

# Pengana PanAgora Absolute Return Global Equities Fund

## MARCH 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<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>	\$118M
<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>	0.9672
<b>Redemption price at month end</b>	0.9624
<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.

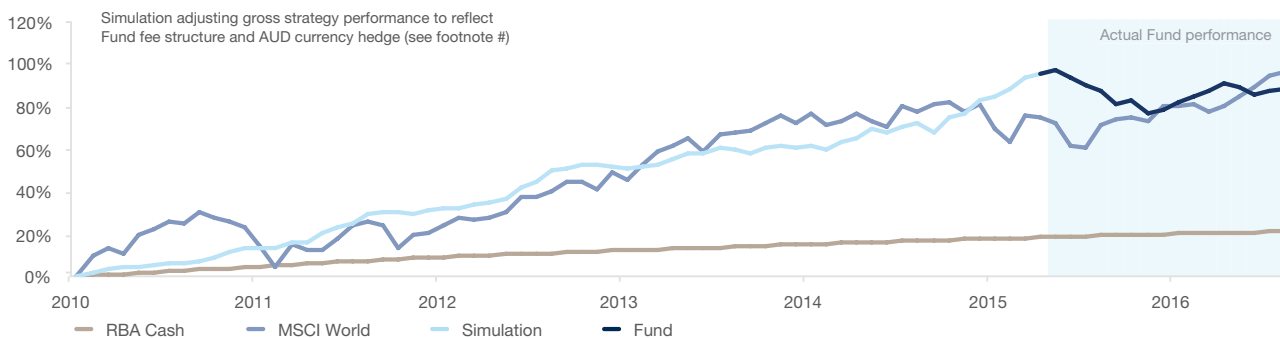
### PERFORMANCE SUMMARY<sup>#</sup>

**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	0.6
1 year	0.7
<b>Strategy and Fund including partial simulation<sup>#</sup></b>	
3 year annualised	5.8
5 year annualised	7.8
Inception to date annualised	10.1

Key performance and risk statistics	
<b>Strategy and Fund including partial simulation<sup>#</sup></b>	
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



<sup>#</sup> 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).

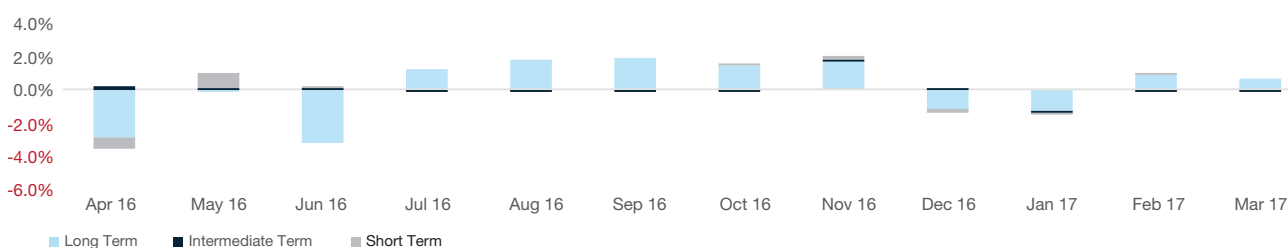
## Fund Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	-1.47	0.87	0.59										-0.02
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

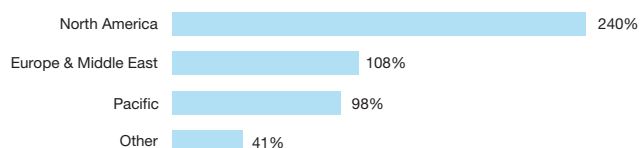
## 12M Attribution by Sub-Portfolio



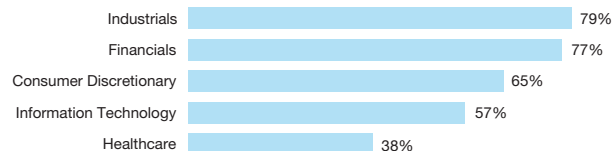
## Sub-Portfolio Exposures

	Long Term	Intermediate Term	Short Term	Total
Long	234%	4%	7%	245%
Short	-232%	-1%	-8%	-241%
Net	2%	3%	-0%	4%
Gross	466%	6%	15%	486%

## Gross Regional Exposures



## Gross Sector Exposures (Top 5)



Exposures are shown above as of 31 March 2017

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## PERFORMANCE COMMENTARY

### MARKET (\$USD)

The month of March started with global equities reaching new highs and investors revising their interest rate expectations up sharply. Better than expected US non-farm payroll figures during the second week paved the way for a widely expected rise in US interest rates on March 15th. US Equity markets barely reacted to the 25bps increase, yet the cautious approach communicated by the Federal Reserve was sufficient to trigger a reversal in the bond market where rates moved lower. Internationally, European equities were helped by positive economic readings as well as the pro-European outcome of the Dutch election with investors assessing its implications for the upcoming French presidential election (the MSCI Europe Index gained +1.7% on March 16). Increased risk-appetite and a weakening US Dollar helped Asia Pacific and Emerging Markets perform strongly during the third week of the month. The month ended with equities drifting lower in most developed markets as investors reassessed the probability of US tax cuts after the failed attempt to repeal the Healthcare Act.

Overall the MSCI ACWI Index ended March up a respectable +1.3%. Europe was the best performing region in March (+4.3%). Better economic data benefitted above all the periphery with Spain, Italy and Portugal posting the largest gains.

Defensive sectors slightly outperformed in most regions. Consumer Discretionary and Utilities continued to outperform in March, yet the best returns were measured in the Information Technology sector. Financials as well as Energy and Materials lagged behind.

Factor-wise, investors preferred higher growth and quality companies at the expense of stocks with stronger value and sentiment scores in most regions, except for Europe where the outperformance of the periphery helped cheaper stocks outperform.

### FUND (\$AUD)

For the month of March 2017, the fund gained +0.59%. The performance was driven by the long-term portfolio (+0.61%), primarily the U.S. sleeve. The intermediate-term and short-term portfolios contributed -0.02% and 0.00%, respectively.

#### Long-term

The U.S. portfolio contributed +0.84% to performance as all factor composites (External Forces, Management Capabilities, and Market Intelligence) performed well for the month. Information Technology and Health Care were the top performing U.S. sectors, contributing +0.44% and +0.34%, respectively. A short position in Palo Alto Networks, Inc., a network security solutions company, was the top contributor in the portfolio (+0.30%). In March, the company's stock plummeted -26% after the company issued disappointing financial forecasts causing analysts to downgrade the stock. In Health Care, Vertex Pharmaceuticals, a biotechnology company, was the top performer, contributing +0.17%. Vertex, a long position held due to its strong biotech patent score, had its share price increase +20% due to positive cystic fibrosis test results.

The international portfolio detracted -0.23% as the alpha model was slightly negative for the month. The International performance can be largely explained by the reversals in the post US election deflation trade (stocks that benefit the most from rising GDP growth and firmer monetary policies underperformed in March).

#### Intermediate-term and Short-term

The intermediate-term portfolio detracted from returns in March even if just marginally (-0.02%) while the short-term portfolio ended flat (0.00%). As the quarter-end approached, we slightly increased our allocation to the short-term portfolio to take advantage of MSCI index deletions related opportunities.

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