



PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

APRIL 2018
PERFORMANCE
UPDATE

DESCRIPTION AND FEATURES

Pengana International Equities Limited provides access to an actively managed core portfolio of 30-50 companies across developed and developing 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
ASX code options	PIAO
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	\$1.16
Option price¹	\$0.02
NTA (pre-tax)^{1,2}	\$1.23
NTA (post-tax)^{1,2}	\$1.21
Premium/discount to pre-tax NTA¹	(5.94%)
Ordinary shares on issue¹	247.40m
Bonus options on issue¹	242.73m
Benchmark	MSCI World ³

¹ At 30 April 2018.

² The figures are unaudited.

³ MSCI World refers to the MSCI World Total Return Index, Net Dividends Reinvested, in A\$.

WE REMAIN
COMFORTABLE
WITH OUR CURRENT
CONSERVATIVE
POSITIONING

PERFORMANCE COMMENTARY

In April the portfolio delivered 1.2% while its benchmark returned 2.8%. The portfolio stocks delivered 1.7% while portfolio insurance (puts) and USD hedges detracted from performance. We remain comfortable with our current conservative positioning, which can be a headwind to keeping up with highly buoyant markets but has generated good absolute returns.

The three largest positive individual stock contributors were Wacker Chemie, Celanese and Dollar General Corp. Wacker and Celanese's performance followed their 1Q18 earnings results.

The three largest individual stock detractors were Beclé Sab, Colgate-Palmolive and Bharti Infratel. Beclé and Colgate's performance followed weak 1Q18 results, which has been a theme for most consumer staples in recent quarters. Bharti's share price declined as it announced that its merger with a peer will be completed with equity instead of cash, disappointing investors who were looking for Bharti to increase its leverage.

Having made relatively material changes to the portfolio in prior months, including dramatically selling down the IT exposure, we made very few changes to the portfolio during April.

The portfolio's current largest industry exposure is in Materials, partly reflecting worthwhile investments we have identified in the chemical industry. The portfolio also has meaningful exposure to Consumer Staples, which have been notably sold off over the past year, and European Financials. Having dramatically sold down the portfolio's IT exposure earlier in the year, that sector now accounts for just 8% of the portfolio. We think even that figure overstates the exposure because it includes companies like TomTom and Checkpoint, which are not part of the in-vogue tech complex.

The portfolio continues to have relatively large exposure to Europe (36%) and emerging markets (14%), while having relatively small exposure to the US (32%).

The weight of the Core segment was 62.6% at month end, at the low end of our target range (60-80%). We are prioritising increasing the weight of the Core segment and the team has a pipeline of prospective ideas. Cyclical exposure declined marginally to 18% and Opportunistic was 6%.

PERFORMANCE

Net performance for periods ending 30 April 2018⁴

	1 Month	FYTD	Since Inception p.a. ⁵
PIA	1.2%	12.1%	8.0%
Benchmark	2.8%	12.2%	7.1%

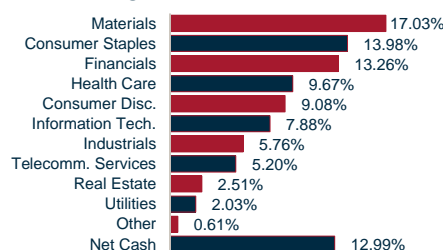
Pengana International Equities Limited has been managed under the new investment mandate by the Pengana investment team since 1 July 2017. The performance since inception in the table above refers to the movement in net assets per share since the inception of PIA in March 2004. See footnotes ⁴ and ⁵ below for further details.

PORTFOLIO INFORMATION

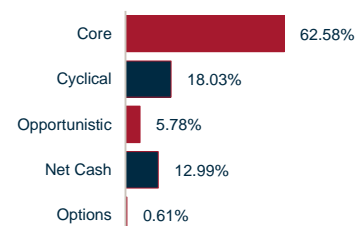
Top 10 Stocks		
Name	Country	Sector
Bharti Infratel Ltd	India	Telecommunication Services
China Mobile Ltd	Hong Kong	Telecommunication Services
Cigna Corp	United States	Health Care
Dollar General	United States	Consumer Discretionary
Howard Hughes Corp	United States	Real Estate
Medtronic Plc	Ireland	Health Care
Newmont Mining Corp	United States	Materials
Novo Nordisk A/S	Denmark	Health Care
Reckitt Benckiser Group Plc	United Kingdom	Consumer Staples
Wacker Chemie AG	Germany	Materials

Largest 3 Contributors	Largest 3 Detractors
Wacker Chemie AG	Becle SAB de CV
Celanese Corp	Colgate-Palmolive Co
Dollar General Corp	Bharti Infratel Ltd

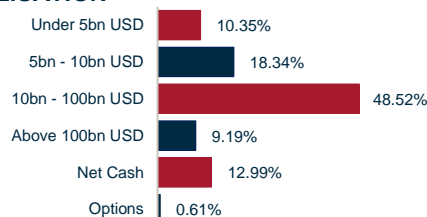
SECTOR BREAKDOWN



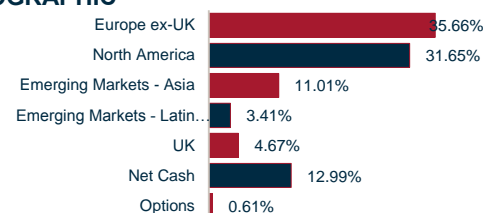
SEGMENT



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.

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



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