

WEBINAR: FULLY FRANKED DIVIDENDS



ASX: PIA

INTERNATIONAL INVESTMENTS TARGETING FULLY FRANKED DIVIDENDS

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Pengana's International LIC targets fully franked dividends (ASX: PIA)

ASX: PIA



ASX: PIA

PENGANA INTERNATIONAL EQUITIES LIMITED

PRESENTED BY



Russel Pillemer
Managing Director



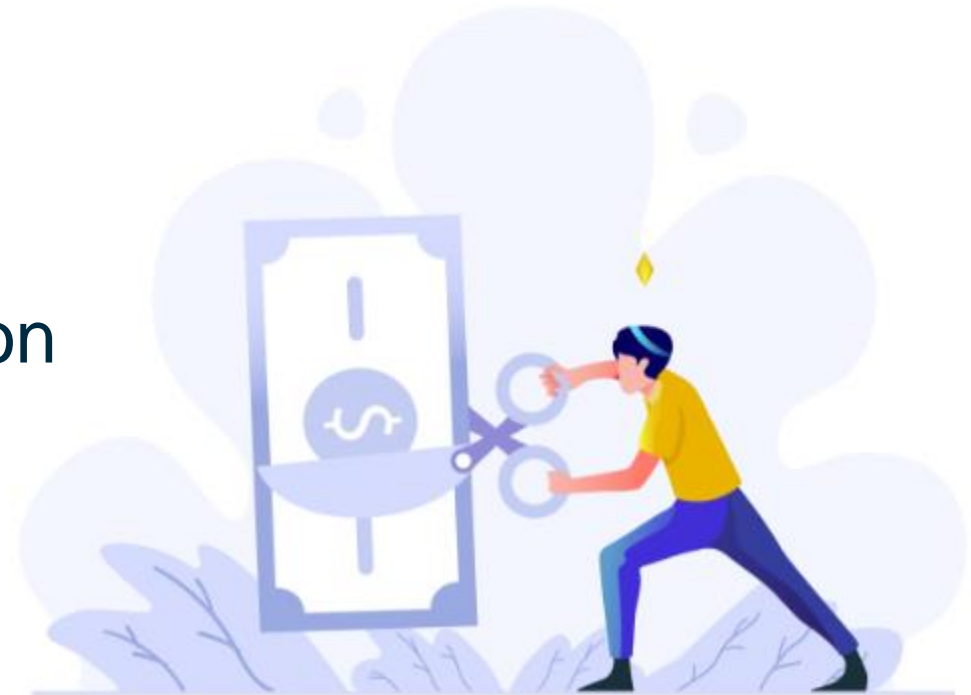
Steven Glass
Deputy Portfolio Manager & Analyst



FULLY FRANKED DIVIDENDS

So far in 2020, Australian investors have seen circa **\$26b worth of dividend income disappear.**

For investors that rely on that income, dividend cuts can have a material impact on lifestyles.



FULLY FRANKED DIVIDENDS

PIA Dividend Objective: **5c per share long-term**

>\$320 million in Net Assets

No Debt

**Highly liquid
global investments**

Disciplined Management
demonstrated ability to deliver through market cycle

unlike many other companies that are limited in their ability to pay dividends
due to capital constraints, illiquidity or debt covenants

FULLY FRANKED DIVIDENDS

2 TESTS

1. Profits in a specific period or having profit reserves, sufficient to cover the dividend

- PIA is uniquely placed to satisfy the first test as it has **\$114 million of profits reserves**, i.e. sufficient to meet its dividend objective of paying at least 5 cps annually for the next several years.

2. Sufficient franking credits (from tax paid on realised gains on investments)

- **Highly liquid** holdings
- **True diversification** of the portfolio
- **Flexibility** across medium-term holding periods
- The strategy is far more likely to result in the **sale of stocks that make large gains** (i.e. that reach our price targets)

We think that PIA has the potential to make a significant contribution to investment portfolios

Currently trading at a discount to its underlying net asset value

ABOUT THE PORTFOLIO

INVESTMENT MANAGERS



ABOUT PENGANA

Founded in 2003

14 Strategies across listed and unlisted equities

Took over Hunter Hall in 2017, including the management of PIA portfolio



INVESTMENT APPROACH

Implemented for over 15 years

International team approaching 5 year track record

Managed out of our Sydney office

Ethical Screens



FOCUS

Portfolio construction unchanged

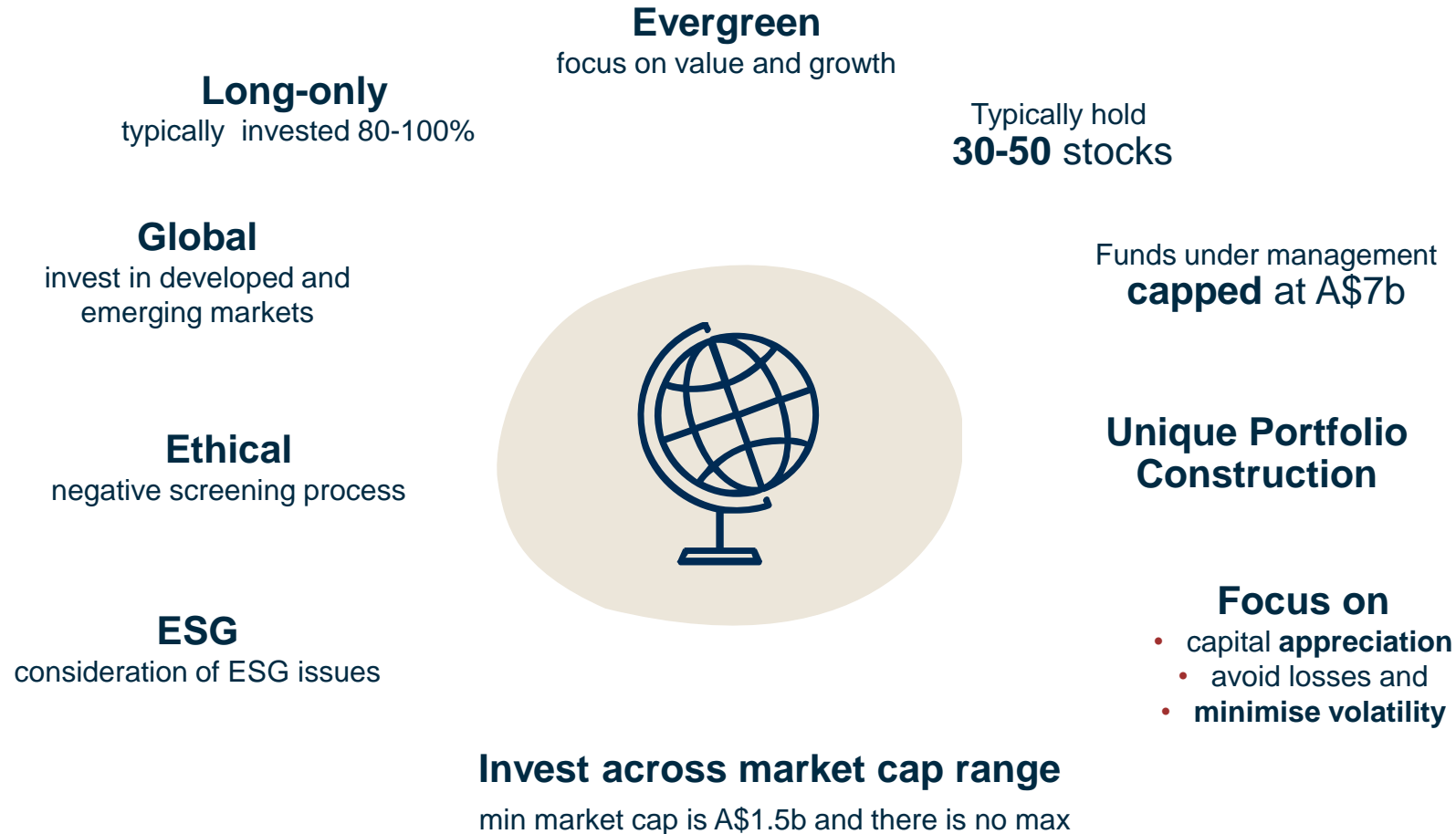
3 key aims

- Making money
- Protecting capital
- Minimize volatility

Newly mandated fully-franked dividends for shareholders

PENGANA INTERNATIONAL EQUITIES LIMITED

ASX: PIA



ASX: PIA

A DIVERSIFIED INTERNATIONAL ETHICAL COMGLOMERATE



HOW WE PICK OUR STOCKS

7 CORE INGREDIENTS



Positive tailwinds



Good management



Cash generation



Unlikely to blow up



Reasonable valuation



Growing



ESG

LOGICAL AND COMMON SENSE

ASX: PIA

PORTFOLIO CONSTRUCTION



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CORE

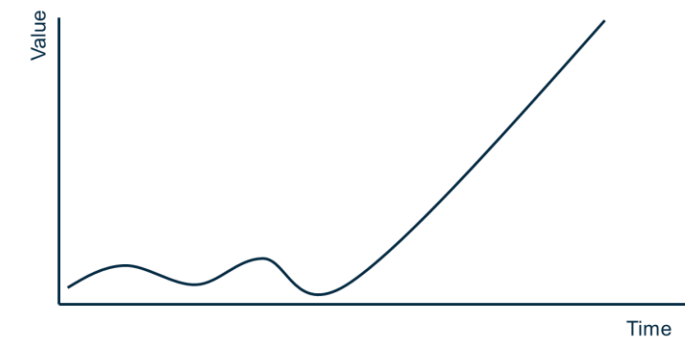
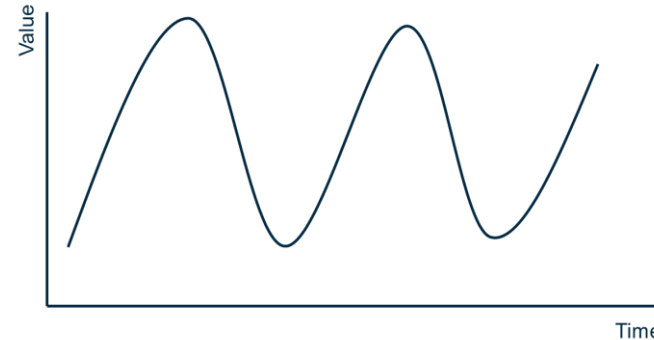
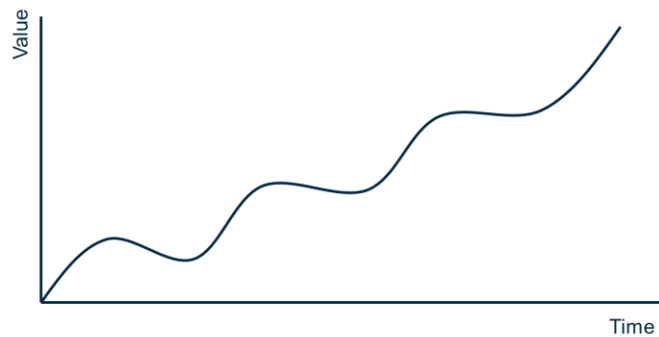
- ✓ Stable and growing companies with favourable tailwinds
- ✓ 60 – 80% of Fund
- ✓ Position size: 1-5%

CYCLICAL

- ✓ Operate in cyclical industries poised for an upturn
- ✓ 0 – 30% of Fund
- ✓ Stop losses
- ✓ Position size: 1-3%

OPPORTUNISTIC

- ✓ Company specific situations with attractive potential upside
- ✓ 0 – 20% of Fund
- ✓ Stop losses
- ✓ Position size: 1-3%



ASX: PIA

UNDERSTAND VOLATILITY NOT FEAR IT

- Take advantage of the opportunities that volatile markets present
- Search for low volatility stocks that tend to outperform the high volatility stocks
- Structural and behavioural factors make a difference to returns
- Managing volatility can often exhibit better downside protection
- Key to long-term investing

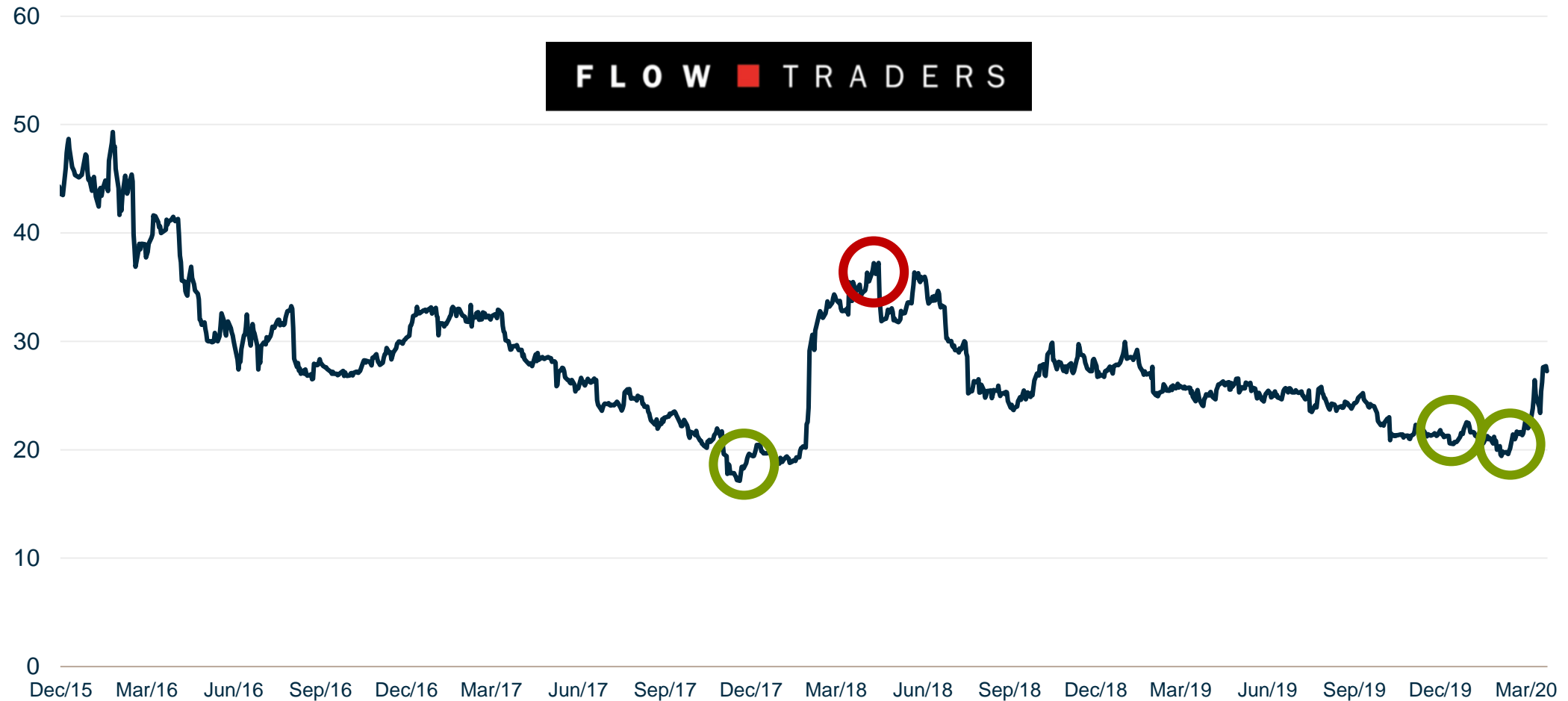
STOCK IN FOCUS

Vestas

- **World's largest wind turbine company**
- Large service business – c40% VWS' EBIT
- **Competitive advantages** - installed based, biggest R&D budget, reputation
- **Market share** (ex-China) grown from 17% (CY14) to 35% (CY19)
- **Immaculate balance sheet**
- Green energy has positive outlook but regulation is a concern, particularly PTC (USA)
- Potential to benefit from fiscal stimulus
- **7% FY21 FCF yield**



FLOWTRADERS – BALANCING RISKS IN THE PORTFOLIO



POSITIONED WELL FOR POTENTIAL OUTPERFORMANCE

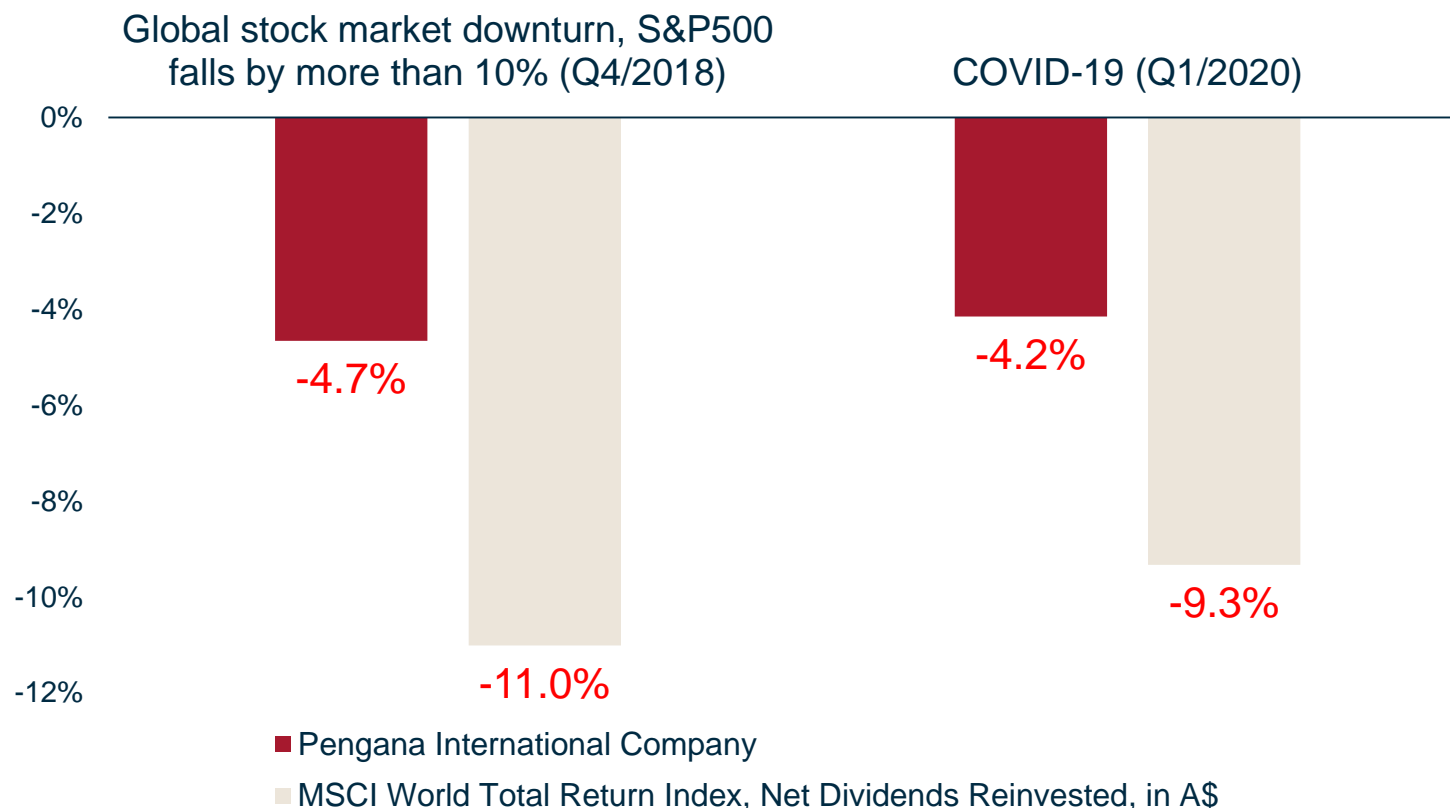
Portfolio segment	Weight	FCF yield	Rev CAGR	Gearing	Stocks
Core	69.3%	5.9%	7.1%	1.1	24
Cyclical	8.2%	7.0%	1.3%	0.3	4
Opportunistic	11.3%	2.3%	16.3%	0.0	7
Total	88.9%	6.0%	6.5%	1.0	35
Cash	11.1%				
Total portfolio	100.0%				

PROTECTING ON THE DOWNSIDE HAS NOT BEEN UNIQUE TO COVID 19



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MANAGING VOLATILITY AND PROTECTING CAPITAL



Volatility 1 Year to 31 May 2020

PIA 10.9%

Benchmark 13.8%

Annualised Return 1 July 2017 to 31 May 2020

PIA 11.2%

Benchmark 11.3%

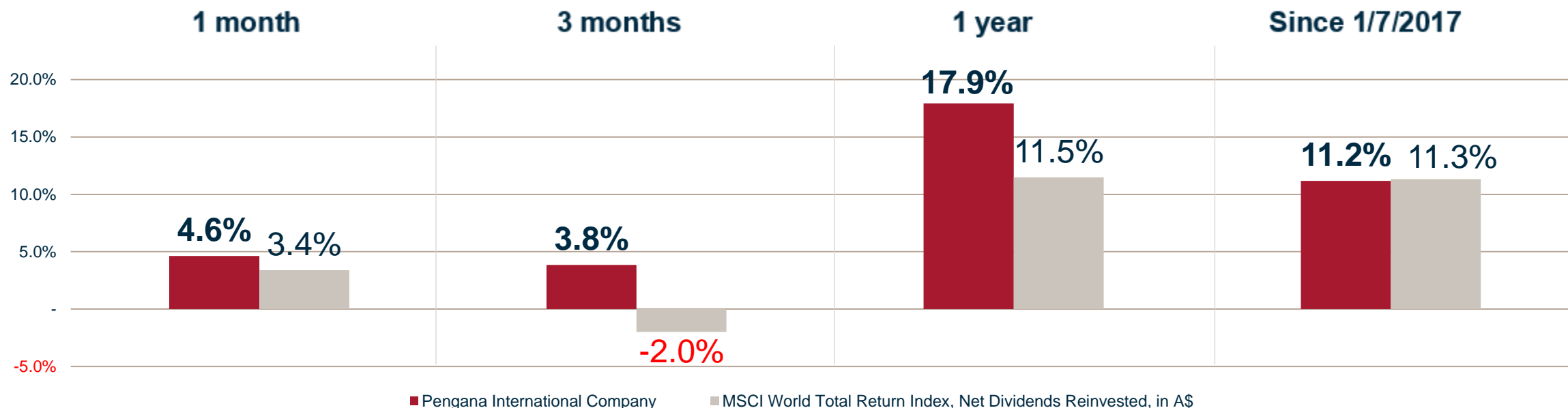
Source: Bloomberg and Pengana Capital

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. Pengana International Equities Limited has been managed under the new investment mandate by the Pengana investment team since 1 July 2017.

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KEY OBJECTIVE: GROWING WEALTH

PERFORMANCE TO 31 MAY 2020



	1 month	3 months	1 year	Since 1 July 2017
Outperformance	1.2%	5.8%	6.5%	-0.1%

Source: Bloomberg and Pengana Capital

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IN SUMMARY

COMMITTED TO THE PROCESS



PENGANA
INTERNATIONAL
EQUITIES LIMITED



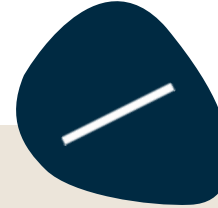
Make money

Return since 1
July 2017 =
11.2% p.a.



Protect capital

Outperform on days
market declines
meaningfully



Minimize volatility



Positioned to perform

- Cheaper than market
- Growing faster
- Lower gearing
- Better ESG

Fully franked dividends are now part of our mandate



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Q & A





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The performance calculations for the Fund in this report have been calculated net of fees and expenses, on a pre-tax basis and assume that all distributions are reinvested.

The value of investments can go up and down. Past performance is not a reliable indicator of future performance.

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