

# Pengana Absolute Return Asia Pacific Fund

## March 2017 Monthly Update

### Investment Objective

To generate a net annualised return greater than 5% above the RBA's Cash Rate Target over a 3 to 5 year period with low volatility and low correlation to Asian security markets.

### Investment Process

The Fund employs an event-driven investment strategy that seeks to exploit the mispricing of securities of companies listed on Asia Pacific stock markets (including Australia) that are undergoing corporate transactions. The investment process aims to control risk by maintaining low exposure to relative market movements and other broad risk factors.

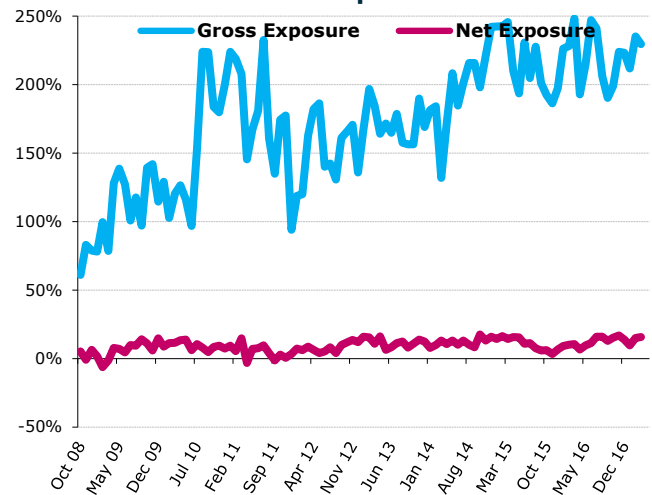
### Fund Facts

<b>Senior Portfolio Managers</b>	Antonio Meroni and Vikas Kumra	<b>Inception date</b>	Fund: September 2010 Strategy: October 2008
<b>APIR code</b>	PCL0004AU	<b>FUM Fund/Strategy:</b>	A\$49.4/ US\$54.6
<b>Investment Strategy</b>	Asia Pacific Absolute Return	<b>Benchmark Index</b>	RBA Cash Rate Target
<b>Management Fee<sup>1</sup></b>	1.50% p.a.	<b>Redemption Price at Month End</b>	1.1087
<b>Performance Fee</b>	20.5% of the Fund's return in excess of the RBA Cash Rate subject to a high water mark		

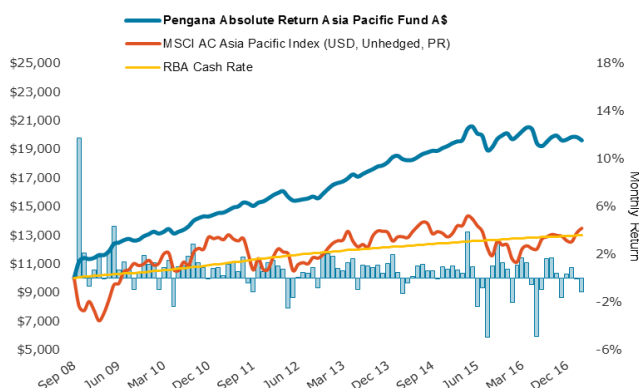
### Fund Performance

Net Returns to March 2017	Pengana Absolute Return Asia Pacific Fund <sup>2</sup>	RBA Cash Rate Target	MSCI ACWI Asia Pacific Price Index
<b>1 Month</b>	-1.15%	0.13%	1.27%
<b>3 Months</b>	-0.33%	0.37%	8.79%
<b>6 Months</b>	-1.19%	0.74%	5.16%
<b>12 Months</b>	-3.12%	1.61%	13.96%
<b>2 Years p.a.</b>	-0.03%	1.82%	0.21%
<b>3 Years p.a.</b>	2.34%	2.04%	2.11%
<b>Since inception<sup>3</sup> p.a.</b>	8.26%	3.13%	3.80%
<b>Correlation<sup>4</sup></b>	0.07	<b>Max drawdown</b>	-8.0%
<b>Sharpe Ratio</b>	1.09	<b>Volatility</b>	6.22%
<b>Beta<sup>4</sup></b>	0.02	<b>Positive Months</b>	75%

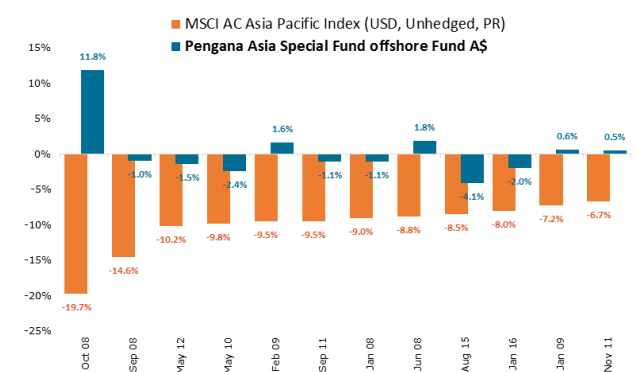
### Fund – Gross and Net Exposures



### Monthly Returns Since Inception<sup>3</sup>



### Fund Performance During Market Falls<sup>3</sup>



<sup>1</sup> All fees are inclusive of GST net of RITC. Please refer to PDS for a more detailed explanation

<sup>2</sup> Net 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.

<sup>3</sup> Inception date: September 2010. These performance figures show the returns of the Absolute Return Asia Pacific Fund from inception on 1 September 2010 to the current date and, for the period prior to 1 September 2010, the since inception returns for the Australian dollar denominated shares issued by the Pengana Asia Special Events (Offshore) Fund ("Offshore Fund") adjusted to reflect the different fees which apply to the Fund. The strategy inception date is 1 October 2008. The Fund is fully invested into the Offshore Fund.

<sup>4</sup> MSCI AC Asia Pacific Index

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### Fund Commentary

The Fund finished down -1.1% for the month of March 2017, compared to Asia Pacific markets which posted a gain of 1.3%. Overall, Asian markets continued their upward trajectory, with volatility trading at historically low levels. Regionally however, individual markets fared less well, for example the Japanese market was down -1.5%.

The M&A sub strategy was the main positive contributor over the month, while the Holding Companies and Capital Management sub strategies detracted from performance. The overall gross exposure in the M&A sub-strategy came down from 42.5% to 31.3% over the course of the month on the back of some M&A deals successfully completing. Gains were made in the Australian market with losses suffered principally in Hong Kong and Singapore.

Tactically, the Fund used the low volatility environment to implement overall portfolio protection via put positions in the Japanese and Hong Kong markets, to cushion the Fund performance should markets retrace. The Fund's net and gross exposures averaged 15.7% and 229.6% respectively during the month.

### M&A

The M&A sub-strategy posted a positive contribution of 0.4% for the month, which brings the total return for the current year to 2.8%. The biggest positive contributor of 0.15% was from our position in Yingde Gases. To recap: the company announced on 9<sup>th</sup> January that it had received expressions of interest from two different parties. The first was from Stellars Capital regarding a possible offer, and the second was from Air Products & Chemicals. Then on 7<sup>th</sup> March, Yingde Gases received a third offer by PAG at HK\$6.00 per share that is not subject to any regulatory approval, but only to a 50% minimum acceptance condition. We are awaiting now the next step for Air Products to either match or increase their initial proposal.

In Australia, we have initiated a long position in WorleyParson, after Dubai-based Dar Group scooped up a substantial stake of 13.35% in a raid at A\$10.35. Our position was bought on the back of an expectation that Dar Group could further increase their stake to 19.9%, without triggering the Foreign Investment Review Board (FIRB) approval process. This position contributed 0.1% to performance.

We have added Myer Holdings into the portfolio on the back of Premier Investments acquiring a 10.77% stake at A\$1.145. Our view on the situation is that Myer is trading cheaply, well below trading levels of other Australian retailers and International department stores, and further stake increases by PMV cannot be ruled out. PMV has previously stated there is an opportunity to expand the concessional store base through Myer, which could create synergies.

### Capital Management / Holding Company (Stubs)

Within Capital Management the bulk of the negative performance was due to our short position in Kaisa. After a 2 year trading suspension the stock resumed trading with an uptick of 60%, forcing us to cover our short position.

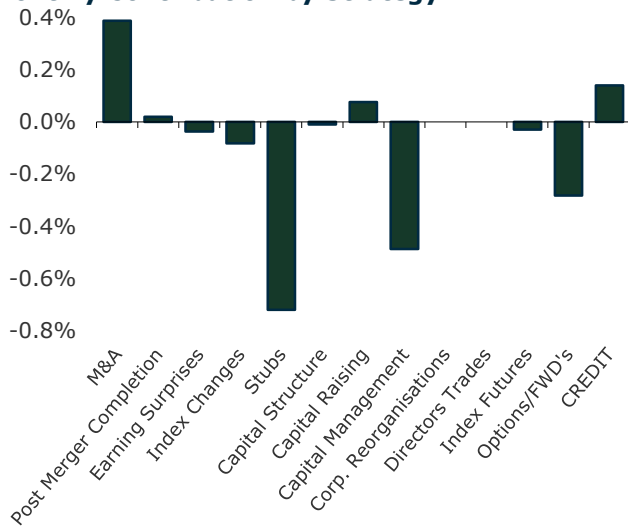
Within the Holding Company strategy our positions in Jardine Matheson / Jardine Strategic and Wharf / Wheelock caused the underperformance. We expect that both positions will mean revert in the coming month, as their ratios have hit an all-time low. The Fund is also conservatively positioned in the China A/H discount trade - should markets in HongKong/China enter a correction phase and volatility picks up, we expect positive relative outperformance in our shorts in the H-shares vs long A-shares.

*We thank you for your continued support.*

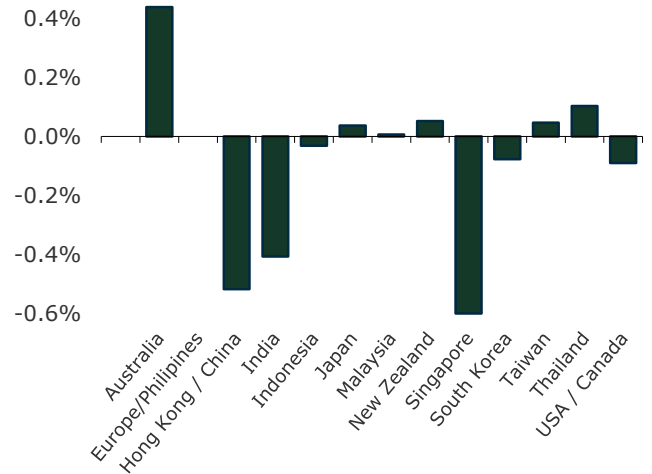
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### Monthly Contribution by Strategy



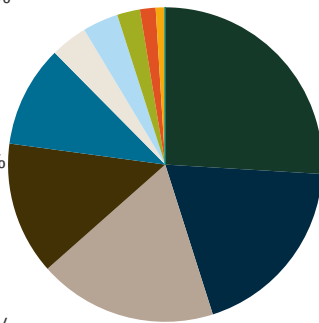
### Monthly Contribution by Region



### Portfolio Positioning

#### Monthly Gross Exposure by Strategy

- Stubs / 26%
- Capital Structure / 19.1%
- Capital Management / 18.4%
- M&A / 13.7%
- Credit / 10.5%
- Earning Surprises / 3.8%
- Index Futures / 3.7%
- Index Changes / 2.4%
- Capital Raising / 1.6%
- Post Merger Completion / 1%



#### Exposure by Region as % of NAV

Country	Gross	AdjNet*
Australia	19.1%	0.6%
Hong Kong/ China	82.5%	2.4%
India	22.1%	2.5%
Indonesia	0.0%	0.0%
Japan	49.6%	2.4%
Korea	19.2%	0.8%
Malaysia	0.5%	0.0%
New Zealand	2.2%	1.4%
Singapore	18.5%	3.0%
Philippines	0.0%	0.0%
Taiwan	2.4%	2.4%
Thailand	11.5%	0.2%
United States	2.1%	0.0%
<b>Total</b>	<b>229.6%</b>	<b>15.7%</b>

\*Excluding M&A and capital structure arbitrage and beta adjusted

### Awards



### Contact Details

Pengana Capital Limited • Level 12, 167 Macquarie Street, Sydney, NSW 2000, Australia • T +61 2 8524 9900 • F +61 2 8524 9901

ABN 30 103 800 568, AFSL 226566

For further information, please visit our website at [www.pengana.com](http://www.pengana.com) or contact:

#### Advisors & Retail Clients:

Alex Keen, +61 2 8524 9942, [Alex.keen@pengana.com](mailto:Alex.keen@pengana.com) (NSW/ACT)

Guy Callaghan + 61 3 8663 7906, [guy.callaghan@pengana.com](mailto:guy.callaghan@pengana.com)(VIC/TAS/SA/WA)

Rachel Elfverson, +61 434 980 561, [Rachel.elfverson@pengana.com](mailto:Rachel.elfverson@pengana.com) (QLD/NT)