



PENGANA INTERNATIONAL FUND



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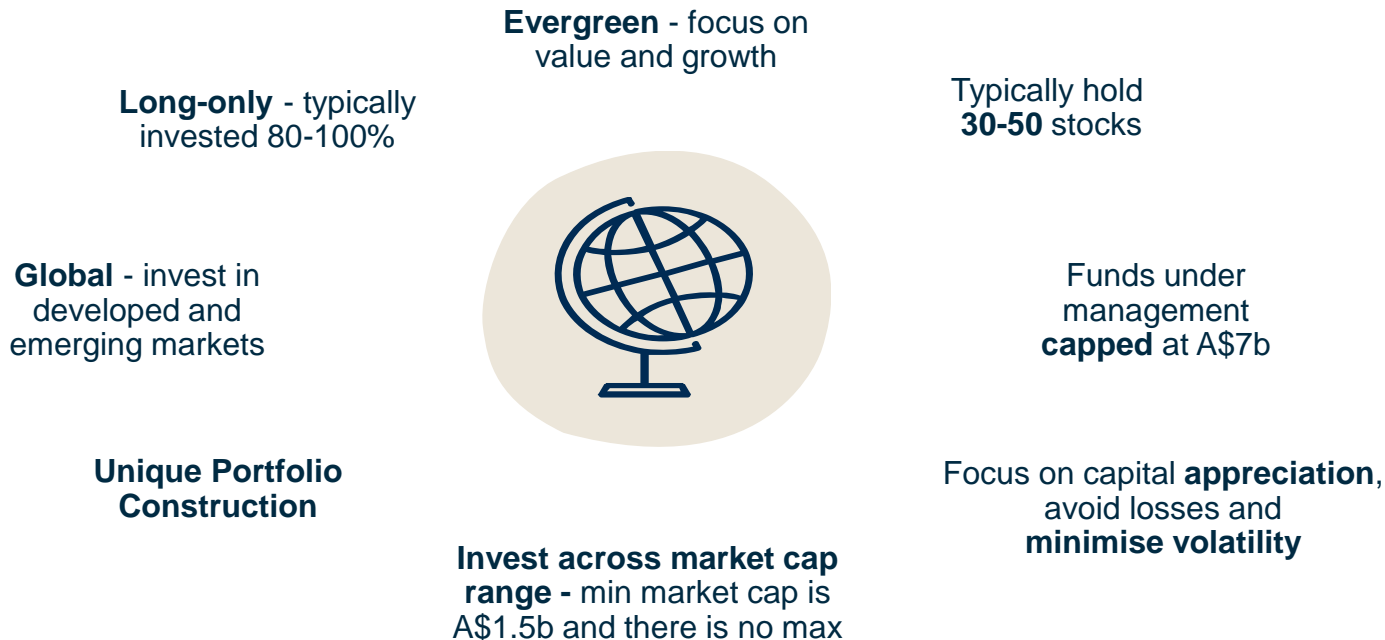
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FUND OVERVIEW



WHO WE ARE

CORE FUND

AIMS:

CONSISTENTLY MAKE MONEY

MINIMISE LOSSES & VOLATILITY

HOW WE DO IT

PORTFOLIO
CONSTRUCTION

ACTIVE
MANAGEMENT

PORTFOLIO CONSTRUCTION

How we pick stocks



**POSITIVE
TAILWINDS**



**GOOD
MANAGEMENT**



**UNLIKELY
TO BLOW UP**



**CASH
GENERATION**



**REASONABLE
VALUATION**



GROWING

LOGICAL AND COMMON SENSE

PORTFOLIO SEGMENTATION

CORE	CYCLICAL	OPPORTUNISTIC
<ul style="list-style-type: none">✓ 60 – 80% of Fund✓ 15 – 30 stocks✓ 5 – 15% growth✓ Stable and growing companies with favourable tailwinds✓ Position size: 1-5%	<ul style="list-style-type: none">✓ 0 – 30% of Fund✓ 0 – 15 stocks✓ >10% growth✓ Operate in cyclical industries poised for an upturn✓ Stop losses✓ Position size: 1-3%	<ul style="list-style-type: none">✓ 0 – 20% of Fund✓ 0 – 10 stocks✓ Company specific situations with attractive potential upside✓ Stop losses✓ Position size: 1-3%

PORTFOLIO ✓ 30 – 50 STOCKS ✓ > 5% GROWTH ✓ FCF YIELD > RFR + 3%

EXAMPLES OF PORTFOLIO POSITIONS

	Core	Cyclical	Opportunistic
Finance	  		 
Consumer Services			
Consumer Staples	 		
Communications			
Real Estate			
Electronic Technology			 
Commercial Services	 		
Agriculture			
Health Technology	  		
Industrials			
Technology Services	 		 

INVESTMENT EXAMPLE – RAKUTEN



COMPANY OVERVIEW

- Japanese internet and Fintech conglomerate
- ~20% market share in Japan online retail
- Largest online hotel reservation site in Japan
- Largest credit card issuer in Japan with growing presence in banking and insurance

Market cap	US\$15.3b
Revenue	US\$11.4b
FCF yield	4.8%
P/E	25.5
Leverage	3.0x

WHY WE OWN IT

- Strengthening ecosystem - addition of new services and highly rewarding points system
- Huge opportunity in cellular business – supported by government + significant cost advantages
- Understated earnings - growth investments in e-commerce and mobile
- Significant equity investments (Lyft, Pinterest) on the verge of being monetised
- Cheap valuation – online marketplace trades on 0.5x GMV

INVESTMENT EXAMPLE – BHARTI INFRATEL



COMPANY OVERVIEW

- Indian telecom tower operator
- Makes money from renting space on telecom towers to telecom operators
- Largest operator in India with about 50% market share

Market cap	US\$7.3b
Revenue	US\$2.1b
FCF yield	5.0%
P/E	21
Leverage	nil

WHY WE OWN IT

- Continued rollout of 4G – mobile data usage continues to skyrocket, driving additional leases
- Long term growth – half a million towers in India versus two million towers in China
- Merger with Indus Towers finally complete after more than a year
- Cheap valuation and strong balance sheet with no debt
- Takeover target – KKR already has a stake and has been rumoured to make a bid post-merger

INVESTMENT EXAMPLE – CME GROUP



COMPANY OVERVIEW

- USA derivative exchange
- Main business – interest rates derivatives
- Other important businesses – energy derivatives, equities derivatives, Commodity derivatives

Market cap	US\$70.6b
Revenue	US\$4.9b
FCF yield	4.2%
P/E	27
Leverage	1.0x

WHY WE OWN IT

- Fabulous business – monopoly, network effects, scale advantages, low capital intensity
- Thematics – increased volatility; growing US budget deficit; regulation
- Defensive characteristics
- Opportunity to grow in FX – market size is \$5T and CME's daily volume is \$100m
- Reasonable valuation

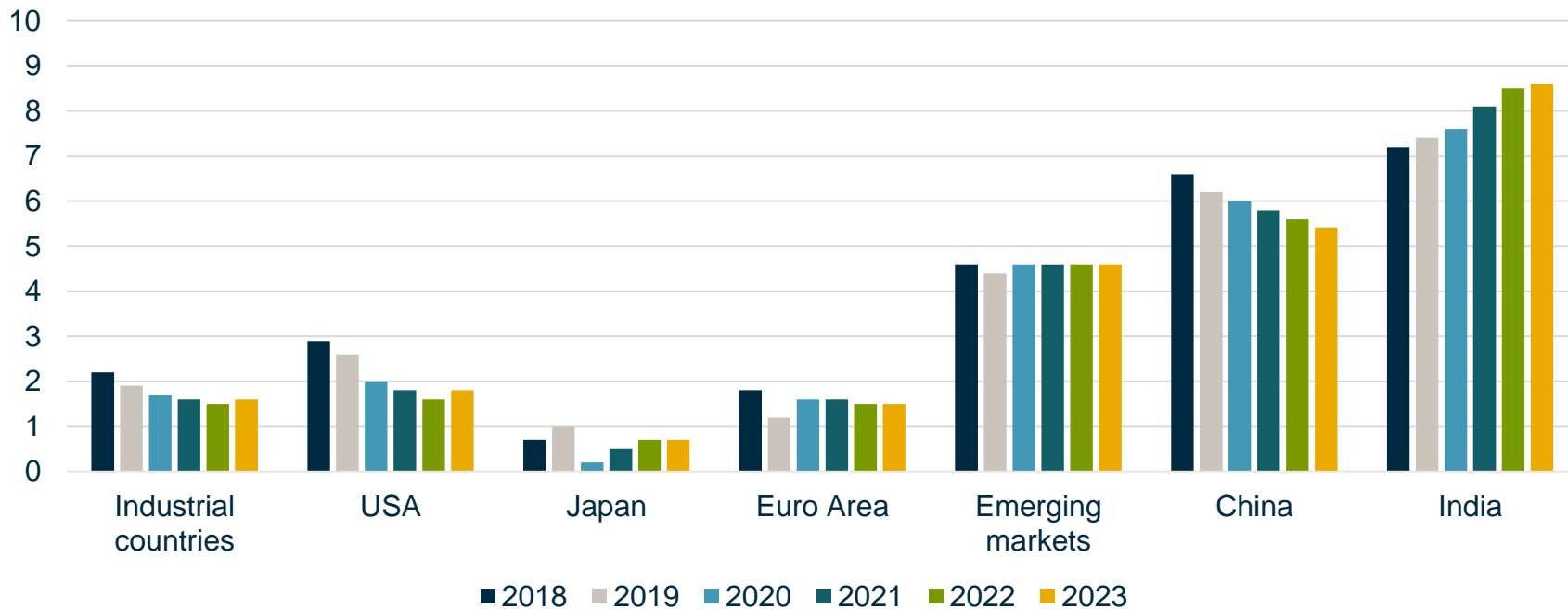
OBSERVATIONS OF THE MARKET

A MACRO PERSPECTIVE

MACRO

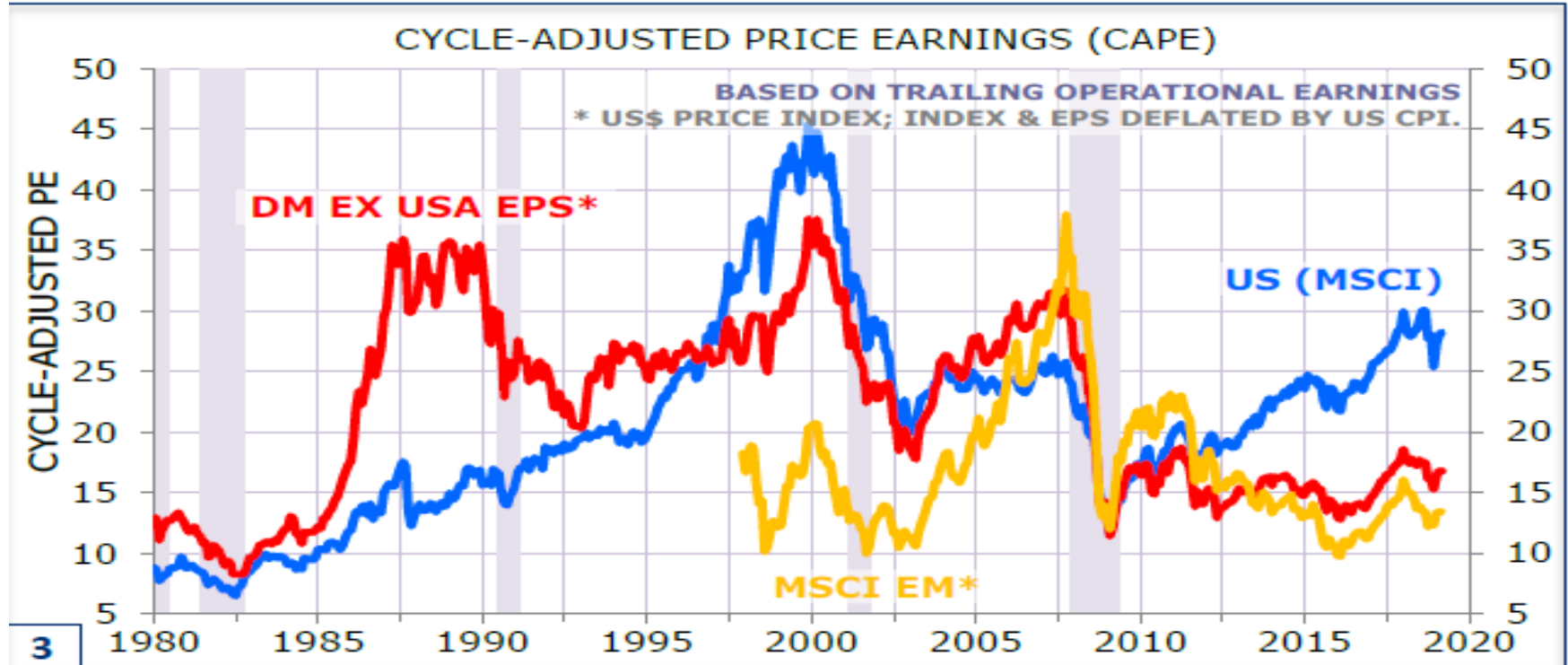
(1) Global GDP growth coming from emerging markets

GDP growth

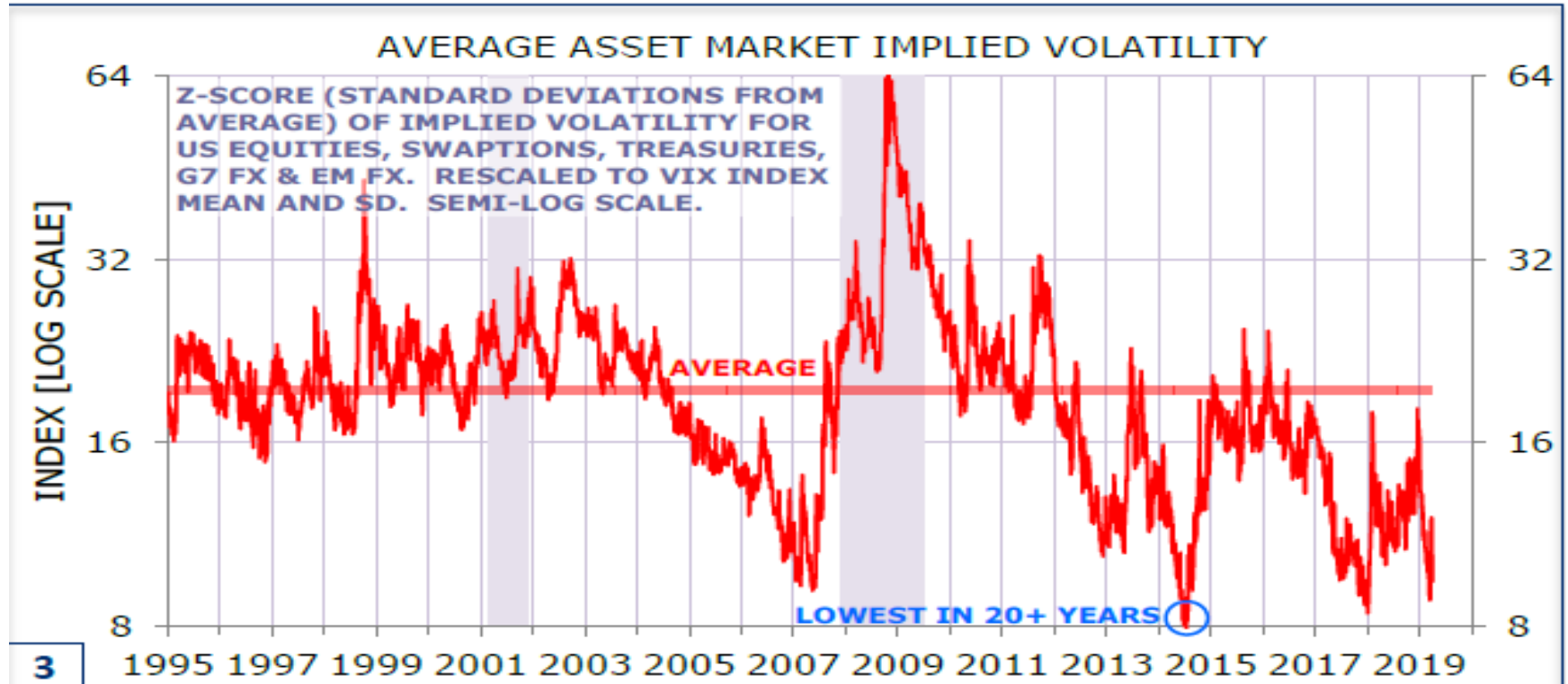


MACRO

(2) US vs EM valuation gap is at extreme levels



(3) Volatility at multiyear lows



MACRO

What we have done

Strategy – unchanged

- Invest in cash generative businesses on reasonable valuations and low debt
- Remain diversified

Regional view

- Increase exposure to Emerging Markets
- Reduce exposure to banks in Developed Markets

Sector comments

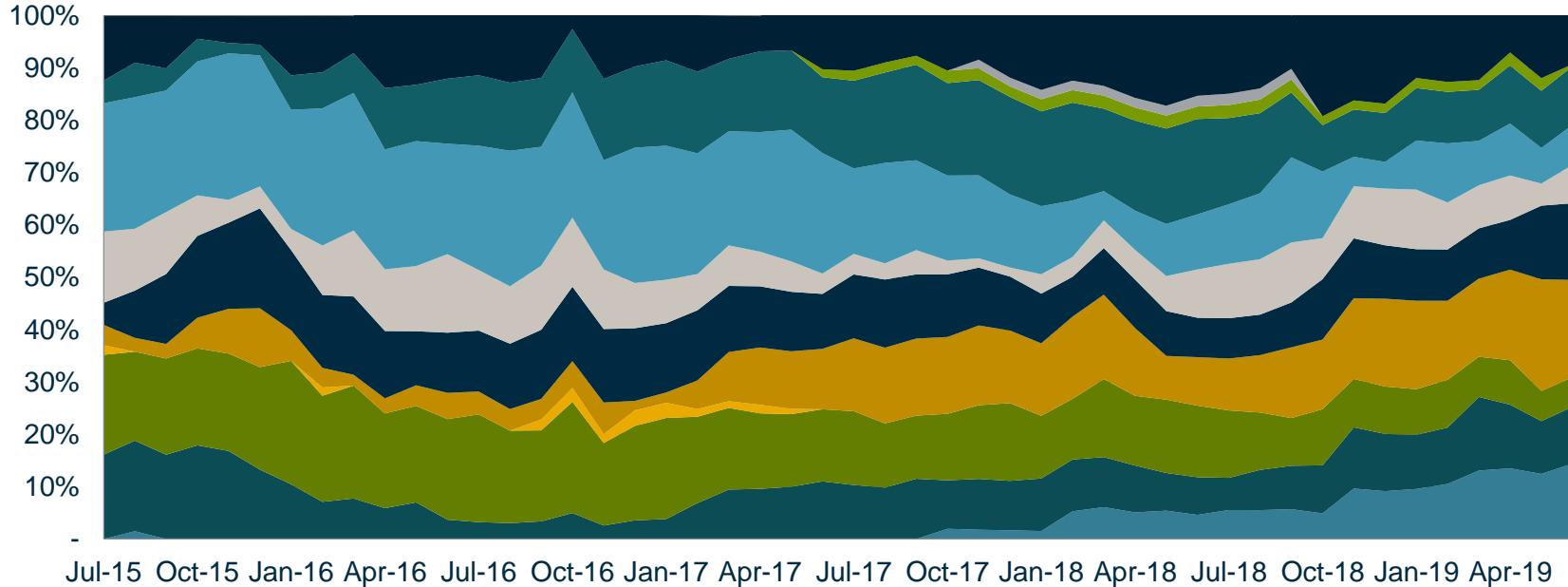
- Remain underweight Technology
- EM driven industries

Volatility vs low interest rates

- Increase in i/r – invest in businesses that benefit from volatility e.g. derivative exchanges
- Low and steady i/r - emerging markets benefit

ACTIVE MANAGEMENT

Industry exposure



- | | | | |
|--------------------------|--------------------------|--------------------|--------------------------|
| ■ Communication Services | ■ Consumer Discretionary | ■ Consumer Staples | ■ Energy |
| ■ Financials | ■ Health Care | ■ Industrials | ■ Information Technology |
| ■ Materials | ■ Real Estate | ■ Utilities | ■ Cash |

PERFORMANCE

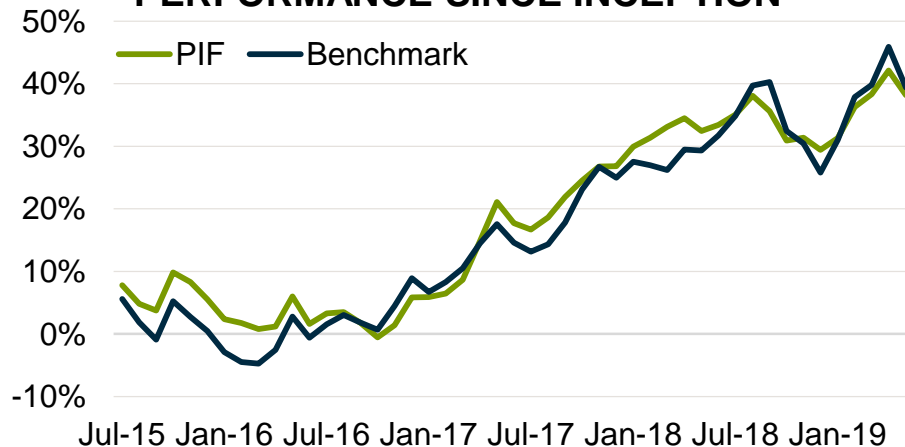
Make money

Avoid losses

Minimise volatility

LONG-TERM PERFORMANCE WITH A LOWER VOLATILITY AS AT 30 JUNE 2019

PERFORMANCE SINCE INCEPTION¹



Metric	Fund	Benchmark
Down market capture since inception	68.6%	100%
Volatility ³ since inception	9.4%	10.3%
Beta ⁴ since inception	0.8	1.0
Maximum drawdown	-9.4%	-10.3%

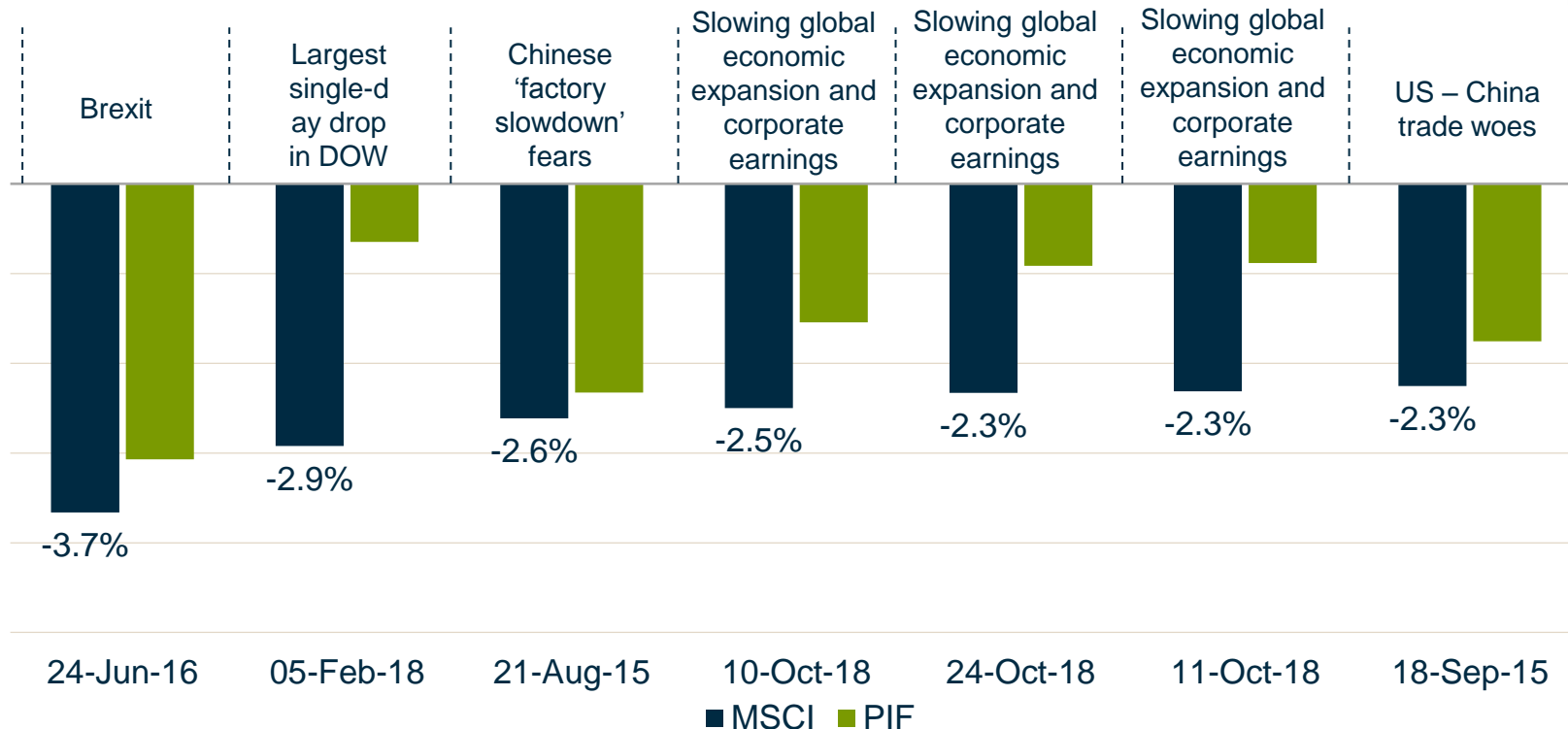
	1 mth	3 mth	1 yr	3 yrs p.a.	Since Inception p.a. ²
Fund ¹	4.7%	4.6%	8.4%	12.5%	9.7%
Benchmark	5.2%	4.9%	11.3%	13.9%	10.1%

Source: Pengana and MSCI

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.
 2. Inception 1st July 2015.
 3. Annualised standard deviation since inception.
 4. Using daily returns

PERFORMANCE^{1,2}

Saving money when it counts



Source: Pengana and MSCI as at 31 May 2019

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

2. Inception 1st July 2015.

PORTFOLIO CONSTRUCTION

Fund snapshot

Portfolio segment	Weight	FCF yield	Rev CAGR ⁽¹⁾	EV/EBITDA ⁽¹⁾	PE - 1yr+	Gearing ⁽¹⁾	Stocks
Core	62	4.9	6.2	12.49	24.3	1.0	24
Cyclical	11	6.3	3.7	8.24	19.4	0.5	5
Opportunistic	18	3.6	18.1	11.79	25.0	0.1	9
Invested portion	90.8	4.9	6.8	9.7	23.8	0.6	38
Cash	9.2						
Options	0						
Total portfolio	100						

(1) Excluding financials

KEY FUND FEATURES

PENGANA INTERNATIONAL FUND

Identifier code(s)	Class B: ARSN 610 351 641, APIR PCL0026AU Class E: Pending APIR code (expected to be available for investment on 1 August 2019)
Inception date	1 July 2015
Investment return objective	The Fund's investment objective is to deliver returns that are greater than the MSCI All Country World Total Return Index (net, AUD) with lower volatility than the Index, over the medium to long term.
Benchmark	MSCI All Country World Total Return Index (net) in \$A
Recommended investment time frame	Minimum 3 years
Minimum investment	\$25,000
Management fee(s)	Class B: 0.95% p.a. (ex. GST) management fee Class E: 0.65% p.a. management fee + 15% outperformance of benchmark (ex. GST)
Buy/sell spread	0.30% on both applications and withdrawals
Distribution frequency	Annual
Target asset allocation	Equities 80-100%, Cash 0-20%
Typical number of stocks	30-50

PLATFORM AVAILABILITY & RESEARCH RATINGS

PLATFORMS

- Ausmaq
- Asgard
- BT Wrap
- CFS FirstWrap
- FNZ
- Linear
- MLC Wrap
- Macquarie Wrap
- Mason Stevens
- Netwealth
- Powerwrap

RATINGS



FEE CLASS OPTIONS

(ex. GST)

CLASS	B	E
Minimum investment	\$25,000	\$25,000
Base fee	0.95% p.a.	0.65% p.a.
Outperformance fee*	0%	15%

* Outperformance of the Fund's benchmark: MSCI All Country World Total Return Index (net) in \$A



FOR MORE INFORMATION

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