

# Pengana PanAgora Absolute Return Global Equities Fund

## DECEMBER 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<sup>†</sup> 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.

<b>APIR code</b>	PCL0023AU
<b>Fund inception date</b>	9 December 2015
<b>Strategy inception date</b>	1 September 2010
<b>AUM</b>	\$115M
<b>Portfolio Managers</b>	George Mussalli, CIO Richard Tan, Director, Equity

<b>Management fee*</b>	1.52% p.a.
<b>Performance fee*</b>	20.22%
<b>Unit price</b>	0.9674
<b>Redemption price at month end</b>	0.9626
<b>Investment strategy</b>	Absolute Return Global Equity
<b>Minimum investment</b>	A\$20,000

<sup>†</sup> 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.

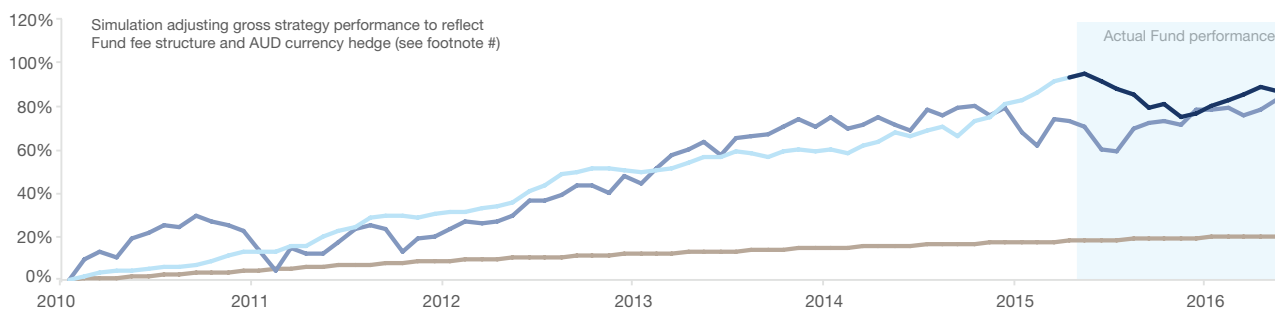
### PERFORMANCE SUMMARY#

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

Performance (%)	
<b>Fund</b>	
1 month	-1.4
<b>Strategy and Fund including partial simulation*</b>	
1 year	-4.1
3 year annualised	6.1
5 year annualised	9.4
Inception to date annualised	10.5

Key performance and risk statistics	
Volatility	5.3%
Sharpe ratio	1.5
Information ratio	2.0
Positive periods	74%
Max drawdown	-10.2%
Beta (ASX 200)	0.07
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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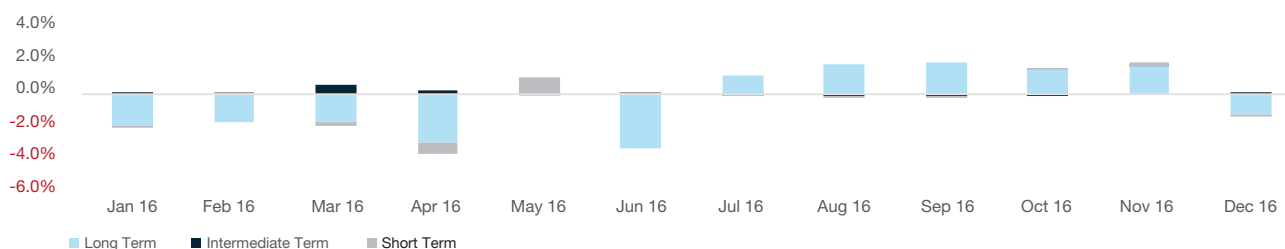
### Fund Monthly Returns (%)

	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	1.99	-1.38	-4.12
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

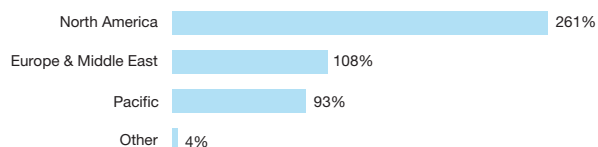
### 12M Attribution by Sub-Portfolio



### Sub-Portfolio Exposures

	Long Term	Intermediate Term	Short Term	Total
Long	227%	7%	1%	236%
Short	-227%	-2%	-1%	-231%
Net	0%	5%	-0%	5%
Gross	455%	9%	2%	466%

### Gross Regional Exposures



### Gross Sector Exposures (Top 5)



Exposures are shown above as of 31 December 2016

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## PERFORMANCE COMMENTARY

### Market

Equity markets performed well in December with the MSCI World Index gaining +2.4% (performances in the market commentary section are shown in USD).

Accommodating monetary policies in Europe and Japan as well as increased confidence in the resilience of global economic growth sustained the post US election rally during the first 2 weeks of the month. The trend upwards ended on December 14 following the Fed's decision to increase interest rates. US small caps outperformed with the Russell 2000 Index rising +2.8% compared to +2% for the S&P 500.

Europe was the best performing region (+5.4%) helped by the strong performance of Italy and Spain. In Asia, investors preferred Japanese stocks (+1.1%) yet the rest of the region underperformed (the MSCI Asia Pacific ex. Japan Index lost -1.3%). Emerging Markets ended the month essentially flat (+0.1%).

The best performing sectors were Telecoms (+5%) and Utilities (+4%), both of which underperformed sharply after the US election in November.

Style-wise, investors favoured Value and Momentum stocks across all markets. In Europe, we also observed a stark preference for both lower quality and higher risk companies.

### Fund

For the month of December 2016, the fund lost -1.38%. The underperformance was largely driven by the US and International long-term models (their respective contributions were -0.78% and -0.48%).

In the US, investors particularly avoided companies with stronger balance sheets and higher earnings growth, instead favouring cheaper names. The rotation towards lower quality names also affected our Sentiment factors, as companies with stronger earnings revisions underperformed.

The intermediate strategies outperformed modestly, resulting in a total contribution of +0.04% (both the US merger arbitrage and the US share class arbitration trades performed strongly).

The short-term arbitrage strategies detracted -0.17%. The underperformance of the sleeve was almost exclusively caused by levered ETF trades.

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