Pengana PanAgora Absolute Return Global Equities Fund

SEPTEMBER 2016 PERFORMANCE UPDATE

PENGANA CAPITAL

FUND DESCRIPTION AND FEATURES

The Fund employs a highly diversified long/short equity strategy which is designed to generate attractive absolute returns that are generally neutral to market movements.

The Fund seeks to achieve its objective of an annualised return target† of 8-14% with volatility of 4-8%, by using a diversified set of strategies that have low correlation to one another. In addition, because many of these strategies are designed to generate profit under different market conditions and are designed to capitalise on long-term, intermediate-term and short-term inefficiencies, their combination is expected to result in more stable returns over time than any individual strategy in and of itself. These strategies have been developed by PanAgora.

APIR code	PCL0023AU
Fund inception date	9 December 2015
Strategy inception date	1 September 2010
AUM	$37M
Portfolio Managers	George Mussalli, CIO Richard Tan, Director, Equity

Management fee*	1.52% p.a.
Performance fee*	20.22%
Unit price	0.9485
Redemption price at month end	0.9438
Investment strategy	Absolute Return Global Equity
Minimum investment	A$20,000

† See further information regarding the Fund's investment objective in the Product Disclosure Statement.

* All fees are stated inclusive of GST and ITC. Please refer to the Fund's Product Disclosure Statement for a more detailed explanation.

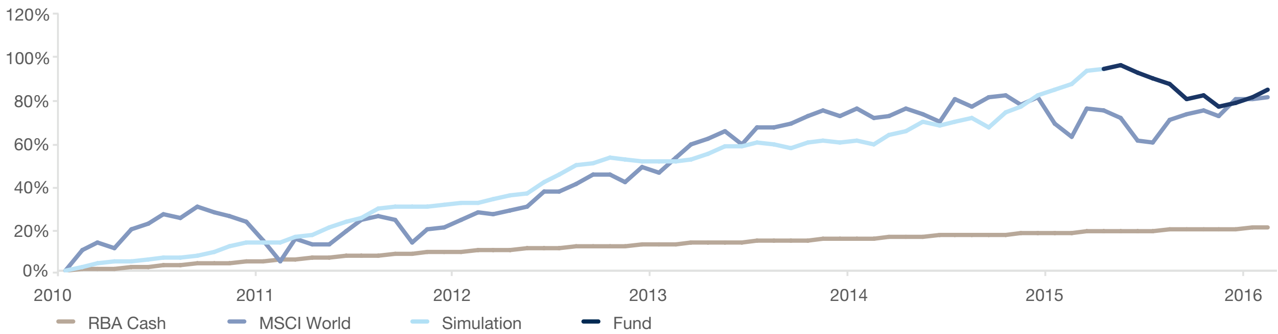
PERFORMANCE SUMMARY#

Performance figures and calculations in this section are net of fees, AUD hedged and involve a partial simulation (see footnote #).

Performance (%)	Strategy and Fund
1 month	1.8
1 year	-1.6
3 year annualised	6.9
5 year annualised	10.3
Inception to date annualised	10.6

Key performance and risk statistics	
Volatility	5.3%
Sharpe ratio	1.4
Information ratio	2.0
Positive periods	74%
Max drawdown	-10.2%
Beta (ASX 200)	0.08
Beta (MSCI World)	0.09

Cumulative Performance



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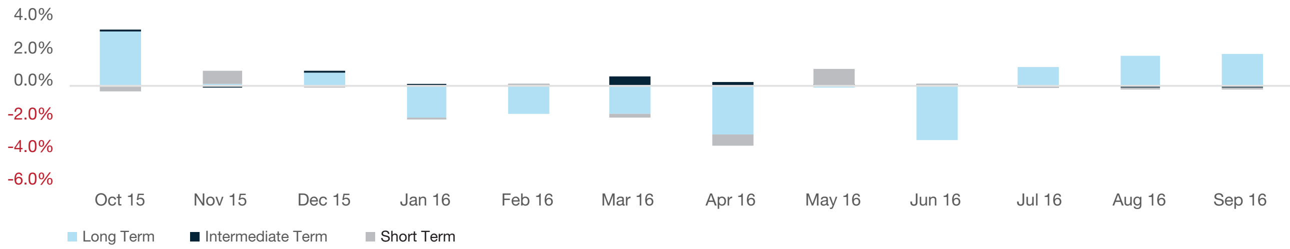
Simulated AUD Strategy

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016	-1.83	-1.62	-1.41	-3.49	0.88	-3.12	1.08	1.74	1.77				-6.00
2015	-0.84	1.31	0.93	-2.47	4.29	1.23	3.25	1.18	1.67	2.97	0.75	0.90	16.07
2014	0.11	1.33	-0.64	-1.11	1.76	0.59	-0.56	0.62	-1.21	2.64	1.02	2.57	7.26
2013	3.74	2.37	3.40	0.61	1.41	-0.34	-0.31	-0.51	0.26	0.67	1.95	1.75	15.95
2012	2.01	1.78	3.61	0.77	-0.33	-0.18	0.98	0.88	-0.37	1.35	1.15	0.98	13.31
2011	0.55	0.89	0.18	1.07	1.40	2.57	1.37	0.17	-0.35	2.23	0.65	3.37	14.99
2010									1.58	1.90	1.20	-0.19	4.55

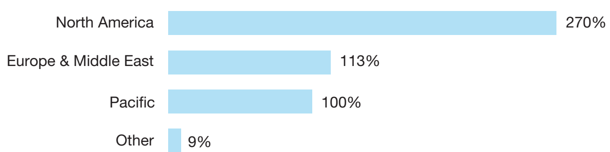
12M Attribution by Sub-Portfolio



Sub-Portfolio Exposures

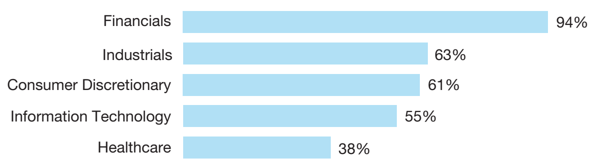
	Long Term	Intermediate Term	Short Term	Total
Long	229%	6%	13%	248%
Short	-228%	-2%	-14%	-244%
Net	1%	4%	-1%	4%
Gross	457%	8%	27%	492%

Gross Regional Exposures



Exposures are shown above as of 31 September 2016

Gross Sector Exposures (Top 5)



PERFORMANCE COMMENTARY

Market

September was a mixed month for global equity markets with the MSCI World Index closing up 0.57%. The month started on a positive note with investors taking on more risk while continuing to favour cyclicals as well as lower quality companies. Markets quickly corrected during the second week when the European Central Bank signalled a less accommodating monetary policy and concerns about the possibility of an imminent US rate rise re-emerged. The subsequent decision by the Federal Reserve to leave interest rates unchanged on September 21 was enough to push equity markets back in positive territory.

Equities ended September on a positive note in all regions even though performance was stronger in Asia Pacific (+1.8%), Japan and the Emerging Markets (both up 1.3%). European equities underperformed those other regions slightly (+0.61%) primarily due to concerns regarding the banking sector. In the US, large capitalisation indices ended the month essentially flat (the S&P500 was up 2 basis points) with investors preferring smaller companies (the Russell 2000 Index returned 1.1%).

Energy was the best performing global sector in September (+3%) helped by the rise in the price of oil. Investors also rewarded companies in the Information Technology (+2.8%) and Materials (+1.8%) sectors. Financials (-0.9%), Telecoms (-0.4%) and, to a lesser extent, Health Care (-0.1%) were the only sectors to end the month in negative territory.

September was a mixed month for value and high-quality companies, as investors preferred higher quality stocks in most markets outside the US, where risky, low-profitability companies prevailed. Sentiment indicators performed well across most regions.

Fund

For the month of September 2016, the Fund gained a significant 1.77% (net). The performance was driven by the strong performance of the long-term portfolio in the US and, to a lesser extent, internationally. Overall, the long-term portfolio contributed 1.92% (net) to the performance of the Fund.

The US sleeve of the long-term portfolio performed strongly with stock selection being very effective in the Financials, Health Care and Materials sectors. Factor-wise PanAgora highlight the good returns of the market intelligence and management capability factors.

While positive, the contribution of the International sleeve of the long-term portfolio was less pronounced. It benefited from the investors' preference for higher quality stocks backed by favourable sentiment and performed well in the Financials, Health Care and IT sectors.

The contributions from the intermediate and the short-term portfolios were marginally negative at -0.05% (net) and -0.09% (net), respectively.

With US M&A entering its late cycle phase PanAgora have been observing lower quality stocks being acquired at substantial premiums. To better navigate through this environment they have spread short positions over more names, thereby reducing single company exposures.

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From December 2015, performance figures are those of the Fund's class A units (including reinvestment of distributions). Between September 2010 and November 2015, AUD performance has been simulated by Pengana from the actual USD Composite gross strategy returns (prior to April 2013 using the Monthly Liquidity Composite; thereafter using the Daily Liquidity Composite) using 3 month rolling forwards to hedge movements in the AUDUSD spot rate. The effect of management fees of 1.52% p.a. and performance fees of 20.22% p.a. form part of this simulation. Performance fees include a hurdle rate (RBA Cash Rate converted to a daily rate). The Composite is comprised of all discretionary institutional accounts managed by PanAgora in this investment style. The creation date and inception date for the Monthly Liquidity Composite was 1 September 2010. The creation date and inception date for the Daily Liquidity Composite was 1 April 2013. PanAgora's composite performance is GIPS compliant. The USD gross track record data is historical. Past performance is not a reliable indicator of future results. The value of investments can go up and down. Indices used include: MSCI World Daily TR Net World USD (Bloomberg: NDDUWI Index); and RBA Cash Rate (Effective) (Bloomberg: RBACTRD Index).

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