

The continued rise of equity market valuations

NTA (PRE TAX)^{1,2}

\$1.270

PERFORMANCE SINCE INCEPTION³

7.9% pa

Performance

Net performance for periods ending 31 October 2019⁴

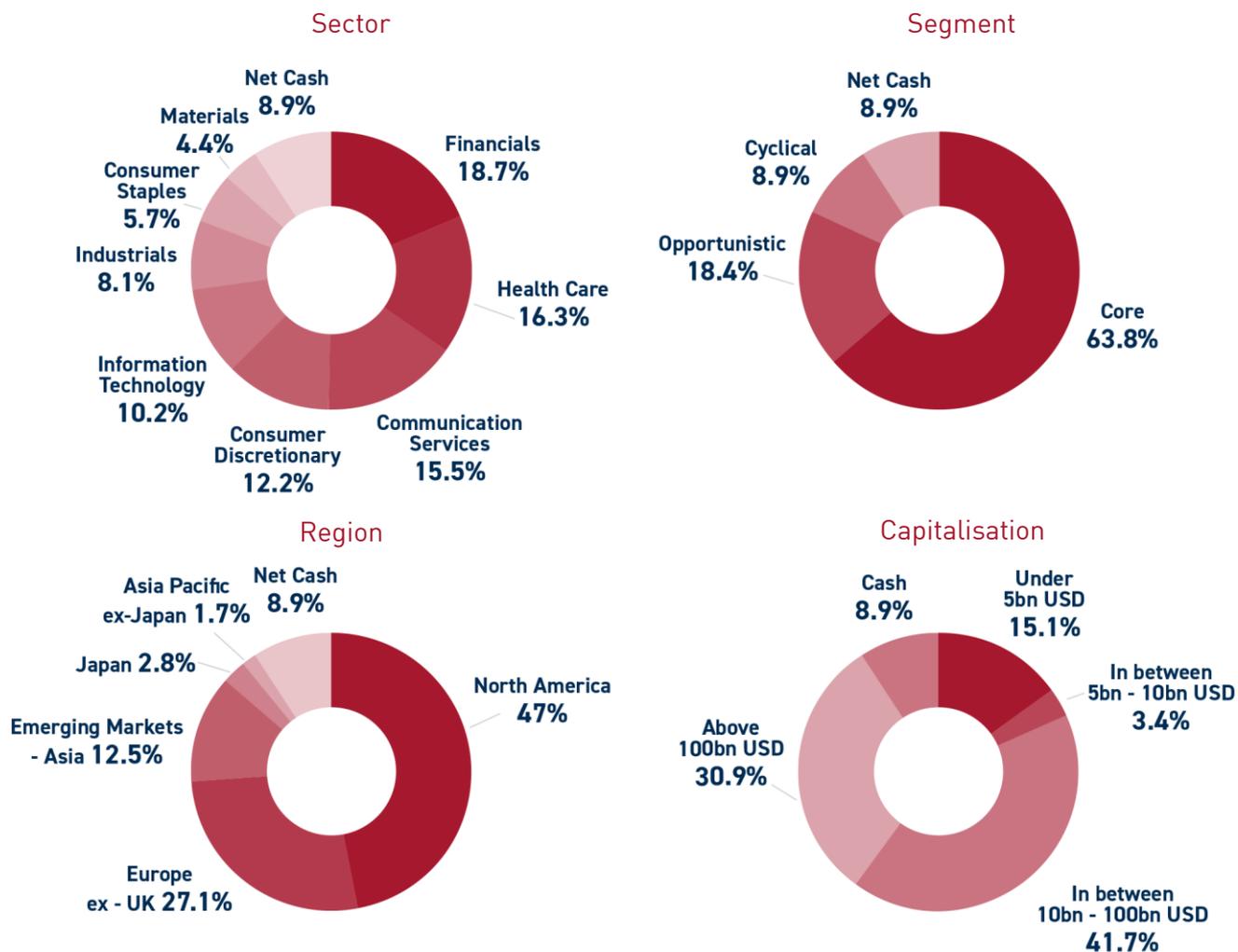
	1 month	1 year	Since inception p.a. ³
PIA	0.7%	13.0%	7.9%
MSCI World ⁶	0.4%	15.9%	7.7%

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 3, 4 and 5 below for further details.

Top 10 Holdings

	Alibaba Group	China	Consumer Discretionary
	AON	United States	Financials
	CME Group	United States	Financials
	Charter Communications	United States	Communication Services
	Cigna Corp	United States	Health Care
	Deutsche Boerse	Germany	Financials
	KAR Auction Services	United States	Industrials
	Medtronic	United States	Health Care
	Mowi ASA	Norway	Consumer Staples
	UnitedHealth Group Inc	United States	Health Care

Diversification



Market Commentary

Equity markets have continued to perform well. We're not really entirely surprised by this. Companies, although not as cheap as what they used to be, are still trading at valuations that make sense to us, relative to what the bond market is trading at. We are still getting a decent free cash flow yield out of our businesses which are high quality businesses and, most importantly, are growing.

This means as an investor you're buying, on aggregate, a portfolio of companies that are at 5% free cash flow yield. For every \$100 that we invest, we get \$5 back every single year, and that \$5 is growing over time. These are really high quality businesses. The majority of our businesses are companies that are dominant in what they do.

So, whether it's a salmon fishing business out of Norway, they are the leading salmon fishing business in the world. If it's a cork producer out of Portugal, they are the leading cork producer in the world. Then we can go all the way to a medical device company like Medtronic, this is a leading medical device company in the world.

What we've done is we've combined 40 of these companies from all across the world, that are leaders in what they do, and they provide us with 5% free cash flow yield growing 5% – 15% a year.

So let's look deeper into what's happening in the markets.

Many people are afraid that markets have gone up too far, and rightfully so. If we look at the S&P 500, it's posting all-time highs every single day of the week. We would agree the US market as a whole, historically speaking, is actually at a very high valuation. But we have to dig deeper than that, and we have to look at what's brought this market to that level.

It's essentially a limited number of companies. These are very large companies like Microsoft, Apple, Google, Facebook, Visa and MasterCard, that have done extremely well over the last 3 – 5 years, and they are the reason why the US markets have done so well over that period.

What we think will happen going forward is that investors will look elsewhere. The markets in the US will not be driven solely by these select group of businesses, but money will flow into the companies that have been somewhat neglected. Where these businesses lie are potentially in Europe, Emerging Markets, and Japan.

What we've done over the last year is position the portfolio in a way to benefit from this trend that we believe will come over the next 3 – 5 years.

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 ³
Founded	19 March 2004	Mandate inception	1 July 2017
Ordinary shares on issue	253.66 m	DRP	Yes
Pre- tax NTA	\$1.270	Post-tax NTA	\$1.237
Share price	\$1.125	Premium/discount to pre-tax NTA	11.42% 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 October 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. 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. MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A\$.

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