

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

**MAY 2019
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
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	A\$1.050
NTA (pre-tax)^{1,2}	A\$1.1804
NTA (post-tax)^{1,2}	A\$1.1747
Premium/discount to pre-tax NTA¹	(11.0%)
Ordinary shares on issue¹	254.05m
Benchmark	MSCI World ³

1. As at 31 May 2019. 2. The figures are unaudited. 3. MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A\$.

PERFORMANCE COMMENTARY

The portfolio was down 3.2% in May, compared to the broader market that declined 4.3%. Stock selection was the biggest source of the portfolio's relative outperformance. The portfolio's cash balance proved beneficial in the declining market. The puts had a negligible impact as we have reduced the portfolio's total put exposure.

The key event during the month was the US putting Huawei on the 'Entity List', which prohibits companies from selling anything produced in the US to Huawei. This represents an escalation in the US-Sino trade-war, which rattled markets in May but has since faded into the background due to the siren song of low interest rates.

The portfolio's three largest positive stock contributors were CME Group (US derivative exchange), Mowi (Norwegian salmon farmer) and Bharti Infratel (Indian cellular towers). All three of these stocks have demonstrated defensive characteristics during prior market downturns and May proved to be no different.

The portfolio's three largest detractors were Lumentum (US optical components), Zee Entertainment (Indian media) and A.O. Smith (US water-boilers). Lumentum declined following President Trump's ban on selling electrical components to Huawei, a major client of Lumentum. Zee declined due to rumours of an audit issue relating to its full year results. A.O. Smith declined following a report on the company by a short-seller.

The portfolio remains well diversified and does not have any one single material industry exposure. On a relative basis the portfolio remains underweight 'fast growth tech', which we believe is currently trading on gravity-defying valuations.

Compared to the benchmark, the portfolio continues to have large exposure to Europe ex-UK (27%) and Emerging Markets - Asia (7%), while being underweight the US (48%).

The weight of the Core segment remains within 60-70%, Cyclical dropped to 5-10% and Opportunistic declined to 10-15% of the portfolio.

**FOR FURTHER
INFORMATION
PLEASE VISIT
OUR WEBSITE:
PENGANA.COM/PIA**

PERFORMANCE

Net performance for periods ending 31 May 2019⁴

	1 mth	3 mths	1 yr	FYTD	Since Inception p.a. ⁵
PIA	-3.2%	1.1%	4.2%	3.2%	7.7%
Benchmark	-4.3%	1.5%	8.9%	6.4%	7.2%

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
Aon	United States	Financials
ASML Holding	Netherlands	Information Technology
Bharti Infratel	India	Communication Services
CME Group	United States	Financials
Charter Communications	United States	Communication Services
Cigna Corp	United States	Health Care
Deutsche Boerse	Germany	Financials
Medtronic	United States	Health Care
Rakuten	Japan	Consumer Discretionary
UnitedHealth Group	United States	Health Care

Largest 3 contributors

CME Group

Mowi

Bharti Infratel

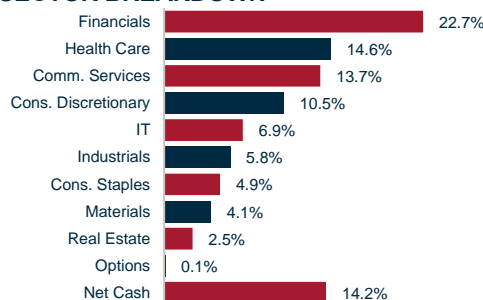
Largest 3 detractors

Lumentum

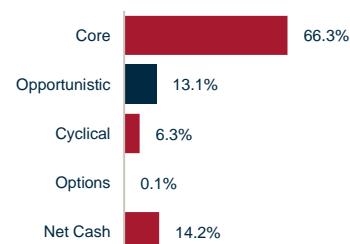
Zee Entertainment

A.O. Smith

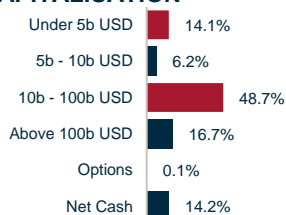
SECTOR BREAKDOWN



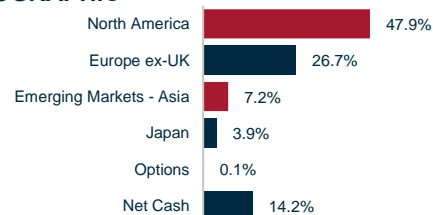
SEGMENT



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.



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