

Pengana PanAgora Absolute Return Global Equities Fund

JANUARY 2017 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	\$114M
Portfolio Managers	George Mussalli, CIO Richard Tan, Director, Equity

Management fee*	1.52% p.a.
Performance fee*	20.22%
Unit price	0.9532
Redemption price at month end	0.9486
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.

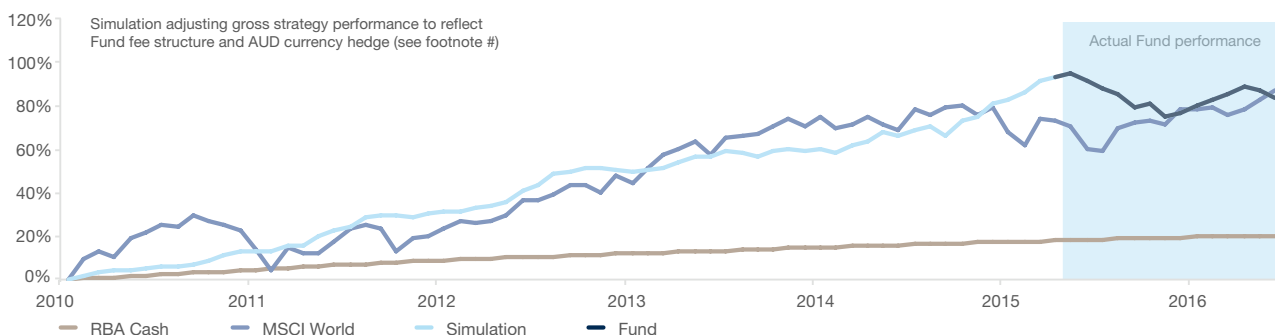
PERFORMANCE SUMMARY[#]

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

Performance (%)	
Fund	
1 month	-1.5
1 year	-3.8
Strategy and Fund including partial simulation[#]	
3 year annualised	5.5
5 year annualised	8.7
Inception to date annualised	10.1

Key performance and risk statistics	
Strategy and Fund including partial simulation[#]	
Volatility	5.3%
Sharpe ratio	1.3
Information ratio	1.9
Positive periods	73%
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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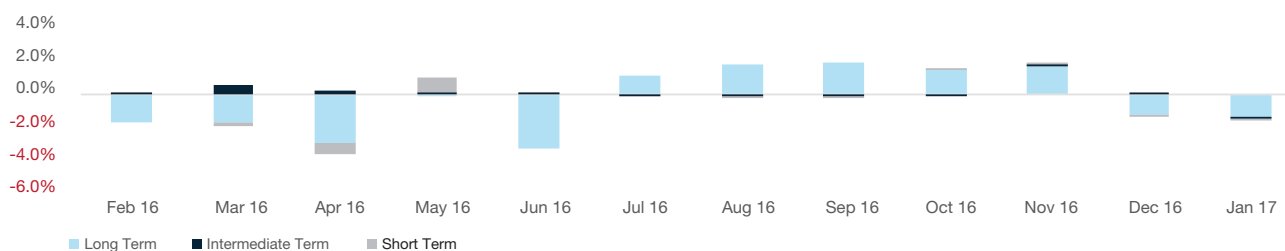
Fund Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	-1.47												-1.47
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

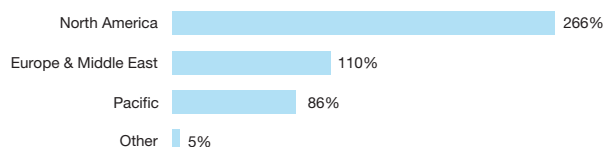
12M Attribution by Sub-Portfolio



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 January 2017

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PERFORMANCE COMMENTARY

Market

Global equity markets continued to perform well in January with the MSCI World Index gaining a healthy +2.76%. The upward trend was maintained despite some very strong geographic and sector rotations.

After underperforming in December, the Asia Pacific ex Japan and Emerging Markets regions ended the month up more than 5%. Europe, the best performing region in December, underperformed gaining less than 2%. We also observed a reversal of fortunes in the U.S. where large caps outperformed smaller companies (the S&P500 gained +1.9% compared to a +0.39% gain for the Russell 2000 Index).

The change in market leadership was even starker at the sector level with the Energy sector losing -2.3% and the Materials and Information Technology sectors outperforming sharply (up +7.3% and +5.2%, respectively). The underperformance of Telecoms (+1.28%), Utilities (+1.13%) and Consumer Staples (+1.77%) caused cyclicals to outperform defensives sectors everywhere except in the US where they performed similarly.

Factor-wise, investors moved away from stocks with more compelling valuation (we highlight in particular the very poor performance of high dividend yielding companies), preferring instead riskier stocks (high market beta and high volatility equities) as well as companies with stronger price momentum scores.

Fund

For the month of January 2017, the Fund was down -1.47%. The underperformance was largely driven by the International long-term portfolio which detracted -1.02%. U.S. Large caps and U.S. mergers and acquisitions detracted a combined -0.30% from performance. For the month, across most developed markets, investors avoided companies with compelling valuations but also failed to reward higher growing companies. Additionally, investors favoured smaller cap names and higher volatility. The minor role played by company specific fundamentals was reflected in the lacklustre performance of the industry specific models in the U.S.

Some of the biggest detractor came from Peru (-0.16%) and Canada (-0.17%) in large part because of the portfolio's underexposure to copper and silver, both of which were up approximately +7% for the month. Hong Kong (-0.16%) also detracted due to the underweight positions in the Casino and Gaming industry. Hong Kong gaming has recently performed well but faces continual headwinds due to increasing smoking bans in VIP sections and the depreciation of the Yuan. On the positive side, we highlight the good stock selection in the Health Care sector (+0.37%). Overweight positions in Incyte Corp. and Vertex held due to their strong Patent model score, outperforming for the month.

The intermediate strategies detracted from returns in January (-0.11%) because of the underperformance of several U.S. merger arbitrage related trades. Very little capital was allocated to the short term strategies in January as corporate activity was low, earnings season had not yet begun and there were no opportunities to participate in index reconstitution events. As such the short-term arbitrage strategies ended the month flat.

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