

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

**JULY 2018
PERFORMANCE
UPDATE**

DESCRIPTION AND FEATURES

Pengana International Equities Limited provides access to the benefits of an actively managed core portfolio of 30-50 ethically screened companies across developed and developing global 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 shares | 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 World ³ |
| DRP | Yes |
| Share price¹ | \$1.17 |
| Option price¹ | \$0.009 |
| NTA (pre-tax) ^{1,2} | \$1.24 |
| NTA (post-tax) ^{1,2} | \$1.23 |
| Premium/discount to pre-tax NTA¹ | (6.15%) |
| Ordinary shares on issue¹ | 247.48m |
| Bonus options on issue¹ | 242.65m |
| Benchmark | MSCI World ³ |

¹ At 31 July 2018.

² The figures are unaudited.

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

**WE REMAIN
COMFORTABLE
WITH OUR
CURRENT
CONSERVATIVE
POSITIONING**

PERFORMANCE COMMENTARY

The portfolio delivered 1.1% in July. The portfolio's stocks delivered 1.6% but the portfolio was only 84% invested (16% of the portfolio was held in cash) and it held a meaningful amount of portfolio insurance (put options). The combination of cash and the put options cost approximately 70bps of relative performance during the month. Currency movements had a negligible impact on performance.

The three largest positive stock contributors were Wacker Chemie, TomTom, and Check Point Software. The positive performance for all three of these companies followed their 2Q18 earnings results.

The three largest stock detractors were Tencent, Fresnillo, and Smiths Group. Tencent's share price declined in sympathy with a weak Chinese stockmarket and various analysts' earnings downgrades. Fresnillo's performance reflected a decline in the gold and silver prices. Smiths' decline followed its 2Q18 result.

The portfolio's current largest industry exposure is in Materials, partly reflecting investments we have

identified in the Chemicals industry. The portfolio also has meaningful exposure to Consumer Staples, which have been notably sold off over the past year. Having dramatically sold down the portfolio's IT exposure earlier in the year, that sector now accounts for 11% of the portfolio. We think even that figure overstates the exposure because it includes companies like Check Point and Sabre, which are not part of the in-vogue high-growth internet-stocks complex.

The portfolio continues to have relatively large exposure to Europe + UK (34%) and emerging markets (15%), while having relatively small exposure to the US (35%).

The weight of the Core segment remains within 60-65%, which is at the low end of our target range (60-80%). We are identifying a lot of value in Cyclical, which are approximately 15% of the portfolio. However, we are cautious to add to the Cyclical segment's weight given our growing concerns about trade wars. Opportunistic remains 5-10% of the portfolio.

PERFORMANCE

Net performance for periods ending 31 July 2018⁴

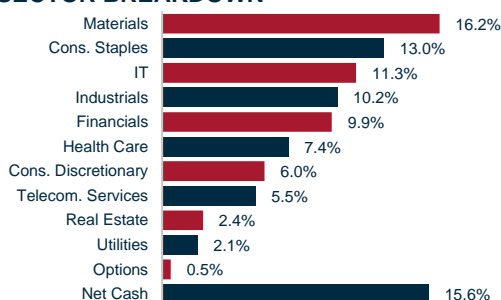
| | 1 mth | 3 mths | FYTD | Since Inception p.a. ⁵ |
|-----------|-------|--------|------|-----------------------------------|
| PIA | 1.1% | 0.9% | 1.1% | 7.9% |
| Benchmark | 2.5% | 5.3% | 2.5% | 7.3% |

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.

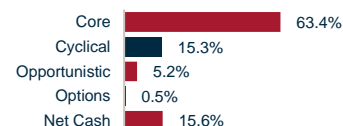
PORTFOLIO INFORMATION

| Top 10 stocks | | |
|------------------------|----------------|----------------------------|
| Name | Country | Sector |
| Bharti Infratel | India | Telecommunication Services |
| Cigna | United States | Health Care |
| Dollar General | United States | Consumer Discretionary |
| Heineken | Netherlands | Consumer Staples |
| Newmont Mining | United States | Materials |
| Nutrien | Canada | Materials |
| Reckitt Benckiser | United Kingdom | Consumer Staples |
| Sabre | United States | Information Technology |
| Tencent Holdings | China | Information Technology |
| Wacker Chemie | Germany | Materials |
| Largest 3 Contributors | | Largest 3 Detractors |
| Wacker Chemie | | Tencent Holdings |
| TomTom | | Fresnillo |
| Check Point Software | | Smiths Group |

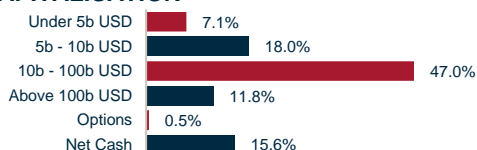
SECTOR BREAKDOWN



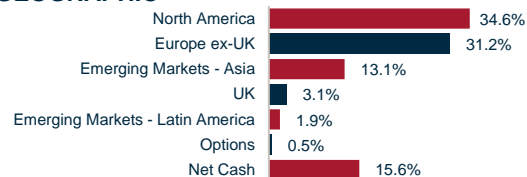
SEGMENT



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/PIA



PENGANA INTERNATIONAL EQUITIES LIMITED
ACN 107 462 966 AFSL 219462

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