



24 October 2018

Markets Announcement Office
ASX Limited
Level 5, 20 Bridge Street
Sydney NSW 2000

**PENGANA INTERNATIONAL EQUITIES LIMITED
ANNUAL GENERAL MEETING
24 OCTOBER 2018**

CHAIRMAN'S ADDRESS AND INVESTMENT MANAGER'S PRESENTATION

Please find attached:

- a. Copy of an address and accompanying slides to be delivered by Mr Frank Gooch, Chairman of Pengana International Equities Limited at the Company's 2018 Annual General Meeting to be held today; and
- b. Slides to be presented by Mr Jordan Cvetanovski, Chief Investment Officer and Portfolio Manager of Pengana International Equities Limited.

Yours faithfully,

Paula Ferrao
Company Secretary

**PENGANA INTERNATIONAL EQUITIES LIMITED
ANNUAL GENERAL MEETING
24 OCTOBER 2018**

CHAIRMAN'S ADDRESS

Good afternoon ladies and gentlemen, on behalf of my fellow Directors I welcome you to the 2018 Annual General Meeting of Pengana International Equities Limited. Thank you all for joining us and for your continued support of the Company.

My name is Frank Gooch, I am Chairman of the Board of Directors and with me today are my fellow directors David Groves, Julian Constable and Russel Pillemer. Also present today is Jordan Cvetanovski, the Chief Investment Officer of the funds management team that manages our portfolio, and Graeme McKenzie a representative from our auditor, Ernst and Young, who will be available to address any questions relating to the Company's financial statements.

May I please remind you to switch your mobile devices to silent. It is now just after 12:30pm and I call this meeting to order. I have been advised by our Company Secretary that a quorum is present, and I am pleased to declare the meeting open.

The notice of annual general meeting has been circulated to all shareholders and the holders of over 68.4 million shares or 27% of the Company's ordinary shares have voted.

The agenda for today's meeting is as follows:

Firstly, I will report on the 2018 financial results and key highlights for the year. Following my report, we will move to the formal business of the meeting and consider the first four items in the Notice of Meeting. You will have the opportunity to ask questions and make comments on each item of business.

Each of the resolutions to be considered at this meeting will be taken to a poll.

The spill resolution contained in Item 5 on today's agenda will only be put to the meeting if more than 25% of the votes cast on the resolution to adopt the Remuneration Report are cast against its adoption.

Therefore, I will pause the formal business while we await the poll result for voting on the Remuneration Report. While the result of the poll is being determined I will invite Jordan to provide an overview of the investment portfolio and its current positioning and then invite you to ask him questions regarding the portfolio.

I will resume the formal business of the meeting after Jordan's presentation and if required the spill resolution will be put to the meeting.

Following voting on the resolutions, if there is no further business, I will close the meeting and invite you to join us for afternoon tea.

At the 2017 AGM shareholders of Hunter Hall Global Value Limited approved the change of name to Pengana International Equities Limited to leverage the brand value of Pengana Capital Group, the manager of our Company and its portfolio of global equities.

Following the name change, our company's ASX ticker code was also changed to PIA and so today I will refer to our Company as PIA.

PIA's net profit in the 2018 financial year was \$24.6 million, a significant improvement on the \$22.9 million loss recorded in the prior year.

The main driver of this result was the improved return on funds invested in the global equities portfolio. Importantly this result was achieved without taking high risk positions and whilst strengthening the ethical process.

The portfolio underwent significant change as the investment manager transformed the portfolio to reflect its investment strategy, which is to generate long-term consistent returns whilst reducing both volatility of returns and the risk of losing capital. This process was completed in September 2017.

As this strategy is aimed at delivering sound absolute returns to shareholders we expect there will be periods in which it will outperform the benchmark and periods in which it will underperform the benchmark. So even though the manager receives a performance fee for outperformance, the portfolio is being managed to deliver consistent absolute risk adjusted returns.

In the 2018 financial year, the investment portfolio delivered an absolute return net of costs, of 11.9% over the year. The return of the pre-costs benchmark, which is the MSCI World Total Return Index in Australian Dollars, net of Dividends Reinvested, was 15.3%. Jordan will discuss some of the key drivers in his presentation shortly.

At the 2017 Annual General Meeting shareholders also approved an amendment to the Investment Management Agreement whereby base management fees were reduced from 1.5% to 1.2% per annum and the performance fee high watermark was reset to nil, both with effect from the 1st of December 2017.

The return of the portfolio, net of fees, for the period from 1 December 2017 to 30 June 2018 was greater than that of the benchmark so a performance fee of \$315,000 was incurred.

However, in that same 7-month period base management fees were reduced by \$535,000 as a consequence of the agreed base rate reduction. The net reduction in total fees paid to the manager in the 7-month period was \$220,000.

Corporate expenses, excluding management fees and brokerage, were also lower in 2018, falling 45.6 % from the prior financial year. Lower share registry costs, professional fees and directors' fees were the main drivers of the reduction.

PIA's dividend policy is to deliver regular and growing fully franked dividends, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. Pleasingly the profits delivered in 2018, which equated to 10 cents per share, more than covered the full year fully franked ordinary dividend of 7 cents per share, which was in line with the dividends paid in 2017.

The interim dividend of 3.5 cents per share, which was paid in April 2018 was fully franked at the rate of 30 %. However, the fully franked final dividend which was paid on 28 September 2018 was franked at rate of 27.5%.

The difference in the franking rate is due to the lower tax rate that the Company is expected to pay in 2019. Legislation has been enacted to lower the corporate tax rate to 27.5% for companies with aggregated turnover of less than \$50 million in financial year 2019. PIA's aggregated turnover in 2018 was approximately \$40 million and the ATO takes the view that this is the best indicator of aggregated turnover for 2019. Therefore, PIA's expected tax rate for 2019 is deemed to be 27.5% and in accordance with the legislation, dividends paid by PIA in the 2019 financial year can only be franked at the rate of 27.5%.

Over the financial year the PIA share price increased by 4.5% from \$1.11 at 30 June 2017 to \$1.16 at 30 June 2018. This rise combined with the fully franked dividends of 7 cents per share paid during the year and the market value of the options at 30 June 2018, delivered a Total Shareholder Return of 11.6%.

While there are several factors that affect the share price from time to time we do expect that it will tend to track the net tangible assets of the Company over the longer term.

In 2018, the NTA before provision for tax on unrealised gains increased 3.7% to \$1.23. The discount to NTA at which the shares traded at 30 June 2018 was circa 6.1% a slight improvement on the position a year ago when the discount was 6.8%.

Executives of Pengana Capital Group have been promoting the merits of PIA by meeting with shareholders, brokers and advisers regularly throughout the year. To assist in this endeavour we have sought and received recommended ratings from highly regarded research houses with further ratings expected in early 2019.

The size of the LIC market, as a whole, has grown considerably over the last couple of years as fund managers and investors have recognised the benefits of the listed investment structure. LIC investors now have access to various investment strategies which enable them to effectively and efficiently diversify their own portfolios.

PIA is well positioned to provide its shareholders with exposure to an ethically screened and actively managed portfolio of global equities that have been selected on their merits and not as an attempt to track any index. Jordan will discuss this further in his presentation.

One of our objectives is to grow the size of PIA, provided this adds value to shareholders. A larger company could be expected to have a lower MER, provide more funds to be invested and also lead to an increase in the liquidity of the PIA shares.

In December 2017, PIA issued to shareholders one bonus option for each share held. These options, which can be exercised at any time up to their expiry date of 10 May 2019, enable option holders to subscribe for new PIA shares at a fixed price of \$1.18 per share.

In total there were 244.6 million options issued and to date there have been 6.8 million options exercised increasing issued capital by \$7.9 million. If all the remaining options are exercised, the capital of PIA will increase by a further \$280.6 million.

Optionholders should be aware that these options may be valuable and if in doubt as to what action they should take they should seek advice from their financial advisers.

The positive returns of the portfolio in the quarter to 30 September 2018 resulted in PIA's NTA increasing by 1.4% after adjusting for the September payment of the final dividend of 3.5 cents per share.

In the current month to date, the decline in global markets has affected PIA's NTA but pleasingly not to the same extent that it has impacted on the benchmark return. This morning PIA announced its NTA before provision for tax on unrealised gains as at 19 October 2018 was \$1.17.

This is the outcome we expected as the portfolio is managed to reduce both volatility of returns and the risk of losing capital.

I would like to conclude by thanking my fellow Board members for their guidance and expertise and acknowledge David's contribution who, as the Chairman until my appointment last December, steered the Company through a challenging period.

I would also like to thank the staff of Pengana Capital Group for their support and efforts in managing the investments and reporting to shareholders.

Finally, on behalf of the Board I would like to thank our 7,260 shareholders for their continued support.



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PENGANA INTERNATIONAL EQUITIES LIMITED

Annual General Meeting

24 Oct 2018



ASX: PIA



CHAIRMAN'S WELCOME

Mr Frank Gooch



PENGANA INTERNATIONAL EQUITIES LIMITED

ASX: PIA



Board of Directors



FRANCIS GOOCH

INDEPENDENT

NON-EXECUTIVE CHAIRMAN



DAVID GROVES

NON-EXECUTIVE DIRECTOR



JULIAN CONSTABLE

INDEPENDENT

NON-EXECUTIVE DIRECTOR



RUSSEL PILLEMER

NON-EXECUTIVE DIRECTOR

PENGANA INTERNATIONAL EQUITIES LIMITED

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Annual General Meeting Agenda

1.

Chairman's address: Mr Frank Gooch

2.

Annual General Meeting: Formal Business

3.

Investment Manager's address : Mr Jordan Cvetanovski

4.

Q&A

5.

Afternoon Tea

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CHAIRMAN'S ADDRESS

Mr Frank Gooch



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Highlights

1

PROFIT AFTER TAX FY2018

Profit of \$24.6 million

- Improved investment performance
- Lower expenses

2

INVESTMENT PORTFOLIO RETURN ¹

11.9% ²

- for the year ending 30 June 2018
- Benchmark return 15.3% over the same period ³

3

FULLY FRANKED DIVIDENDS

7 cents per share

- 3.5 cents per share final fully franked at 27.5% paid in October 2018
- 3.5 cents per share interim fully franked at 30% paid in April 2018

4

TOTAL SHAREHOLDER RETURN

11.6%

- for the year ending 30 June 2018
- Including the 30 June 2018 value of options issued in December 17

1. 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. Past performance is no guarantee of future performance. 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.
2. 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. Inception date of PIA: 19 March 2004, new investment teams with new mandate adopted: 1 July 2017.
3. MSCI World Total Return Index, Net Dividends Reinvested, in A\$.

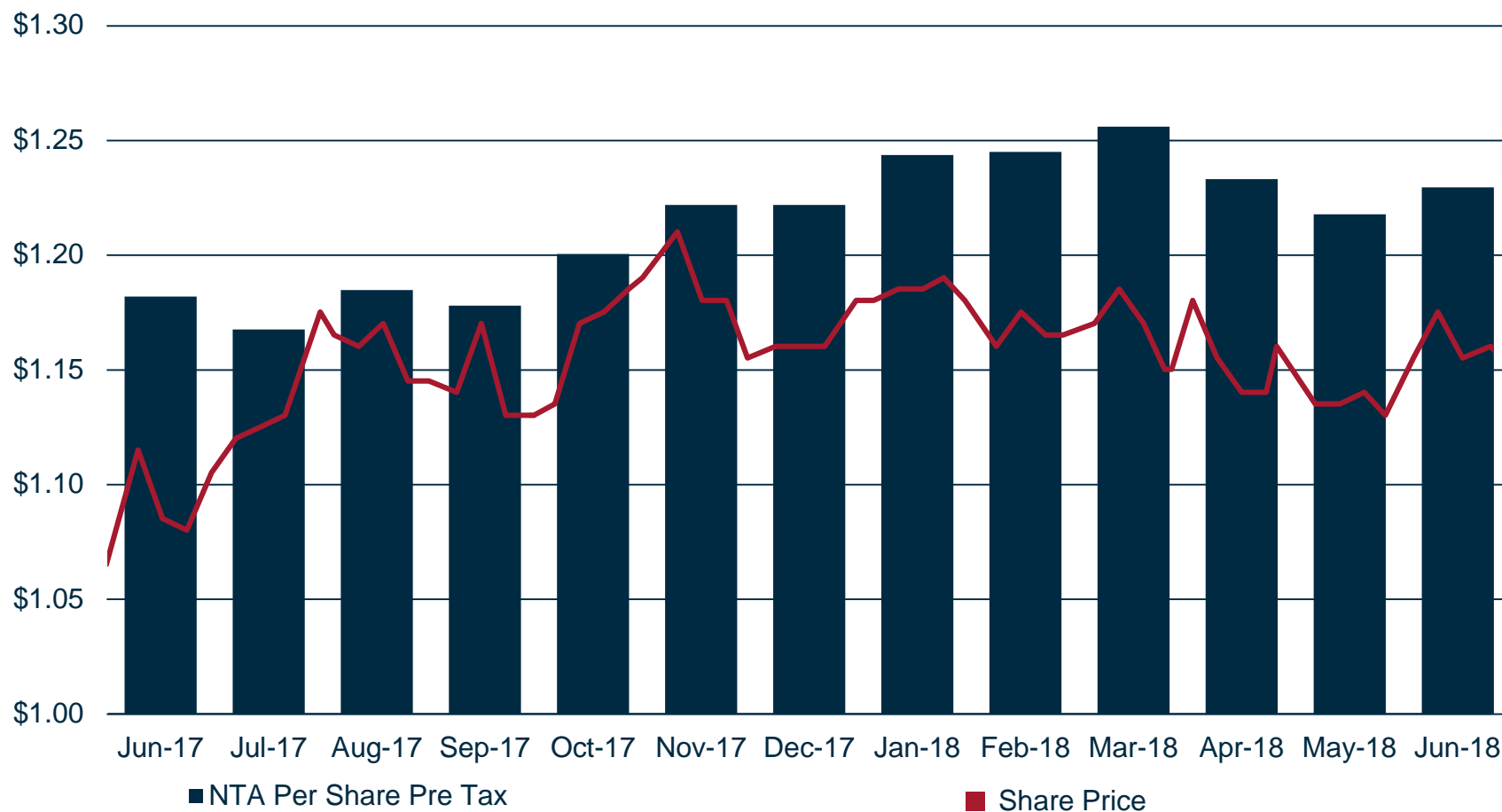
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Share Price to Net Tangible Assets (NTA)

Premium/discount of share price to pre-tax NTA from 30 June 2017 to 30 June 2018



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Capital Structure

	SHARES	OPTIONS
On issue at 30 June 2017	244,204,945	-
Options issued 12 December 2017	-	244,589,252
Options exercised	1,912,878	(1,912,878)
DRP shares issued	1,330,799	-
On issue at 30 June 2018	247,448,622	242,676,374
Options exercised	4,843,142	(4,843,142)
DRP shares Issued	660,310	-
On issue at 24 October 2018	252,952,074	237,833,232

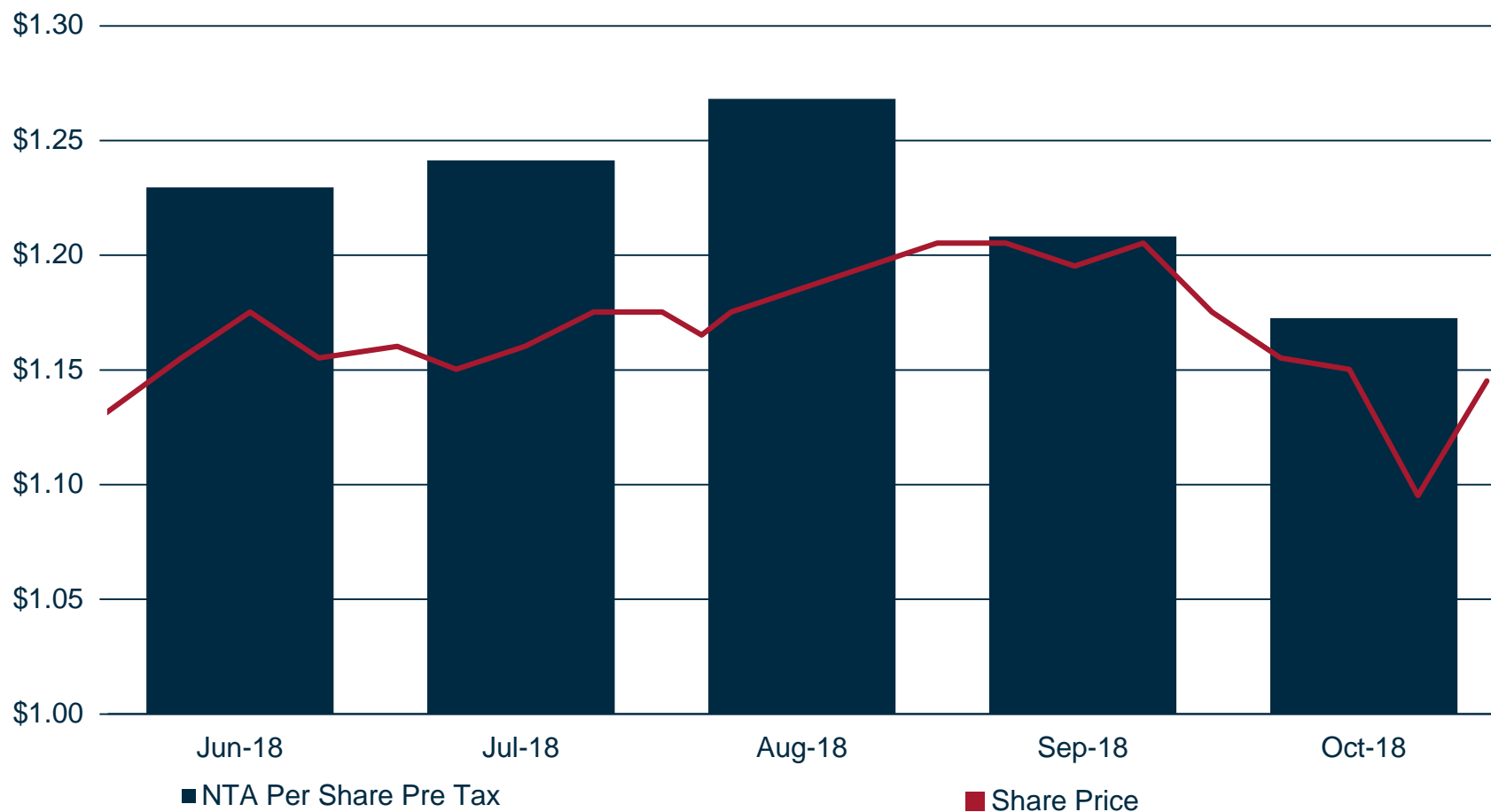
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Share Price to Net Tangible Assets (NTA)

Premium/discount of share price to pre-tax NTA from 30 June 2018 to 19 October 2018



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INVESTMENT MANAGER'S ADDRESS

Mr Jordan Cvetanovski



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Portfolio Positioning - Sector

Sector Exposure	Current %	31-Mar-17 %	+/- %
Financials	13.7	9.8	3.9
Information Technology	12.0	18.4	-6.4
Health Care	11.3	9.9	1.4
Industrials	10.2	6.5	3.7
Materials	9.8	9.3	0.5
Consumer Staples	8.4	3.2	5.2
Consumer Discretionary	8.0	18.1	-10.1
Communication Services	5.1	0.0	5.1
Real Estate	1.8	0.4	1.4
Utilities	0.0	0.0	0.0
Telecommunication Services	0.0	3.7	-3.7
Options	0.6	0.0	0.6
Net Cash	19.1	20.8	-1.7

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Portfolio Positioning - Region

Region Exposure	Current %	31-Mar-17 %	+/- %
North America	42.4	45.9	-3.5
Europe ex-UK	24.4	7.3	17.1
Emerging Markets	12.2	6.4	5.8
UK	1.9	2.2	-0.3
Asia Pacific ex-Japan	0.0	0.0	0.0
Australia/New Zealand	0.0	17.3	-17.3
Net Cash	19.1	20.8	-1.7

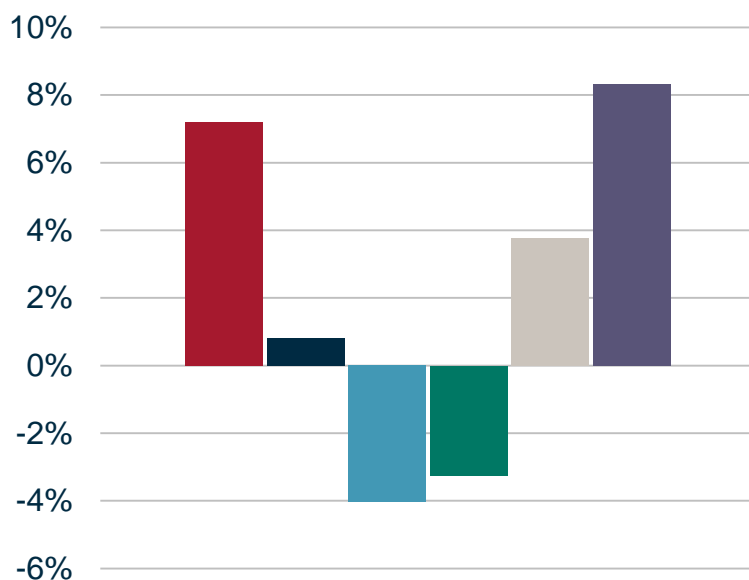
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Market Performance

3 month performance

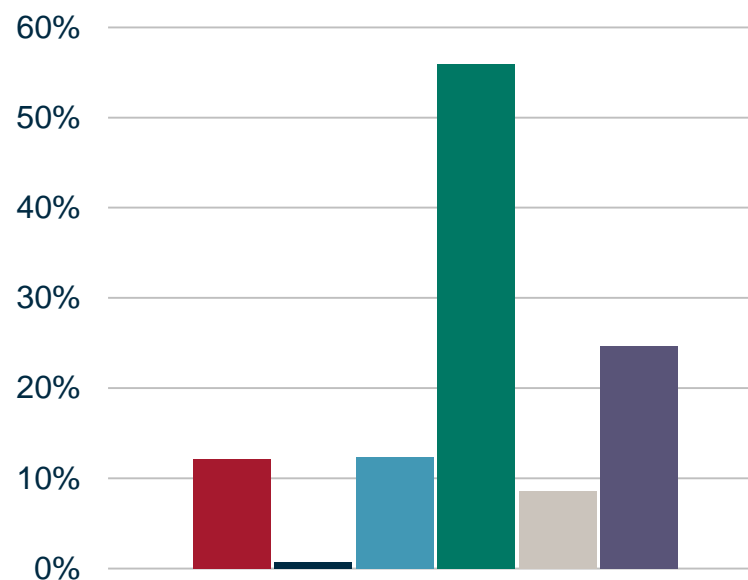


- S&P 500
- STOXX Europe Total Market (EUR)
- Hang Seng
- NYFANG
- MSCI ACWI
- NASDAQ 100

As at 30 September 2018

Inception date of ASX: PIA was 19 March 2004

FY17/18



- S&P 500
- STOXX Europe Total Market (EUR)
- Hang Seng
- NYFANG
- MSCI ACWI
- NASDAQ 100

As at 30 June 2018

Inception date of ASX: PIA was 19 March 2004

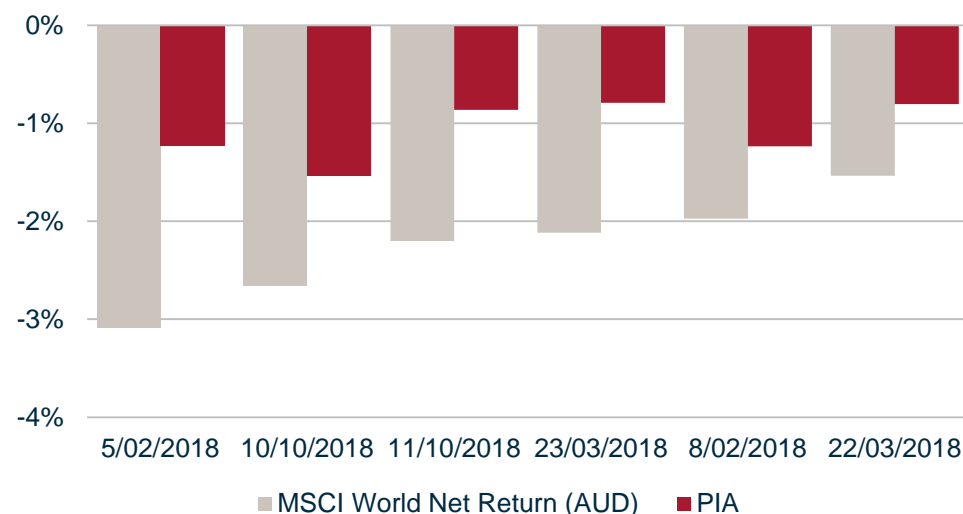
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Balancing Capital Growth and Preservation of Capital

Pengana International Equities Limited (PIA) Daily Performance < -1.5%



For the period between 1 July 2017 to 30 September 2018

Performance

	3Q18	FY17/18	Since Inception p.a.
PIA	1.4%	12.0%	7.9%
Benchmark	7.2%	15.4%	7.6%

As at 30 September 2018

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

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Potential Risks and Opportunities Ahead

Market Risks

- US market valuations are stretched and fed rising rates (biggest risk)
- Trade wars effect on Chinese economy and contagion
- Italy budget discipline and Brexit (lowest probability)

Market Opportunity

- Plenty of undervalued quality companies in certain sectors
- China and Europe play catch-up to the US in a business as usual case

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Q&A

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Stay connected

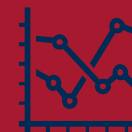
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FOR MORE INFORMATION

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