ASX: PIA

PENGANA INTERNATIONAL EQUITIES LIMITED

EVENTS THAT COULD SHAKE ANY INVESTOR

MAY 2020

NTA (PRE TAX)[1, 2]	PERFORMANCE SINCE MANDATED TO PENGANA[2]	PERFORMANCE SINCE INCEPTION[2]
$1.295	11.2% pa	8.3% pa

COMMENTARY VIEW VIDEO REPORT HERE >>

The pace of big news events is dizzying. During May-20:

- Covid-19 was curtailed in most advanced economics but accelerated in many emerging economies.
- Progress was made on developing a Covid-19 vaccine, most notably by Moderna, sending stocks that have been most severely impacted by Covid, like travel-related stocks, soaring.
- The economic impact of Covid on the Western economies was reported with many of the data all-time lows.
- In the early part of the month markets were driven higher by the FAANGs and other momentum stocks. Later in the month there was a sharp reversal away from those stocks and towards value.
- US-Sino relations hit a new recent low as China moved to implement its security law in Hong Kong and the US increased its anti-Huawei policies.
- Later in the month, the US's Twitter-In-Chief moved to censor social media platforms (including Twitter) as retaliation for censoring him.
- In a historic decision, the European Commission announced its intention to issue the first ever common currency bond.
- Riots erupted across the US following the police killing of George Floyd.
- Closer to home, the Australian government discovered it miscalculated the cost of its JobKeeper program by$60Bn.

Amidst all this news, what is one to do?

Should you invest at all given the eye watering negative economic data, or should one buy stocks given the progress of the vaccine? If you do buy, should it be value, which has lagged for many years and has started to inflect, or should you stay in growth and momentum, which has been the place to be for years?

Should you focus on China, given its seemingly inevitable growth or avoid that region given the mushrooming conflict with the US? Should you hedge the USD exposure, reflecting the relative strength of Australia's balance sheet, or should you remain unhedged, reflecting the USD's historic flight to safety status? How important is corporate citizenship and ESG (Environmental, Social, and corporate Governance) to you and how do you ensure you are investing in companies with an appropriate level of these factors?

These are questions that we largely believe you shouldn't have to answer. Rather, we attempt to implement an investment process designed to work across all seasons. That is, to invest in a diversified portfolio of growing and highly cash flow generative businesses trading at reasonable valuations with strong ESG practices. We don't always get it 100% right, but the it is pleasing to see that the strict application of the investment philosophy and process has shown that the decisions have been right more than they have been wrong.

Over the last month, ending 31 May , the strategy delivered 4.6% vs the benchmark's 3.4% return[1]. This takes the Portfolio's one-year rolling return to 17.9% vs the benchmark's 11.5%[1]. Equally importantly, over the past year the volatility of the Portfolio was lower than the benchmark's and with less severe drawdowns than the market during the down periods. The Portfolio has delivered on its three goals of making money, avoiding drawdowns and minimizing volatility.

As discussed last month, the most pleasing thing about the Portfolio's strong performance is that it did not come from one single trade. It was the outcome of the persistent application of the investment philosophy and process, which resulted in several things contributing to the return. The contributors include a diverse range of companies with no obvious commonality including: Indian cellular tower business (Bharti Infratel), US discount retailer (Dollar Tree), industrial laser designer and manufacturer (IPG Photonics), US medical device company (ABIOMED) and an European bank (ING Group).

The process ensures the Portfolio invests in highly diversified, cash generative, growing companies with fortress balance sheets, reasonable valuations, and strong ESG practises. The focus on growth and value coupled with our mandate to look at many regions, market caps and sectors means these companies are likely to be vastly different to what is held by others. While the names may be unfamiliar to you, you can rest assured they are all leaders in their market and are aligned with various investment themes.

Some of the themes that we are presently grappling with and that are forming the basis of our investment decisions include:

1. The potential for an inflation scare;
2. Companies that profit from corporate financial restructurings;
3. The persistence of asset market volatility;
4. A requirement for meaningful fiscal stimulus;
5. An increase in medical testing;
6. And companies that will benefit from the 'stay-at-home' society

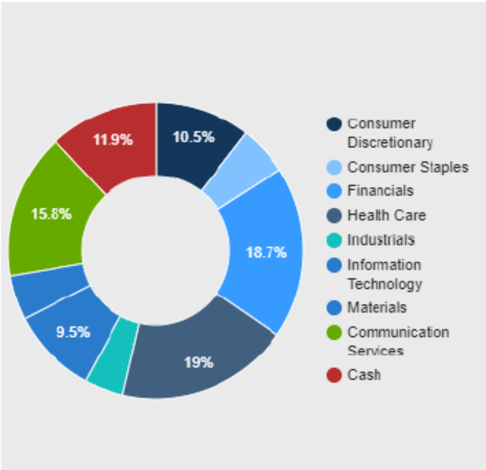
We would like to thank our team for their colossus effort. Throughout the flood of seemingly earth changing events, from Covid to China, Twitter to Trump, EM to EU, the team has remained calm, focused, and steadfast with our tasks. We couldn't be working better than we are now, which raises the question of whether we should ever return to a CBD office and perhaps our next meeting with you being on the Manly Esplanade? Now that would be a monumental event in the world of button-down funds management

PORTFOLIO PERFORMANCE	**NET PERFORMANCE FOR PERIODS ENDING 31 MAY 2020[1]**		
	1 MONTH	1 YEAR	SINCE INCEPTION P.A.[2]
PIA	4.6%	17.9%	8.3%
Benchmark	3.4%	11.5%	7.5%

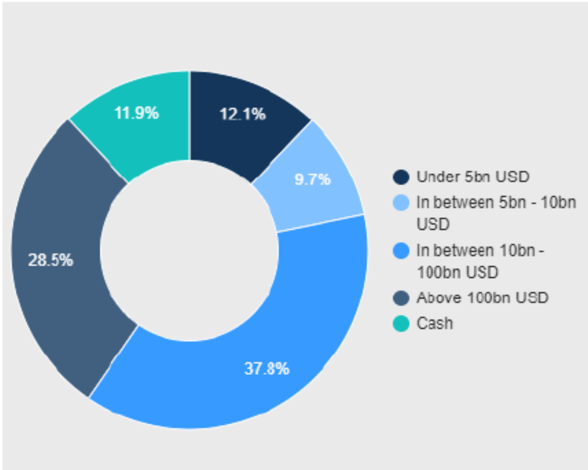
TOP HOLDINGS (ALPHABETICALLY)

Alibaba Group	China	Information Technology
Bharti Infratel	India	Communication Services
Charter Communications Inc	United States	Communication Services
Dollar Tree Inc	United States	Consumer Discretionary
Houlihan Lokey Inc	United States	Financials
Medtronic	United States	Health Care
Mowi ASA	Norway	Consumer Staples
Tencent Holdings	China	Communication Services
Thermo Fisher Scientific	United States	Health Care
UnitedHealth Group Inc	United States	Health Care

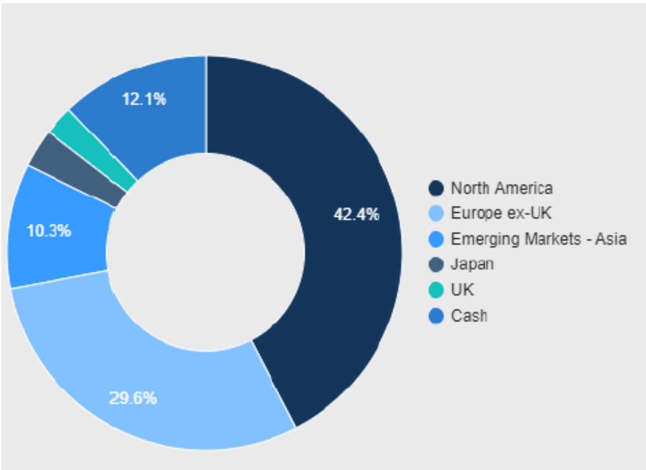
SECTOR BREAKDOWN



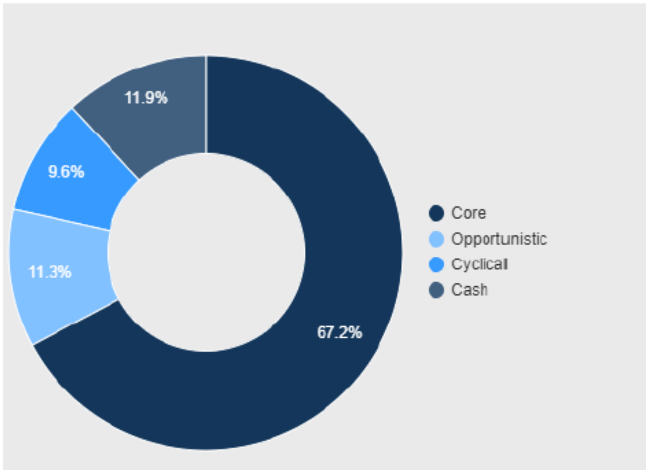
CAPITALISATION BREAKDOWN



REGION BREAKDOWN



SEGMENT



FEATURES

PORTFOLIO MANAGERS	Jordan Cvetanovski Steven Glass
ASX CODE	PIA
FEES	Management Fee: 1.23% p.a. Performance Fee: 15.38% of any return greater than the MSCI World***
INCEPTION DATE	19 March 2004
INVESTMENT OBJECTIVE	MSCI World Total Return Index, Net Dividend Reinvested, in A$
NTA POST TAX **	A$ 1.267
NTA PRE TAX **	A$ 1.295
PRICE CLOSE **	A$ 1.058
SHARES ON ISSUE **	254.09m
PREMIUM/DISCOUNT TO PRE-TAX NTA **	-18.3%
DRP	Yes

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PENGANA INTERNATIONAL EQUITIES LIMITED

ACN 107 462 966
MANAGED BY
PENGANA INVESTMENT MANAGEMENT LIMITED
PART OF THE PENGANA CAPITAL GROUP
AFSL 219462

Authorised by: Paula Ferrao, Company Secretary.

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1. As at the last day of last month prior to publishing of this report. 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.
2. Inception date of PIA: 19 March 2004, new investment team with new mandate adopted: 1 July 2017. 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.
3. Annualised Standard Deviation since inception
4. Relative to MSCI World

**. As at the last day of last month prior to publishing of this report. The figures are unaudited.

***. MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A$.

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. 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. 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.