

Key Points:

- Pengana is a boutique Sydney-based fund manager part-owned by National Australia Bank (NAB) with a range of Australian and global equity strategies.
- The Pengana Absolute Return Asia Pacific ("PARAP") Fund is managed by Antonio Meroni, plus a team of five, including a portfolio manager, research, risk and support staff. The Fund is a feeder fund into a Cayman Islands AUD share class fund.
- The Fund invests both long and short in Asia Pacific equities, including in Australian and New Zealand, after a stock specific "event" has either occurred or been announced. The portfolio aims to be uncorrelated to the underlying equity markets.
- Risk controls include limits on individual positions as well as gross and net exposure. Limits are in place for option exposure and cash borrowing, with stop loss limits on individual positions.

Management Company Overview:

Pengana Holdings Pty Limited was founded in 2003. Subsequently National Australia Bank acquired a 49.9% interest which is held by NAB Asset Management, and controls 3 out of 7 board seats but has no involvement in the day-to-day running of the business. The majority of Pengana Holding's remaining shareholding is held by directors and staff.

Pengana Capital Ltd ("Pengana") is a 100% subsidiary of Pengana Holdings, and now has operations in Singapore and Melbourne. Pengana manage six active equity strategies with global investments, and a combined FUM of \$1.4bn. Pengana provides core administrative services such as licencing, legal, compliance, accounting, marketing & distribution, and client services to each underlying fund. This allows the senior members of the underlying portfolio manager, (who have rights to a proportion of their fund's respective profitability) to focus on the markets and implementation of their individual strategies.

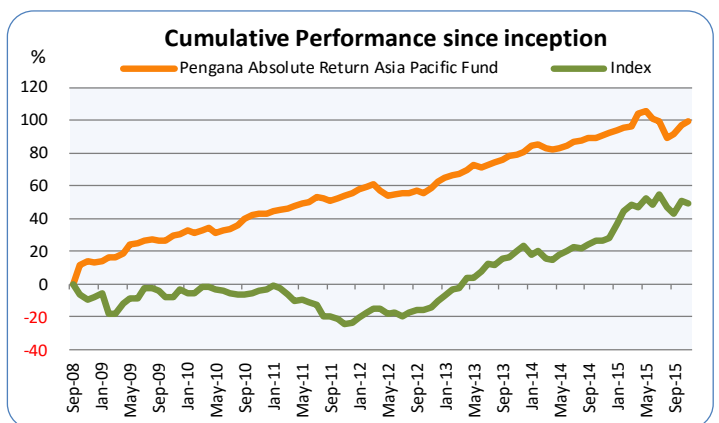
The Pengana Absolute Return Asia Pacific Fund was established in 2008 by portfolio managers Antonio Meroni and Vikas Kumra. Meroni, the Senior Fund Manager, is Sydney-based and has overall portfolio management and construction responsibility. He has a Business degree from KV Business School in Zurich, holds a CFA and has 24 years' experience in financial markets, 15 of which were in Asian equity and convertible bond markets. He previously worked in senior positions in Singapore and Tokyo, including managing the RHA Asia Special Events Fund at Rubicon Asset Management, and previously held a senior portfolio management position at Credit Suisse.



Key Performance Statistics	Pengana	Index*
Nov-15	1.31	-1.46
Annualised Return	10.13	5.71
Latest 3 Months	5.38	1.09
Latest 6 Months	-3.04	-2.52
Latest 12 Months	4.69	17.93
Latest 24 Months p.a.	5.69	11.24
Latest 36 Months p.a.	7.89	20.29
Latest 60 Months p.a.	6.88	9.10
% Positive Months	79.07	58.14
Best Month	11.76	7.97
Worst Month	-4.98	-13.65
Largest Drawdown	-7.99	-24.11
Average +ve Return	1.37	2.75
Average -ve Return	-1.31	-2.64
Annualised Standard Deviation	6.16	12.00
Downside Deviation (Since Inception)	3.03	8.68
Sharpe Ratio (Since Inception)	1.07	0.24
Sortino Ratio	2.09	0.25

*Index is AFM Asia Pacific Index adjusted since Fund's Inception

Kumra is based in Singapore and has 9 years' experience, having previously worked for a proprietary corporate performance and valuation arm of Credit Suisse in Singapore. He has a First Class Honours degree in Accountancy from Nan Yang Technical University in Singapore.



Performance - Net of Fees (%)														Pengana Absolute Return Asia Pacific Fund
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
2015	1.03	0.70	0.42	3.87	1.00	-2.39	-0.80	-4.98	1.02	2.97	1.31	-	3.92%	
2014	2.00	0.48	-1.30	-0.43	0.16	1.04	1.18	0.60	0.62	0.00	0.98	0.74	6.20%	
2013	1.81	0.83	0.60	1.31	1.63	-0.92	1.09	1.03	0.88	1.10	0.43	1.22	11.55%	
2012	1.51	1.02	0.73	-2.49	-1.60	0.10	0.45	0.38	0.88	-0.82	2.08	2.00	4.21%	
2011	0.84	0.88	0.18	1.14	1.28	0.55	1.75	-0.40	-1.15	1.51	0.58	1.31	8.76%	
2010	1.32	-0.97	0.92	1.48	-2.34	0.96	1.01	1.83	2.83	1.27	0.89	-0.06	9.44%	
2009	0.71	1.76	-0.04	2.31	4.38	0.69	1.37	0.70	-0.96	0.50	1.91	1.13	15.35%	
2008	-	-	-	-	-	-	-	-	-	11.76	2.10	-0.65	13.36%	

The Singaporean based research team has a Senior, Junior, and a middle office analyst. Kisalaya Singh, the Senior Analyst, conducts fundamental and deal specific research as well as managing research and data analysis. She has four years prior experience with Multi-Strategy and Event Driven hedge funds in Asia, and has an MBA from the Indian Institute of Management. Two analysts assist in research and back-testing as well as in risk management and other middle office functions.

The two majors have a strong alignment with investors with each having a 25% holding in the Fund's Management company alongside with NAB and Pengana have an effective holding 25% each with one manager having investments in the Fund and the second currently moving their superannuation assets into the Fund.

Investment Strategy

The investment strategy is based on investing long and short in companies involved or subject to corporate events and which can deliver alpha by trading when such an event occurs. A combination of the Manager's experience, thorough research and continuous back-testing identify the most attractive of these opportunities.

The events are divided into two major categories:

Firstly; Non-Directional strategies which include Mergers and Acquisitions, Capital Structure Arbitrage and Stub Trades and secondly;

Directional strategies, such as Earnings Surprises, Share Buy-Backs and events such as Index Changes and Directors' Trades.

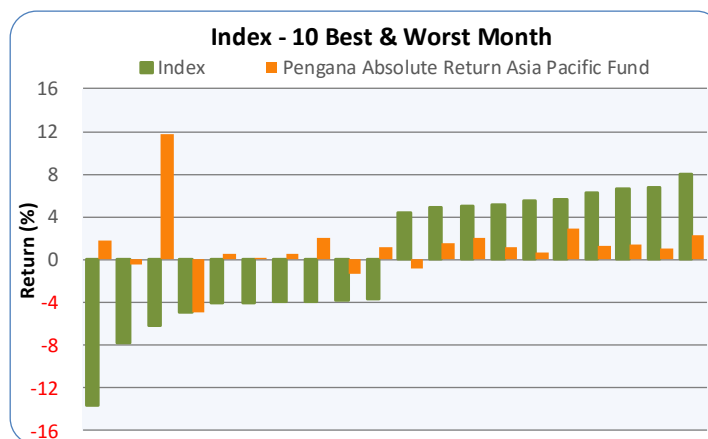
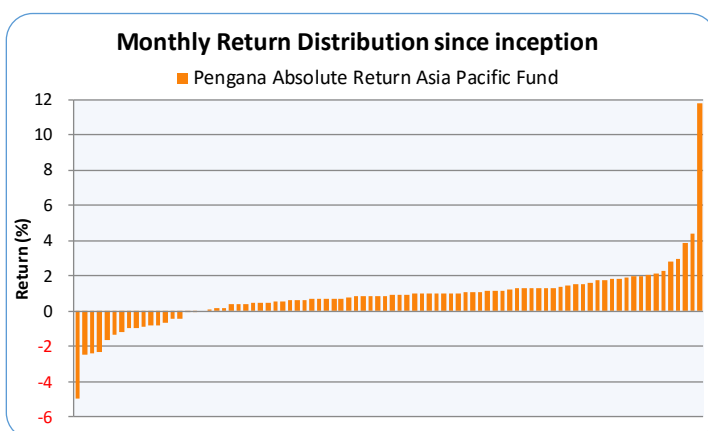
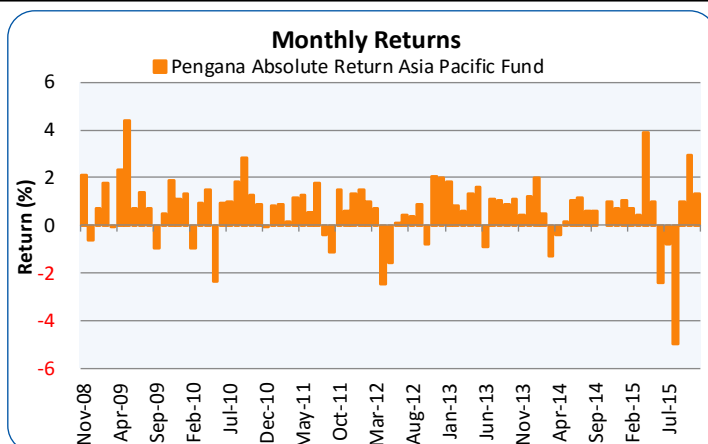
Each event type is assessed both on its fundamentals and by back-testing the likely impact on each company's share price. For example, the Manager's research shows that earnings surprises, either above or below expectations, affects share price performance for up to a month after the announcement. As such the Fund would go long or short the stock immediately after the announcement to capture the expected price movement. In evaluating an earnings surprise the analysis would include factors such as cyclical, price movement pre and post-announcement, momentum of EPS revisions, interpretation of forward looking statements (if any), and variation to market consensus.

The Manager believes their knowledge and depth of research into each event allows skill-based, non-cyclical, absolute returns. The research also indicates that securities undergoing a corporate event react much more to the event than the movement of the underlying market, resulting in a low correlation to the market's return.

Investment Process

The core of the process is to actively select the best opportunities, and then to allocate capital based on the expected reward and risk. The research for security selection has three components;

- 1) Quantitative back-testing to understand the event's potential behaviour,
- 2) Evaluation of the deal, and the event's fundamentals, including factors such as terms, competition issues, target and



Performance Review

- Since inception of the Australian retail feeder fund the annualised return has been well above the Asia Pacific Equity Index with volatility around one-half of the index. The Sharpe and Sortino ratios are also significantly above the Index showing that risk is being well rewarded. More recently the Fund has under-performed in a strong market.
- The Fund's risk characteristics indicate the effectiveness of the strategy and its risk controls with over 79% positive months, and sound Up and Down capture ratios.
- Downside deviation is well below that of the Index as is the largest drawdown. The Fund's correlation with the index is negligible indicating that performance is being driven by the portfolio team's investment strategy and implementation decisions.

acquirer management styles, and deal conditionality amongst others, and:

3) Company Fundamentals to quantify the pay-off of an event.

The Manager has systems which allow constant monitoring of each strategy, along with identification and assessment of new investment opportunities. For example, in the case of M&A transactions, which form the major portion of the Fund's capital allocation, the system will monitor spreads, and other information to assess the optimal portfolio weighting.

The research process also monitors the risk profile of deals and changes to any fundamental information over time, as well as providing overall portfolio exposure and risk levels which is then used to rank deals on a risk-return basis.

The size of each position depends on the expected risk adjusted returns while taking account of the liquidity and volatility of the stocks involved. As a guide, positions do not exceed 30% of "stressed volume", defined as the lowest 20 days' volumes over the previous 12 months. Also considered are the ability to hedge, the availability of pair candidates, as well as the average bid-ask size.

For M&A events the average long position is 3 to 5.5% of NAV, and the average short position 2 to 5%. The Fund aims to be well diversified across the various event strategies, and will usually hold 40-80 positions (and possibly 80 to 120 investments) with an average holding period of 3-6 months.

In keeping with the Fund's absolute return focus the Manager will eliminate market risk where appropriate by hedging market and foreign currency risks. Market risk is usually hedged through the use of index futures, while foreign exchange risk is hedged using forward FX contracts, or by funding in local currency. Since inception the Fund has averaged a net equity market exposure of around 10%, and average gross exposure of 160%.

To hedge non-M&A strategies the Manager may short futures, use listed or OTC options, and short sell stock. In the case of M&A investments with scrip offers the Manager will short the bidders' shares, while going long the target company's stock for the duration of the transaction.

The range of potential strategies derived from event driven transactions means the Manager can invest in a range of securities including shares, preference shares, convertible securities, equity swaps and other instruments. The Fund does not invest in distressed debt situations.

The fund can borrow up to 50% of the long portfolio and aims to be fully invested at all times. Since inception gross exposure has been close to 250% during periods of significant M&A activity.

The Fund invests across a range of Asian markets and, depending on the specific market and whether the investment is long or short, this may be either via swaps or physical investment. For example, long investments in Korea are made via physical stock, while shorting is executed through a total return swap.

Risk Controls

As the Fund aims to generate alpha from event driven inefficiencies as opposed to the overall market's direction, risk controls are critical to avoiding significant drawdowns. The Fund has a number of risk controls and limits as shown in the tables below.

Risk Management	
Maximum Individual Long Position	<ul style="list-style-type: none"> 5 % of NAV for cross border schemes of arrangement, directional event trades, stubs and equity structure arbitrage. 10 % of NAV for tender offers and schemes of arrangement with domestic buyers. 20% of NAV for unconditional M&A offers.
Maximum Individual Short Position	<ul style="list-style-type: none"> -5% of NAV for cross border schemes of arrangement, directional event trades, stubs and equity structure arbitrage. -10% for tender offers and schemes of arrangement with domestic buyers. -20% of NAV for unconditional scrip deals.
Net Exposure	<ul style="list-style-type: none"> -25% to 125%
Gross Exposure	<ul style="list-style-type: none"> 0% to 250%
Stop Loss Limit	<ul style="list-style-type: none"> 50bps of NAV (per position)
Cash Borrowing Limit	<ul style="list-style-type: none"> 50% of NAV

Country Exposures	Minimum	Maximum
Japan, Australia	0%	50%
Hong Kong, China, Taiwan, S Korea, Singapore, Malaysia, India, New Zealand	0%	35%
Indonesia, Philippines, Thailand	0%	10%

Strategy Exposures	Minimum	Maximum
Merger Arbitrage	0%	100%
Capital Management	0%	50%
Earnings Surprises	0%	50%
Insiders Trades	0%	50%
Index Changes	0%	50%
Capital Structure Arbitrage	0%	50%
Cross Borders Arbitrage	0%	50%
Sub Trades	0%	50%
Pre-IPO	0%	25%

Portfolio Risk Controls

Each trade idea is approved by Meroni, with most dealing is implemented through Direct Market Access (DMA), although specialist brokers used for execution management where they

have an appropriate market expertise. There are limits in place to avoid trade errors when using DMA and internal systems also monitor pre-trade limits.

Net and gross exposure, position size, leverage, liquidity and daily trading risk limits are monitored on a daily basis by Pengana's CIO and Risk Manager, Nick Griffiths to ensure that all are adhered to. All positions are also evaluated weekly by the Risk Committee, which in addition to Griffiths includes Pengana's COO and Operations Manager, Katrina Glendenning.

Positions are monitored in real time, and if any reaches -0.5% of NAV the investment managers meet with Griffiths to discuss whether the position should be added to, exited, or a new hedging strategy implemented. Macro and systematic risks are monitored using independent research sources and risk information providers to ensure that the portfolio does not have any unexpected risk factors as a result

An external factor-based risk model is used to assess total risk, factor exposures, Value at Risk, liquidity and style exposure.

Operational, Business Risk and Compliance

The size and liquidity of the portfolio as well as risk limits, coupled with the investment team, assist in reducing operational and business risk.

Operational and business risk are further reduced as a result of the umbrella of Pengana having interests in a variety of funds and providing back office, operational and compliance functions, as well as distribution & investor relations. As Pengana has offices in Sydney, Melbourne and Singapore, all staff are able to operate from any of these locations.

Trading can occur from remote locations for all Pengana Funds. All files from all the offices are replicated on-line in real time with access to 24/7 support from all computer and service providers. Pengana maintains a weekly back-up of its system.

Key man risk is focused on Meroni, but is mitigated to a degree as the team is well staffed both in terms of numbers and experience, particularly Vikas Kumra in Singapore.

The risk processes in place, and a detailed compliance regime make it less likely investors would be at risk in the event of any long term absences, with the Risk Manager having complete authority over the portfolio in unforeseen circumstances.

Structure, Terms & Conditions and Fees

The Fund is an Australian unit trust which is a feeder fund into the Cayman based Pengana Events (Offshore) Fund, which in turn feeds into a Cayman based Master Fund.

The Fund break-even is \$US75m and therefore at current levels is profitable.

The management fee is 1.5% pa paid monthly, with a buy/sell spread of 0.30% charged to the Fund. Expenses borne by the fund are expected to be no more than 0.3% of FUM.

A performance fee is charged of 20.5% above a hurdle of the RBA Cash rate, with a high water mark. This fee is accrued daily and is paid annually. The hurdle can be changed on 90 days' notice, however Pengana does not anticipate changing this over the life of the PDS.

The minimum investment is \$20,000, and the minimum additional investment is \$5,000. The current FUM is \$US126m, and the Australian Feeder Fund's FUM is AUD85m, with the Manager estimating that the overall strategy capacity is \$US500m. The Fund is currently available on ten platforms including four of the major five.

Investor Relations

The Fund has a monthly report which includes net performance against the RBA Cash rate as well as the FTSE All World Asia Pacific Index, along with a Fund and market commentary. The report also provides data on gross exposure by strategy and region, and contribution by strategy.

Pengana Absolute Return Asia Pacific Fund	
Strategy	Equity Market Neutral
Domicile	Australian feeder fund into Cayman Mast
Investor Type	Retail
Min. Investment	\$20,000
Addit. Investment	\$5,000
Management Fee	1.50%
Performance Fee	20.50%
Hurdle	RBA Cash rate with High Water Mark
Min. Term	NA
Redemption	Daily
Inception Date	Oct-08
Strategy Capacity	\$500m
Status	Open

Compliance

Pengana Capital Ltd has an Australian Financial Services Licence, No: 226566 and is a 100% subsidiary of Pengana Holdings Pty Ltd.

Compliance is the day to day responsibility of COO Katrina Glendenning, and a Compliance Committee meets quarterly, consisting of Glendenning and 2 external members, Paul Dortkamp and Amanda Lee. Compliance processes are detailed and comprehensive, with any actual breaches' cause, and corrective action, logged and tabled at board level.

Service Providers

Custodian:	BNP Paribas
Prime Broker:	Deutsche Bank AG
Administrator:	BNP Paribas
Auditor:	PricewaterhouseCoopers
Legal:	DLA Piper

This Report is valid till January 2016

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This enables investors or their advisors to understand the objective and processes behind each fund's strategy, and structure and operations of the management company. When used in conjunction with the quantitative comparison of the fund's key performance and risk indicators (KPI's) included in each Fund Review, the reader is in a better position to make an informed decision regarding the suitability of the fund for individual investor's requirements.

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