

Pengana PanAgora Absolute Return Global Equities Fund

OCTOBER 2016 PERFORMANCE UPDATE



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	\$39M
Portfolio Managers	George Mussalli, CIO Richard Tan, Director, Equity

Management fee*	1.52% p.a.
Performance fee*	20.22%
Unit price	0.9618
Redemption price at month end	0.9571
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.

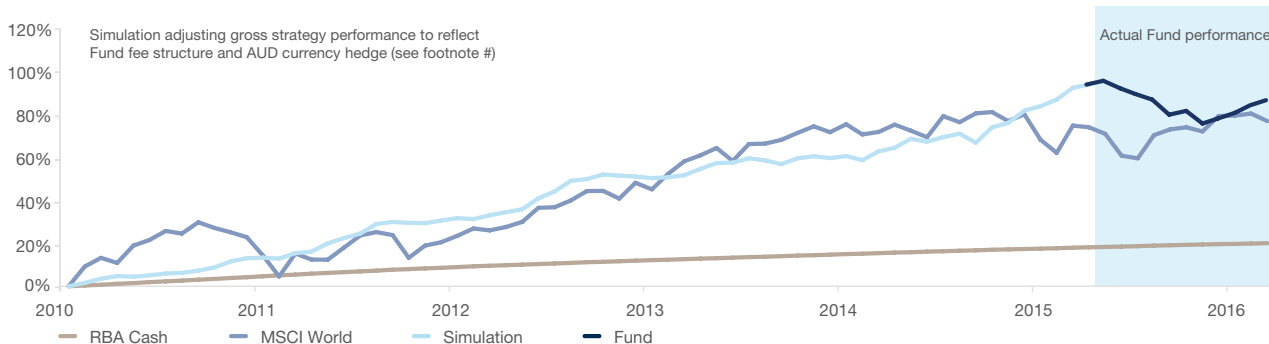
PERFORMANCE SUMMARY#

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

Performance (%)	
Fund	
1 month	1.4
Strategy and Fund including partial simulation [#]	
1 year	-3.1
3 year annualised	7.2
5 year annualised	10.2
Inception to date annualised	10.7

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)	0.08

Cumulative Performance



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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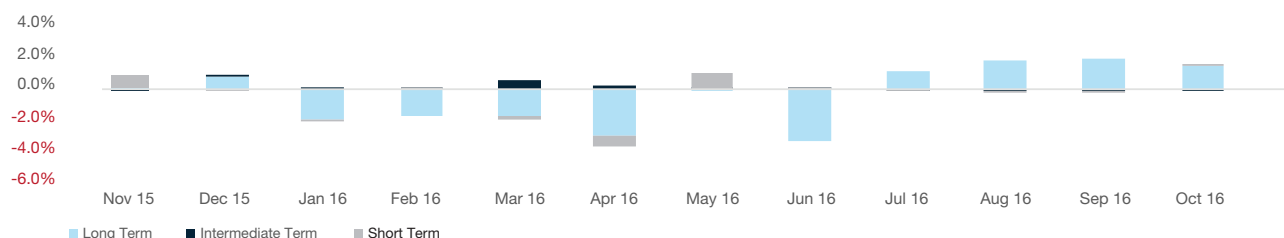
Fund Monthly Returns (%)

	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	1.40			-4.68
2015												0.90	0.90

Simulation adjusting gross strategy monthly returns (%) to reflect Fund fee structure and AUD currency hedge (see footnote #).

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	-0.84	1.31	0.93	-2.47	4.29	1.23	3.25	1.18	1.67	2.97	0.75		15.03
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

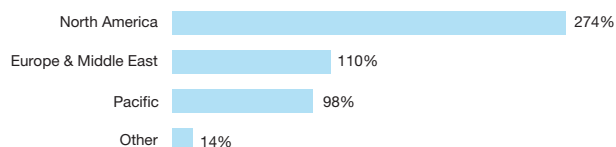
12M Attribution by Sub-Portfolio



Sub-Portfolio Exposures

	Long Term	Intermediate Term	Short Term	Total
Long	214%	7%	29%	250%
Short	-212%	-2%	-32%	-246%
Net	2%	5%	-3%	4%
Gross	426%	9%	61%	496%

Gross Regional Exposures



Gross Sector Exposures (Top 5)



Exposures are shown above as of 31 October 2016

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PERFORMANCE COMMENTARY

Market

Equity investors adopted a cautionary stance in October with the MSCI World Index down -1.9% (performances in the Market Review are shown in USD terms unless otherwise noted). The shift in risk appetite can be attributed to rising global interest rate expectations. In the US, the futures market indicated the probability of a December interest rate hike of above 70%. Meanwhile, tensions at the ECB were expected to reduce the scope of its quantitative easing program in Europe.

Perhaps unsurprisingly, the forecast of higher interest rates benefitted Financials (+2.3%) at the expense of Telecoms (-3.9%), Consumer Staples (-3.3%) and, to a lesser extent, Industrials (-2.1%). Health Care was the worst performing sector (-6.8%), in part due to the uncertainty caused by the then upcoming US presidential election.

From a geographical standpoint, we highlight the relative strong performance of Japan (+1.6% in USD and +5.1% in local currency) and Europe's weakness (the MSCI Europe Index lost -3.1%). Emerging Markets ended the month slightly up (+0.2%). In the US, the S&P500 Index lost -1.8%, outperforming smaller capitalisation stocks by almost 3%, with the Russell 2000 Index down -4.7%.

Fund

For the month of October 2016, the Fund gained 1.4%. The outperformance was largely driven by the strong performance of the international long-term alpha model (the sleeve contributed +0.96% to the overall performance of the Fund). The outperformance of the long-term model in the US was sizable even if less pronounced resulting in a contribution of +0.5%. The intermediate and short-term arbitrage strategies underperformed moderately in October detracting -0.06% from the overall return.

A closer look at the long-term international alpha models reveals that investors favoured higher quality and previously neglected stocks that were trading at compelling valuations. In the US the preference was given to cheaper companies backed by positive sentiment and good management.

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