

Pengana Absolute Return Asia Pacific Fund

September 2016 Monthly Update

Investment Objective

To generate a net annualised return greater than 5% above the RBA's Cash Rate Target over a 3 to 5 year period with low volatility and low correlation to Asian security markets.

Investment Process

The Fund employs an event-driven investment strategy that seeks to exploit the mispricing of securities of companies listed on Asia Pacific stock markets (including Australia) that are undergoing corporate transactions. The investment process aims to control risk by maintaining low exposure to relative market movements and other broad risk factors.

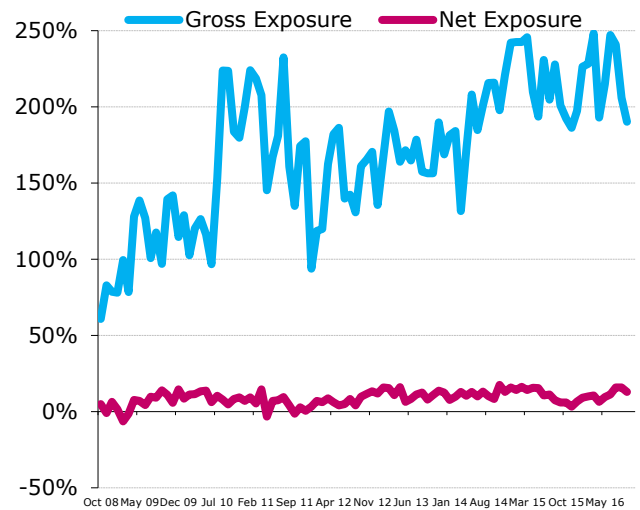
Fund Facts

Senior Portfolio Managers	Antonio Meroni and Vikas Kumra	Inception date	Fund: September 2010 Strategy: October 2008
APIR code	PCL0004AU	FUM Fund/Strategy:	A\$73.2/ US\$73.3
Investment Strategy	Asia Pacific Absolute Return	Benchmark Index	RBA Cash Rate Target
Management Fee¹	1.50% p.a.	Redemption Price at Month End	1.1219
Performance Fee	20.5% of the Fund's return in excess of the RBA Cash Rate subject to a high water mark		

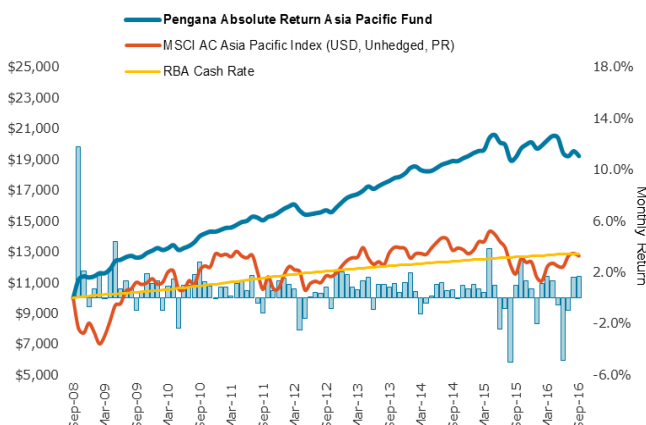
Fund Performance

Net Returns to Sept 2016	Pengana Absolute Return Asia Pacific Fund ²	RBA Cash Rate Target	MSCI ACWI Asia Pacific Price Index
1 Month	1.67%	0.12%	1.13%
3 Months	2.32%	0.40%	8.09%
6 Months	-1.95%	0.86%	8.31%
12 Months	3.75%	1.86%	12.78%
2 Years p.a.	2.52%	2.05%	0.18%
3 Years p.a.	4.10%	2.19%	0.69%
Since inception³ p.a.	8.96%	3.23%	3.90%
Correlation⁴	0.06	Max drawdown	-8.0%
Sharpe Ratio	1.18	Volatility	6.32%
Beta⁴	0.02	Positive Months	77%

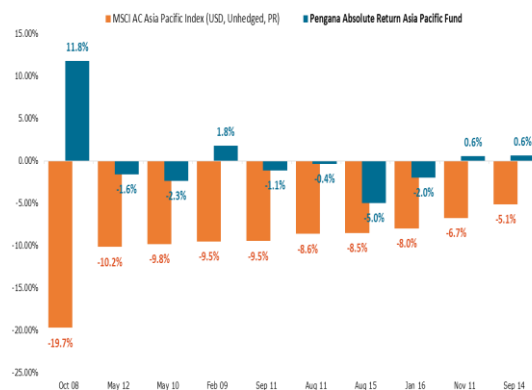
Fund – Gross and Net Exposures



Monthly Returns Since Inception³



Fund Performance During Market Falls³



¹ All fees are inclusive of GST net of RITC. Please refer to PDS for a more detailed explanation

² 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.

³ Inception date: September 2010. These performance figures show the returns of the Absolute Return Asia Pacific Fund from inception on 1 September 2010 to the current date and, for the period prior to 1 September 2010, the since inception returns for the Australian dollar denominated shares issued by the Pengana Asia Special Events (Offshore) Fund ("Offshore Fund") adjusted to reflect the different fees which apply to the Fund. The strategy inception date is 1 October 2008. The Fund is fully invested into the Offshore Fund.

⁴ MSCI AC Asia Pacific Index

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Fund Commentary

The Fund finished up +1.7%² for the month of September 2016, compared to the HFR Event Driven Index which returned +0.1%. The Fund averaged a gross and net exposure of 190.3% and 12.9% respectively.

The pace of M&A activity in September was very encouraging, with Australia in particular drawing attention. By way of deal count, activity levels in Australia were the highest level for the year. The mining services sector is of particular focus as the rebound in commodity prices marks the bottom of the earnings cycle. In Japan, we are also encouraged by companies pursuing outbound deals which are accretive. In line with this trend, Renesas (6723 JT) announced the acquisition of Intersil Corp (ISIL US) which we view favourably. This follows the recent acquisitions of ARM (ARM LN) by Softbank (9984 JT) and Joy Global (JOY US) by Komatsu (6301 JT). We anticipate that an increase in such outbound deals by Japanese companies will create unique trading opportunities for the Fund.

M & A

The M&A sub-strategy contributed significantly to September performance as a number of situations the Fund is involved with had positive developments. While gross exposure in the sub-strategy fell to 39.6%, as a number of deals closed, the Fund was able to initiate new trades which offered compelling risk/reward propositions. Within Australia, the merger between Bigair Group (BGL AU) and Superloop (SLC AU) offered interesting optionality due to the alternative scrip and cash mix consideration. This structure limits downside in the long position while giving us exposure to a re-rate in the enlarged merged entity. The Fund also locked in optionality in South Korea with a long position in LG Life Sciences (068870 KS) which received a merger proposal from LG Chem (051910 KS). Our long position was initiated at a slight discount to the "dissent price" which allows us to have the option of electing either a cash or scrip consideration on the consummation of the merger. This effectively provides a cheap call option on the acquirers share price. Other names the Fund was active in during the month were China Minzhong (MINZ SP), Monsanto India (MCHM IN), Hellaby Holdings (HBY NZ), SAI Global (SAI AU) and ASG Group (ASZ AU).

Stubs Strategy

Gross exposure fell slightly to 34% in this sub strategy as the Fund was active in booking profits in spreads that reverted to normalized levels. We continue to maintain a short position in a few Philippines conglomerates that trade at a premium to the NAV as emerging market inflows slow. To recap, an expansion of NAV premium in these conglomerates was not driven by fundamentals, but largely emerging market inflows in the last 2 quarters. We expect the NAVs to revert to normalized levels into year end. New long short trades during the month included Parkson Holdings (PKS MK)/ Parkson Retail (3368 HK) and IDFC Limited (IDFC IN)/ IDFC Bank (IDFCBK IN).

Other Strategies

Within the capital structure sub strategy, the Fund was active in identifying shorts of Chinese H share banks which have rallied significantly on the back of Southbound inflow into Hong Kong. The rally has largely eliminated any significant discount the H-share banks traded at relative to A-share valuations. This effectively caps the upside due to valuations and also dividend yield arbitrage.

Within capital raising, we booked profits in Castrol India (CSTRL IN) which re-rated ~15% from our setup level as the overhang of a BP sell down was eliminated. With the latest placement being the final one by BP, the stock is trading in line with fundamentals without any technical overhang.

Within capital management, the Fund hedged long positions in Renesas (6723 JT) and Reliance Capital (RCAPT IN). We view the Renesas acquisition of Intersil as an outperformance catalyst for the stock as the EPS accretion is significant. In Reliance Capital, we view the in specie distribution of the home loan business to shareholders as a value unlocking event that is currently not reflected in the share price. A separate listing would allow the market to more accurately value each company.

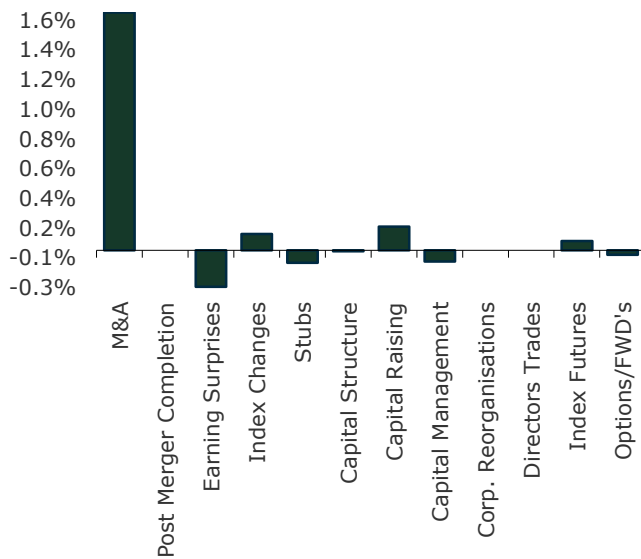
The Credit sub-strategy posted a small positive 30 basis points contribution to overall performance.

We thank you for your continued support.

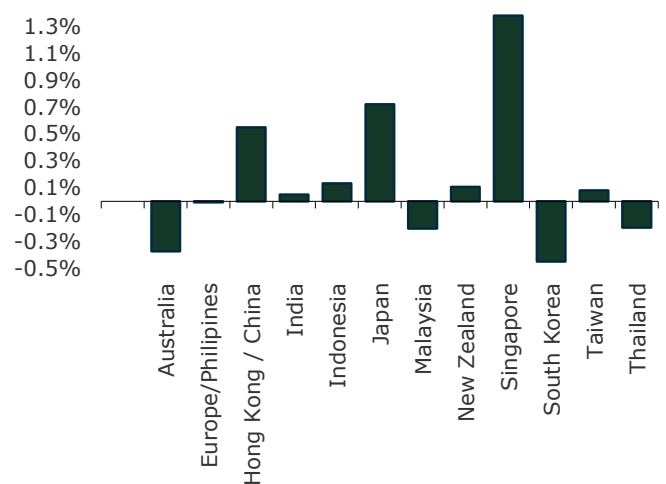
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Monthly Contribution by Strategy

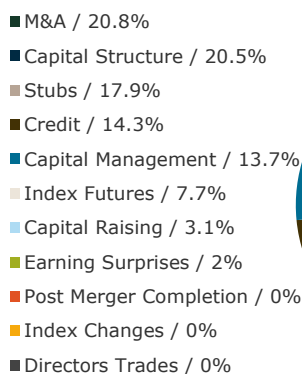


Monthly Contribution by Region



Portfolio Positioning

Monthly Gross Exposure by Strategy



Exposure by Region as % of NAV

Country	Gross	AdjNet*
Australia	17.6%	-1.6%
Hong Kong/ China	39.5%	0.9%
India	11.7%	0.7%
Indonesia	8.3%	2.1%
Japan	53.6%	0.8%
Korea	23.1%	4.0%
Malaysia	3.8%	3.6%
New Zealand	1.8%	1.4%
Singapore	13.7%	4.1%
Philippines	2.6%	-0.3%
Taiwan	0.7%	0.0%
Thailand	10.5%	0.8%
United States	3.4%	-3.7%
Total	190.3%	12.9%

*Excluding M&A and capital structure arbitrage and beta adjusted

Awards



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