

Pengana Global Small Companies Fund

February 2017 Monthly Update



Fund Description

The Fund invests principally in small and mid-cap listed (or soon to be listed) global equities. Its investment objective is to obtain returns greater than the MSCI All Country World Index SMID Cap unhedged in Australian dollars ('Index') over rolling 3 year periods after fees. The Fund's investment manager, Lizard Investors LLC, uses a value-oriented investment approach that seeks to identify and invest in quality businesses that create significant value but are mispriced, overlooked, or out-of-favour. The investment manager believes that unique opportunities exist due to limited available research, corporate actions, or unfavourable investor perception.

Fund Features

| | | | |
|--------------------------------------|---|--------------------------------|----------------------------------|
| Portfolio Managers | Jonathan Moog, David Li, Leah Zell (CIO) | Investment Manager | Lizard Investors LLC |
| Identification Code(s) | ARSN 604 292 677 APIR PCL0022AU | Inception Date | 1 April 2015 |
| Redemption Price at Month End | \$1.1003 | Style | Fundamental |
| Investors | Retail & Wholesale Clients | Minimum investment | \$25,000 |
| Benchmark Index | MSCI All Country World SMID Cap Index unhedged in AUD | Fund Pricing | Daily |
| Management Fee | 1.334% p.a. of the Class net asset value | Target Asset Allocation | Cash 0-20% Equities 80-100% |
| Performance Fee | 20.5% (including GST net of RITC) of performance above the benchmark* | Distribution Frequency | Twice yearly (June and February) |

*Performance fee of 20.5% (including GST net of RITC) of any return of the Class greater than the return of the benchmark Index after deduction of the management fee and adjusted for applications, redemptions and distributions to investors, less any prior accrued negative performance fee amount carried forward.

Fund Commentary

| | Net Returns to 28 th February 2017 ¹ | | | | | |
|--|--|----------|-------|--------------------|-----------------------------------|---|
| | MTD | 3 Months | FYTD | Trailing 12 Months | Since Inception p.a. ² | Since Inception Cumulative ² |
| Pengana Global Small Companies Fund | 0.8% | 3.2% | 13.4% | 16.6% | 5.6% | 11.1% |
| Benchmark | 1.1% | 3.0% | 9.7% | 15.0% | 4.4% | 8.5% |

¹Net 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.

²Inception 1st April 2015.

The Fund generated a return of 0.8%¹ in February 2017 compared to a 1.1% return for the MSCI AC World SMID Cap Index. The top five holdings were (in alphabetical order): boohoo.com Plc; EPS Holdings Inc., PRA Group Inc; Softcat Plc; and Wizz Air Holdings Plc. The largest positive contributors to February performance were: ams AG; Halogen Software, Inc.; NetScout Systems, Inc.; Pico Far East Holdings Limited; and Rami Levi Chain Stores Hashikma Marketing 2006 Ltd., while the largest detractors were: Broadleaf Co., Ltd.; CROOZ, Inc.; Peyto Exploration & Development Corp.; Ubiquiti Networks, Inc.; and Wizz Air Holdings Plc. As of the 28th of February, the Fund's top 10 holdings accounted for 32.4% of the Fund's assets, with no single name representing more than 4% of the Fund. Cash represented 17.4% of the Fund at month end. This was a short term holding due to an inflow into the Fund, the bulk of which we have subsequently invested.

Portfolio Highlights

The Fund was up 0.8% for the month, slightly underperforming the market. Halogen was again a positive contributor to performance. As we mentioned in our January letter, the company had begun exploring strategic alternatives and during February a buyout was announced. AMS reported solid improvement in operating results and issued a strong outlook for 2017. The stock reacted positively to the news. Ubiquiti results were slightly underwhelming, however their enterprise product continues to gain traction in the marketplace. Broadleaf issued weak 2017 expectations, despite the stock recovering a fair amount over the past few months. Wizz Air announced it would pursue aggressive growth at the expense of slight margin dilution. While the stock reacted negatively, we are pleased that the company is pursuing what we believe is a large opportunity in Eastern Europe.

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Global Small Companies Fund (ARSN 604 292 677) (the "Fund"). A Product Disclosure Statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the Product Disclosure Statement and should consider the Product Disclosure Statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the Fund is subject to investment risk including a possible delay in repayment and loss of income and principal invested.

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Portfolio Additions / Deletions

We added one position during the month and exited another. We are still actively trading the new investment, so won't disclose the name yet. The company operates within the auto retail space in the UK and we are excited about the business's long-term growth prospects. The stock has sold off almost 40% from its IPO for reasons we believe are short term and view the current price as a good entry point. During the month we also decided to exit Broadleaf in Japan. We have owned the position since the inception of the Fund and management has continued to fail to achieve both top line and margin expectations. We have accordingly lost confidence and took advantage of the strong share price performance over the last three months to exit the position. We view this investment as a mistake and always try to learn from our errors. We continue to be strong believers of the importance of capable management, especially in Japan. In this case, we got it wrong.

Portfolio Information

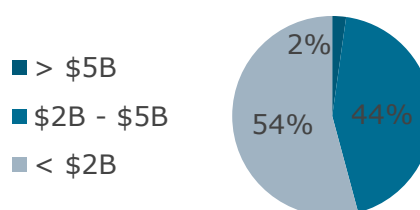
| Top 5 Positions (in alphabetical order) | |
|---|--|
| boohoo.com Plc | |
| EPS Holdings, Inc. | |
| PRA Group Inc. | |
| Softcat Plc | |
| Wizz Air Holdings Plc | |

| Top Contributors | Top Detractors |
|---|---------------------------------------|
| ams AG | Broadleaf Co., Ltd. |
| Halogen Software, Inc. | CROOZ, Inc. |
| NetScout Systems, Inc. | Peyto Exploration & Development Corp. |
| Pico Far East Holdings Limited | Ubiquiti Networks, Inc. |
| Rami Levi Chain Stores Hashikma Marketing 2006 Ltd. | Wizz Air Holdings Plc |

Fund Breakdown

| Sector Allocation | | Geographical Allocation | |
|------------------------|---------------|-------------------------|---------------|
| Consumer Discretionary | 20.7% | North America | 24.6% |
| Information Technology | 19.9% | Europe | 22.3% |
| Industrials | 15.5% | UK | 11.4% |
| Financials | 12.7% | Japan | 7.2% |
| Consumer Staples | 6.8% | Asia ex Japan | 7.1% |
| Health Care | 4.2% | Middle East/Africa | 5.5% |
| Energy | 2.8% | Latin America | 4.5% |
| Cash | 17.4% | Cash | 17.4% |
| Total | 100.0% | Total | 100.0% |

Market Cap Breakdown (USD)



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