

# ASX: PIA

## PENGANA INTERNATIONAL EQUITIES LIMITED



The responsible international equity LIC

JULY  
2019

## Final Dividend and a Share Buyback

NTA  
(PRE TAX)<sup>1, 2</sup>

PERFORMANCE SINCE  
INCEPTION<sup>3</sup>

FINAL  
DIVIDEND

DIVIDEND  
PAYABLE

\$1.252

8.0% pa

3.5cps

Nov 19

### Dividend Announcement

- A final dividend of 3.5 cents per share has been declared for the 2019 Financial Year, of which 2.35 cents per share is franked at a tax rate of 27.5%.
- Dividends will be paid on 19 November to shareholders recorded on the register at 5 November.
- The total dividends declared for the 30 June 2019 financial year is 7 cents per share.

### Future Dividends

- The annual dividend in the financial year 2020 will reset to 5 cents per share<sup>4</sup>, representing a yield of 5.4% on the 31 July 2019 share price of \$1.08.
- We believe future dividends are more likely to be sustained at this level, and provide a base for growth in both dividends and capital over the medium to long term.

### Buyback Announcement

- The Board has announced its intention to implement an on-market buyback of no more than 10% of the Company's shares over the following 12 months.

### Performance Highlights

- The portfolio returned +1.7% in July<sup>5</sup>.
- The portfolio remains underweight 'fast growth tech', which we believe is currently overvalued.
- Compared to the benchmark, the portfolio continues to have large exposure to Europe ex-UK and Emerging Markets – Asia, while being underweight the US.

## Interestingly

Since mandated under the Pengana International Equities team (1 July 2017):

- The portfolio has outperformed in all regions.
- The portfolio outperformed in all market cap sectors except mega caps.
- In the 3 sectors that have driven market performance (IT, financials and industrials), the portfolio:
  - Outperformed in financials and industrials.
  - Matched the index in IT.

The portfolio has performed well despite being underweight very large companies, the US and IT. This has been detrimental given the role US large-cap growth has played in recent times.

Portfolio managers that invested in just 10 commonly held US large-cap stocks would have outperformed the benchmark by more than 100% for the year ending June 2019. Concentrated bets, however, are not without risk, and the PIA portfolio has managed to perform well with a much lower level of risk and greater diversification.

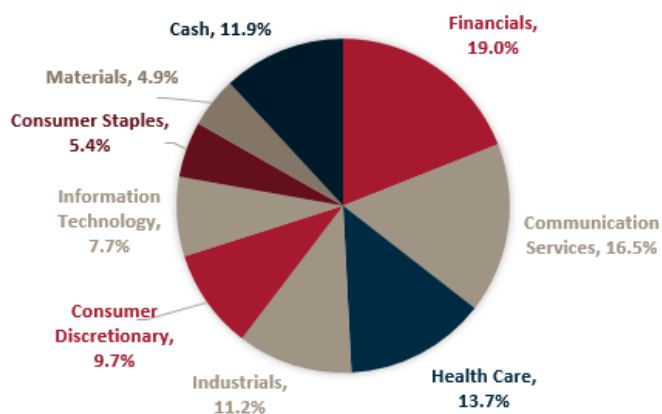
*“Many investors are now wary of the high prices of large US technology stocks and the possibility of substantial volatility and falls, so they are seeking strategies managed by teams who have the ability to generate strong returns across multiple sectors and geographies and under multiple conditions. The Pengana International Equity team has proven its ability to do exactly this, which is a rare feat in the industry.”*

## Top 10 Holdings

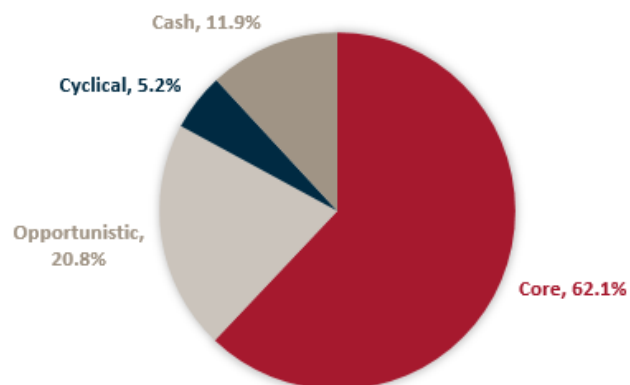
	AON	United States	Financials
	ASML Holding	Netherlands	Information Technology
	CME Group	United States	Financials
	Charter Communications	United States	Communication Services
	Cigna Corp	United States	Health Care
	Deutsche Boerse	Germany	Financials
	Medtronic	United States	Health Care
	Mowi ASA	Norway	Consumer Staples
	Rakuten	Japan	Consumer Discretionary
	Tencent Holdings	China	Communication Services

## Diversification

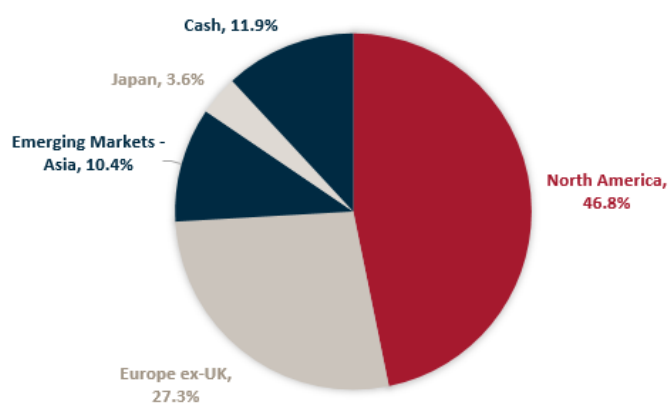
SECTOR BREAKDOWN



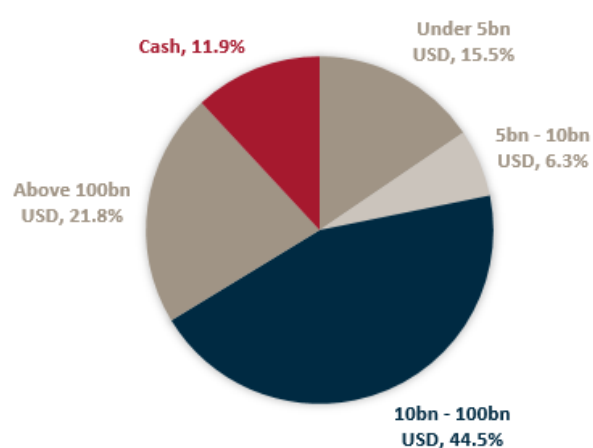
SEGMENT



GEOGRAPHIC



CAPITALISATION



## Performance

Net performance for periods ending 31 July 2019<sup>5</sup>

	1 mth	3 mths	1 yr	Since Inception p.a. <sup>3</sup>
PIA	1.7%	2.5%	8.1%	8.0%
MSCI World <sup>6</sup>	2.3%	3.1%	11.8%	7.7%

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 5 and 6 below for further details.

## Performance commentary

The portfolio returned +1.7% in July<sup>5</sup>. In local currency, the portfolio delivered 0.9% and the depreciating AUD added a further 0.8%. Cash was a minor drag through the month.

The portfolio's three largest positive stock contributors were KAR Auction Services (US used vehicle auctioneer), Alphabet (Google), and Cigna (US health insurer).

- KAR's performance followed the spinoff of one of its divisions, IAA.
- Alphabet's performance followed its 2Q19 result.
- Cigna's share price benefited from the withdrawal of the proposed drug pricing rebate rule by the US government.

The portfolio's three largest detractors were Rakuten (Japanese e-commerce), Uber (US-listed ridesharing) and Bharti Infratel (Indian cellular towers).

- We think Rakuten's performance reflected growing expectations that there will be a delay in the roll out of their mobile network.
- Uber's performance probably reflected a drip-feed of questionable news including the resignation of two directors, departure of the company's COO and cut-backs to Uber's marketing team.
- Bharti's performance reflected a weak Indian stock market and poor results from one of its larger customers, Vodafone Idea.

The portfolio remains well diversified with exposures across most MSCI sectors. On a relative basis the portfolio remains underweight 'fast growth tech', which we believe is currently trading on gravity-defying valuations, and overweight Materials, which are trading on highly attractive valuations. The portfolio also does not have any direct exposure to the Oil and Gas sector or Real Estate. Compared to the benchmark, the portfolio continues to have large exposure to Europe ex-UK (27.3%) and Emerging Markets - Asia (10.4%), while being underweight the US (46.8%).

## More about Pengana International Equities Limited (ASX: PIA)

The leading international ethical portfolio listed on the ASX

Portfolio Managers	Jordan Cvetanovski Steven Glass	Asset class	International equities
Benchmark	MSCI World Total Return Index, Net Dividends Reinvested, in A\$	Fees	Management fee: 1.23% p.a. Performance fee: 15.38% of any return greater than the MSCI World <sup>3</sup>
Founded	19 March 2004	Mandate inception	1 July 2017
Ordinary shares on issue	254.05 m	DRP	Yes
Pre-tax NTA	\$1.252	Post-tax NTA	\$1.2259
Share price	\$1.08	Premium/discount to pre-tax NTA	13.7% Discount

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.

1. As at 31 July 2019.
2. The figures are unaudited.
3. Inception date of PIA: 19 March 2004, new investment team with new mandate adopted: 1 July 2017.
4. In the absence of unforeseen circumstances
5. 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.
6. MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A\$.

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