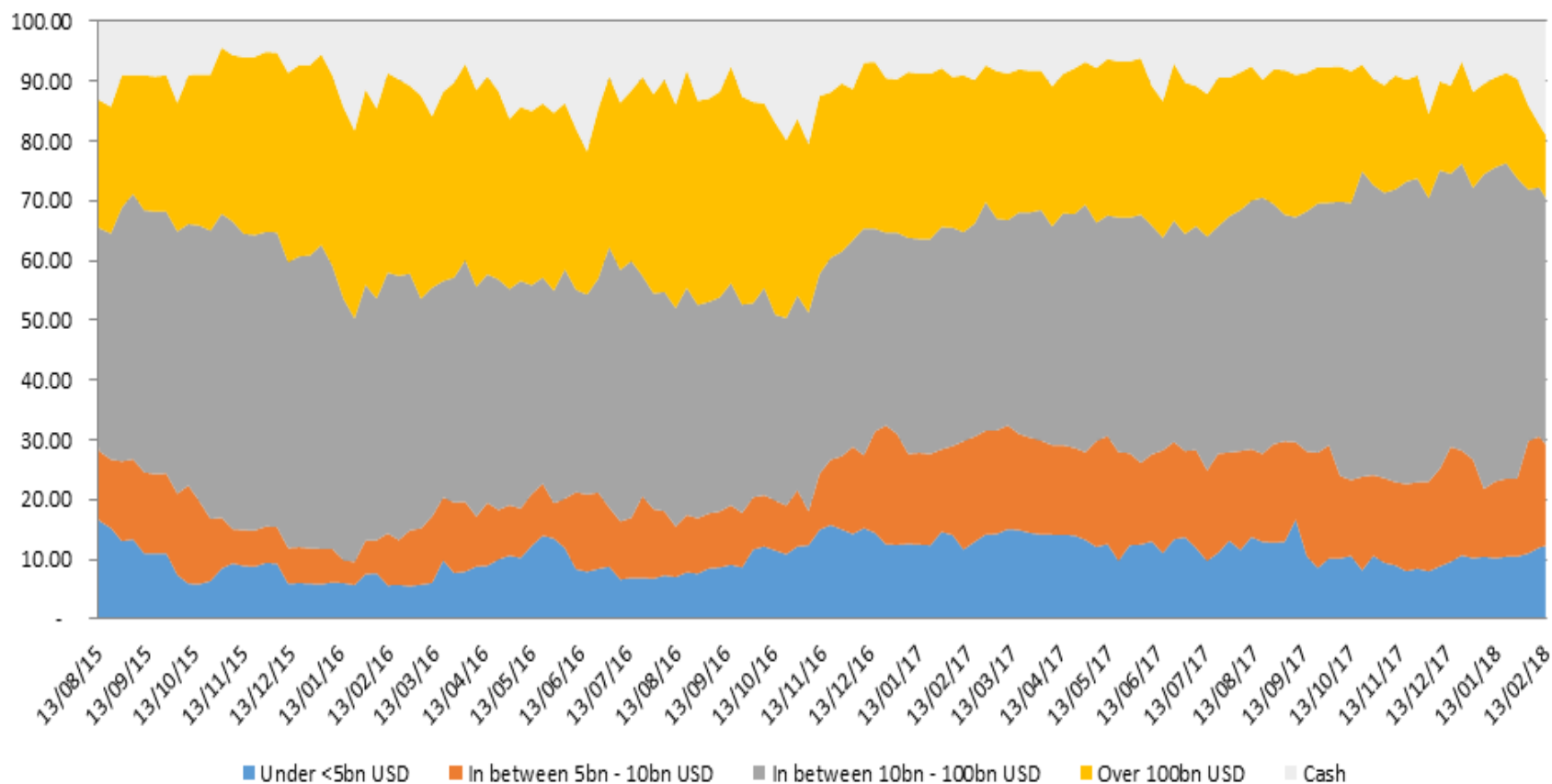
- ✓ **GROWING** – good management + structural + store roll out
- ✓ **VALUATION:** 5% FCF yield and 16x PE
- ✓ **AMAZON:** Don't deliver to core markets

DOLLAR GENERAL®



2) ACTIVE MANAGEMENT

iii) Company-size exposure



PORTFOLIO SEGMENTATION

CORE	CYCLICAL	OPPORTUNISTIC
<ul style="list-style-type: none">✓ 60 – 80% of Fund✓ 15 – 30 stocks✓ 5 – 15% growth✓ FCF Yield > RFR + 3%✓ Stable and growing companies with favourable tailwinds✓ Position size: 1-5%	<ul style="list-style-type: none">✓ 0 – 30% of Fund✓ 0 – 15 stocks✓ >10% growth✓ FCF Yield (cyclically adjusted) > Core✓ Operating in cyclical industries that are poised for an upturn✓ Stop losses✓ Position size: 1-3%	<ul style="list-style-type: none">✓ 0 – 20% of Fund✓ 0 – 10 stocks✓ Unique company specific situations with attractive potential upside✓ Stop losses✓ Position size: 1-3%

PORTFOLIO ✓ 30 – 50 STOCKS ✓ > 5% GROWTH ✓ FCF YIELD > RFR + 3%

PROCESS OVERVIEW



1.

INVESTMENT
UNIVERSE



2.

IDEAS



3.

RESEARCH



4.

INVESTMENT
DECISIONS

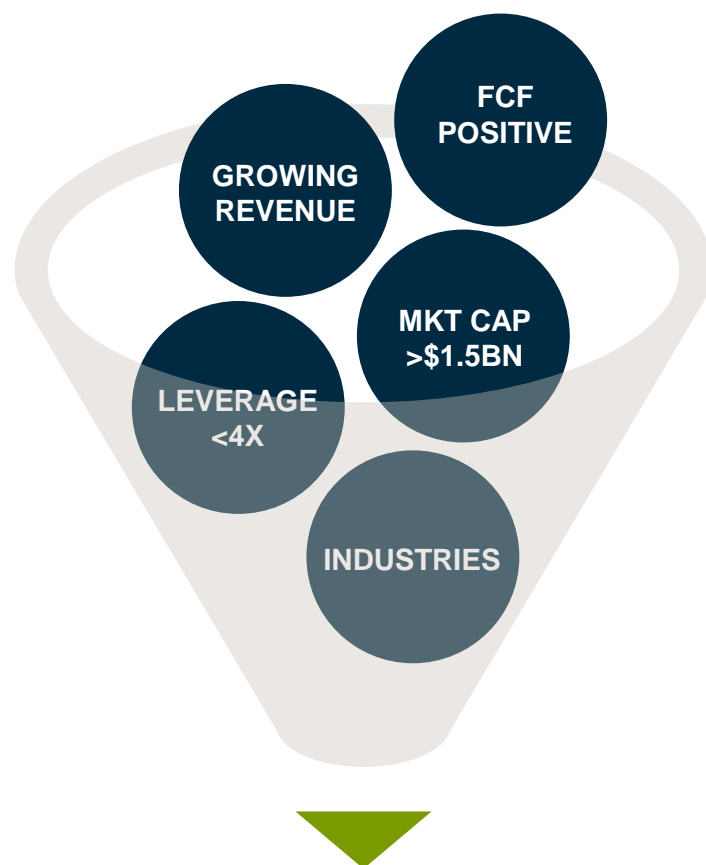


5.

MONITOR

PROCESS

Investment universe



INVESTMENT UNIVERSE

METRIC	NUMBER	NOTES
Listed securities	40,288	
Financials	(5,976)	Special case (see below)
Industrials	34,312	
Market cap > A\$1.5b(at entry)	(29,881)	
Excluded industries	(634)	Tobacco, Gaming, Animal Husbandry, Defence
Leverage < 4x	(7,106)	Typical covenant
Negative cash flow	(6,089)	Three consecutive years of negative CFO
Not growing	(3,834)	Revenue declined over five consecutive years
Total - Industrials	2,507	Approximation
Financials (mkt cap >\$5b)	515	Avoid small-cap financials
Total	3,022	

HOW WE PICK STOCKS

Think like industrialists and the share market doesn't exist

REQUIREMENT	BACKGROUND	EXPLANATION
Cash flow generation	Focus on cash not proxies like accounting earnings	Can spend cash not accounting earnings
Reasonable valuation	Price relative to cash generation	Returns = price paid and cash received
Growth	Competitive advantages and structural tailwinds	Easier to make money
Good management	<ul style="list-style-type: none"> • Track-record • Reinvestment • Understanding 	Success = result of many daily decisions
Positive change	<ul style="list-style-type: none"> • Complete major capex • Management change • Merger • Change in cycle 	Ties into the growth
Unlikely to blow up	Avoid <ul style="list-style-type: none"> • Gearing • Fighting the tide • Complexity 	Capital preservation

HOW WE MANAGE/CONTROL PORTFOLIO RISK

Summary



PORTFOLIO CONSTRUCTION AND STOCK SELECTION

- ✓ Avoid companies –illiquid, overleveraged, binary outcomes, structural headwinds
- ✓ Seek companies -cash generative, reasonable valuation, good management, growing
- ✓ Portfolio Construction- Core, Cyclical, Opportunistic-min 60% in Core, max 20% in opportunistic,max 30% in cyclical
- ✓ Sector/ country/ Market cap diversification
- ✓ Limit stock position sizing
- ✓ Limit sector exposure(max 25%)



DISCIPLINE AND STRUCTURE

- ✓ Stop losses on Cyclical and Opportunistic stocks and FX
- ✓ Profit taking
- ✓ Ability to hold cash
- ✓ Ability to use options to manage market exposure
- ✓ No naked FX or derivative positions

PROCESS

Portfolio construction – managing FX

MANAGED FOR A\$ WEALTH

- ✓ **FX goal** – don't lose large amount of A\$ wealth and achieve some gains from FX
- ✓ No naked currency positions
- ✓ **Current default** – unhedged
- ✓ **Alter hedge** when
 - Reason for concern
 - FX breaks through stop losses



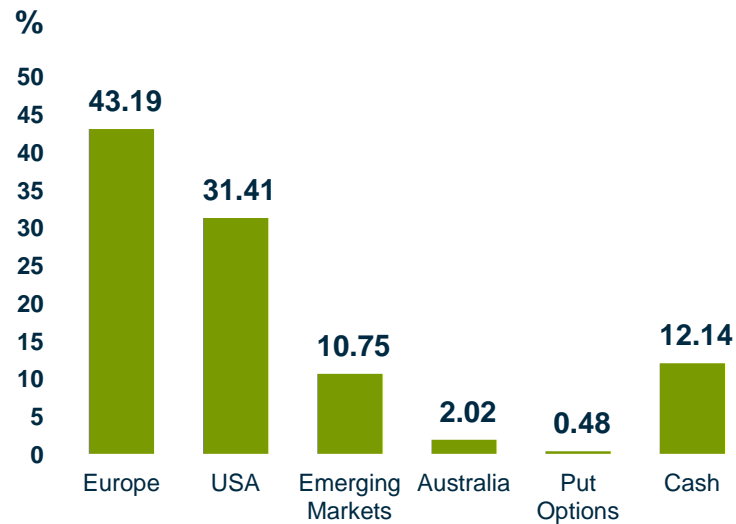
PORTFOLIO GUIDELINES AND FEATURES

GUIDELINES	FIGURE
Minimum number of GICS industry sectors	4
Maximum sector exposure	25%
Maximum regional exposure	20% above index
Maximum derivatives exposure	10% of portfolio
Minimum market cap	A\$1.5b(at entry)
Minimum position size	1%
Maximum position size	3 to 5% (depending on segment)
Maximum cash	20%

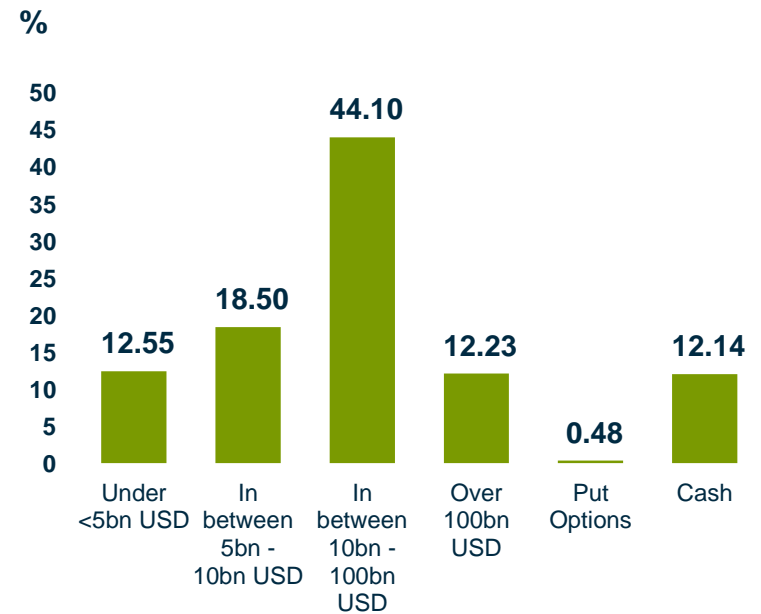
FEATURE	
Management fee	1.23%* (plus expense recovery of 0.104%)
Performance fee	Nil
Pricing	Daily
Benchmark	MSCI ACWI (net) in A\$
Use of derivatives	Only exchange traded derivatives for insurance
Borrowing	None
Short selling	None
Use of leverage	None
FX hedging	When appropriate

SNAPSHOT OF FUND

GEOGRAPHY



MARKET-CAP



SNAPSHOT OF FUND

SECTOR	TOTAL	INDEX
Financials	16%	19%
Materials	14%	5%
Consumer Staples	12%	8%
Information Technology	11%	19%
Consumer Discretionary	10%	12%
Health Care	8%	11%
Telecommunication Services	5%	3%
Gold	4%	-
Industrials	4%	11%
Real Estate	2%	3%
Utilities	2%	3%
Energy	0%	6%
Option	0%	-
Cash	12%	-
Total	100%	100%

IMPORTANT INFORMATION AND DISCLAIMER



This report has been prepared by Pengana Capital Limited (ABN 30 103 800 568, AFSL 226566) is the issuer of units in the Pengana Australian Equities Fund (ARSN 146 346 929), Pengana Emerging Companies Fund (ARSN 111 894 510), Pengana Global Small Companies Fund (ARSN 604 292 677), Pengana PanAgora Absolute Return Global Equities Fund (ARSN 609 729 704), Pengana Absolute Return Asia Pacific Fund (ARSN 145 116 810), Pengana International Fund Managed Risk (ARSN 612 382 260) and the Pengana International Fund (ARSN 610 351 641). A product disclosure statement for each of these funds ('Funds') is available and can be obtained from our distribution team. A person should consider the product disclosure statement carefully and consult with their financial adviser before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the relevant Fund.

Pengana Investment Management Limited (ACN 063 081 612) is the issuer of units in the Pengana Australian Equities Income Fund (ARSN 098 586 586), Pengana WHEB Sustainable Impact Fund (ARSN 121 915 526), Pengana International Fund - Ethical (ARSN 093 079 906), High Conviction Equities Trust (ARSN 602 546 332) and Pengana International Fund – Ethical Opportunity (ARSN 098 586 282). A product disclosure statement for each of these funds ('Funds') is available and can be obtained from our distribution team. A person should consider the product disclosure statement carefully and consult with their financial adviser before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the relevant Fund.

PIML is also the manager of Pengana International Equities Limited (ASX:PIA) ("PIA")

The performance calculations for the Funds in this report have been calculated net of fees and expenses, on a pre-tax basis and assume that all distributions are reinvested.

The value of investments can go up and down. Past performance is not a reliable indicator of future performance.

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