

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

**AUGUST 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	\$1.21
Option price¹	\$0.014
NTA (pre-tax)^{1,2}	\$1.27
NTA (post-tax)^{1,2}	\$1.25
Premium/discount to pre-tax NTA¹	(4.98%)
Ordinary shares on issue¹	247.70m
Bonus options on issue¹	242.42m
Benchmark	MSCI World ³

1. As at 31 August 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 returned 2.2% in August, with 89% invested in stocks and a small amount in portfolio insurance (put options). Virtually all of the performance was attributable to the investment in stocks while the put options had a negligible impact on total returns.

The largest positive stock contributors were Dollar General, CME Group and Lumentum Holdings. Dollar General's and CME's contributions followed relatively strong performance and their size in the portfolio. Lumentum is a relatively small position but its share price appreciated 30%, with most of the gains following its quarterly result announcement.

The largest stock detractors were Newmont Mining, Antofagasta and ENN Energy. Newmont's and Antofagasta's performance reflected a decline in the gold and copper price, respectively. We believe the gold price decline reflects the strengthening USD and the copper price decline was due to the concerns about the Chinese economy. ENN declined along with the broader Chinese market following economic concerns related to trade wars and tightening local credit.

The current largest industry exposures are Materials, IT and Financials. The 'Materials' nomenclature is slightly misleading as it includes a wide variety of businesses including a gold miner, two chemical companies, a fertiliser company and a cork business. The Financials exposure is largely through derivative exchanges and it also includes a Chinese life insurer and a global credit card business. We continue to have no exposure to the in-vogue US tech scene and the IT exposure is through Chinese tech companies and non-FAANG US tech businesses, such as Lumentum.

The portfolio continues to have relatively large exposure to Europe + UK (31%) and emerging markets (18%), while having relatively small exposure to the US (38%).

The weight of the Core segment remains within 60-70%, which is at the low end of our target range (60-80%). We are identifying value in Cyclical; currently around 13% of the portfolio. However, we are cautious to increase the Cyclical weight given our growing concerns about trade wars. Opportunistic remains 5-10% of the portfolio.

PERFORMANCE

Net performance for periods ending 31 August 2018⁴

	1 mth	3 mths	1 yr	FYTD	Since Inception p.a. ⁵
PIA	2.2%	4.4%	15.9%	3.4%	8.0%
Benchmark	4.1%	9.2%	24.0%	6.7%	7.6%

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
CME Group	United States	Financials
Dollar General	United States	Consumer Discretionary
Heineken	Netherlands	Consumer Staples
KAR Auction Services	United States	Industrials
Reckitt Benckiser	United Kingdom	Consumer Staples
Sabre	United States	Information Technology
Tencent Holdings	China	Information Technology
Wacker Chemie	Germany	Materials

Largest 3 contributors

Dollar General

CME Group

Lumentum

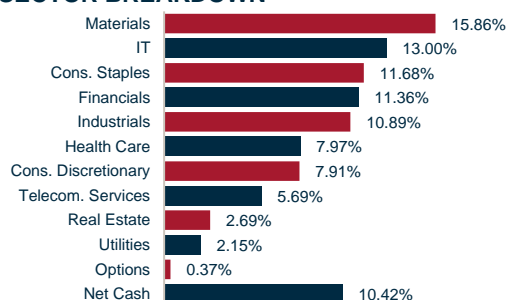
Largest 3 detractors

Newmont Mining

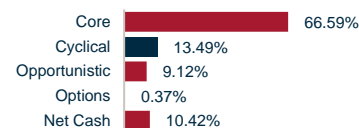
Antofagasta

ENN Energy

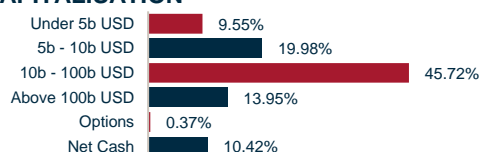
SECTOR BREAKDOWN



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**



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