



HUNTER HALL

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: HHV)

OCTOBER 2017
PERFORMANCE
UPDATE

Change of Company name: The resolution to change the name of the Company to Pengana International Equities Limited was approved by the majority of shareholders. The change of name will enable the Company to derive benefit from the strong, reputable and respected Pengana brand. The name change was approved by ASIC on 20 November, 2017. We are in the process of implementing the change of ticker from HHV to PIA.

DESCRIPTION AND FEATURES

Pengana International Equities Limited provides access to investments in 30-50 companies, large and small 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 impacted ('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 [Fund](#).

Portfolio Managers	Jordan Cvetanovski Steven Glass
ASX code	HHV
Founded	19 March 2004
Mandate inception	1 July 2017
Asset Class	International Equities
Fees	Management Fee: 1.50% p.a. Performance Fee: 15.38% of any return greater than the MSCI World
DRP	Yes
Share Price¹	\$1.19
NTA (pre-tax)^{1,2}	\$1.2005
NTA (post tax)^{1,2}	\$1.1858
Premium/Discount to pre-tax NTA¹	0.35%
Ordinary Shares on Issue¹	244.88m
Benchmark	MSCI World ³

¹ At 31 October 2017.

² The figures are unaudited.

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

PERFORMANCE COMMENTARY

In October the portfolio delivered 2.0% while its benchmark returned 4.3%. Our analysis shows that the key drivers of the relative under-performance were stock selection, cash holdings, and foreign exchange. While it doesn't come up in the quantitative attribution figures, we consider the main driver of the relative underperformance as being the portfolio's relatively defensive positioning in an extremely buoyant market.

The biggest positive individual stock contributors were Wacker Chemie, IAC, and Oracle. Wacker's performance followed its 3Q17 result while IAC's share price responded positively to a broker upgrade. There was no specific news to explain Oracle's performance.

The three largest individual stock detractors were Celgene, K+S, and Jeronimo Martins. Of these three, the only stock that delivered a material loss was Celgene, which declined ~30% over the month as it discontinued clinical trials for a Crohn's disease treatment and lowered its 2020 sales guidance.

During the month, we continued with our practice of reducing the portfolio's exposure to positions that are close to our price targets while adding to positions (existing or new) that are trading on more compelling valuations. This explains why B&M European Value Retail and Cigna are no longer in our top ten positions (Celgene moved out of the top ten following its share price decline); while BBVA, Howard Hughes, and TomTom are new entrants to the top ten.

The portfolio's segment (Core, Cyclical and Opportunistic) exposures remain broadly unchanged at approximately 60% Core, 20-25% Cyclical, 5-10% Opportunistic and 5-10% cash. We continue to hold some insurance against market declines (puts), although this insurance has declined in value as the market appreciated. Cash holdings remain in AUD and we hedged a material portion of the Fund's USD exposure while leaving the EUR exposure unhedged. The Fund's largest industry exposures were Materials (18%), Information Technology (17%) and Financials (15%).

THE MAIN
DRIVER OF
THE RELATIVE
UNDER
PERFORMANCE
WAS THE
PORTFOLIO'S
RELATIVELY
DEFENSIVE
POSITIONING

PERFORMANCE

Net performance for periods ending 31 October 2017⁴

	1 Month	FYTD	Since Inception p.a. ⁵
HHV	1.97%	4.41%	7.74%
Benchmark	4.27%	6.86%	6.99%

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 HHV in March 2004. See footnotes ⁴ and ⁵ below for further details.

PORTFOLIO INFORMATION

Top 10 Stocks

Name	Country	Sector
American Express Company	United States	Financials
Banco Bilbao Vizcaya Argentaria, S.A.	Spain	Financials
Dollar General Corporation	United States	Consumer Discretionary
Howard Hughes Corporation	United States	Real Estate
IAC/InterActiveCorp.	United States	Information Technology
Medtronic plc	United States	Health Care
Novo Nordisk A/S Class B	Denmark	Health Care
Oracle Corporation	United States	Information Technology
TomTom International B.V.	Netherlands	Consumer Discretionary
Wacker Chemie AG	Germany	Materials

Largest 3 Contributors

Wacker Chemie AG

IAC/InterActiveCorp.

Oracle Corporation

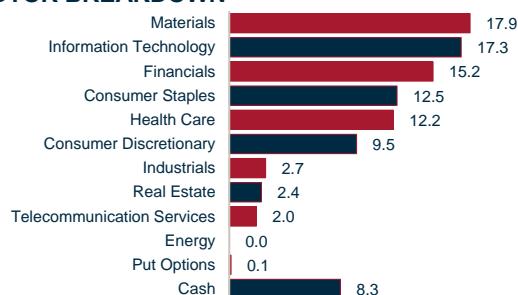
Largest 3 Detractors

Celgene Corporation

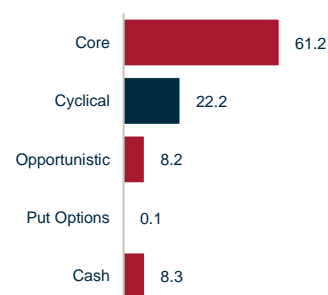
K+S AG

Jeronimo Martins SGPS SA

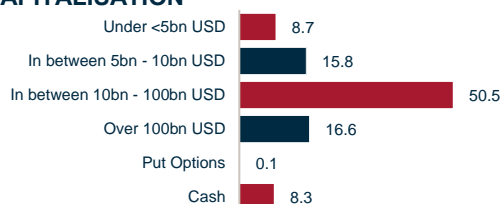
SECTOR BREAKDOWN



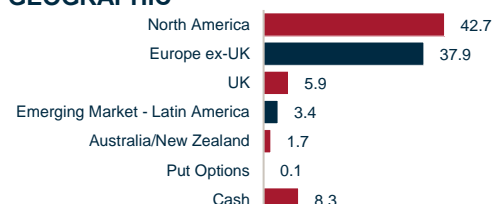
SEGMENT



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 HHV: 19 March 2004, new investment team with new mandate adopted: 1 July 2017.

None of Pengana International Equities Limited ("HHV"), Hunter Hall 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 HHV. Past performance is no guarantee of future performance. This document has been prepared by HHV 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**



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