

Pengana Absolute Return Asia Pacific Fund

May 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.

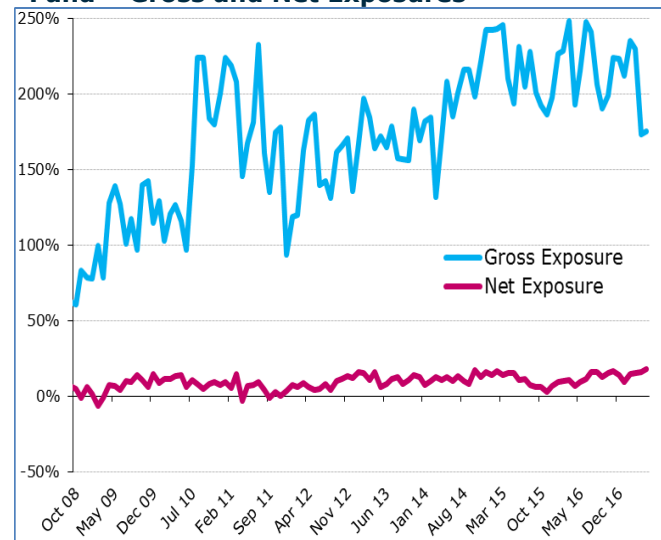
Fund Facts

Senior Portfolio Managers	Antonio Meroni and Vikas Kumra	Inception date	Fund: September 2010 Strategy: October 2008
APIR code	PCL0004AU	FUM Fund/Strategy:	A\$39.1/ US\$43.4
Investment Strategy	Asia Pacific Absolute Return	Benchmark Index	RBA Cash Rate Target
Management Fee¹	1.50% p.a.	Redemption Price at Month End	1.1371
Performance Fee	20.5% of the Fund's return in excess of the RBA Cash Rate subject to a high water mark		

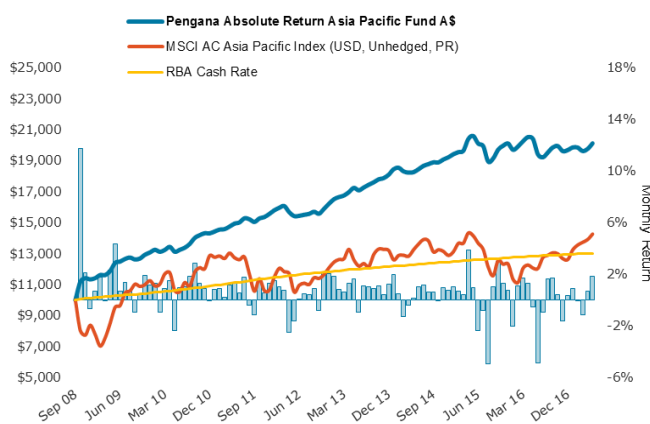
Fund Performance

Net Returns to May 2017	Pengana Absolute Return Asia Pacific Fund ²	RBA Cash Rate Target	MSCI ACWI Asia Pacific Price Index
1 Month	1.85%	0.13%	2.56%
3 Months	1.39%	0.38%	5.24%
6 Months	2.60%	0.74%	12.54%
12 Months	-1.38%	1.54%	18.21%
3 Years p.a.	3.30%	1.98%	2.50%
5 Years p.a.	5.47%	2.32%	6.28%
Since inception³ p.a.	8.41%	3.10%	4.19%
Correlation⁴	0.07	Max drawdown	-7.99%
Sharpe Ratio	0.86	Volatility	6.18%
Beta⁴	0.03	Positive Months	76%

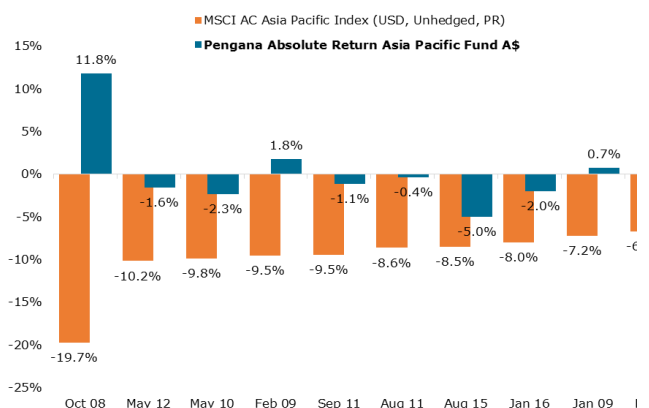
Fund – Gross and Net Exposures



Monthly Returns Since Inception³



Fund Performance During Market Falls³



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

² 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.

³ 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.

⁴ MSCI AC Asia Pacific Index

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Fund Commentary

The Fund finished up 1.9% for the month of May 2017, compared to Asia Pacific markets which posted a gain of 2.5%. However, the Australian equity market was the big outlier in the region falling -3.4% on the back of the Australian Federal Government announcing that it will introduce a major levy on banks with liabilities over A\$100bn, in order to raise ~A\$1.5bn each year for four years. Regionally, the Australian equity market also lacks earnings growth momentum, when compared to the rest of Asia.

As readers will note, we have simplified the reporting of our strategy exposure and contribution analysis to include the following three components:

1. Mergers and Acquisitions (M&A)
2. Relative value trades – comprising catalyst driven reversion trades hedged with highly correlated pairs
3. Directional alpha trades – a diversified book of conservative directional positions consistent with the Fund's long term net exposure of 10 to 20%

The Fund's net and gross exposures averaged 18.2% and 174.9% respectively during the month.

M&A

The M&A sub-strategy contributed almost half of the Fund's monthly return adding a healthy +0.9% to the overall performance. We have increased the overall gross exposure in M&A from a low of 24.7% to 43% during the month.

In Australia, on 8 May, our position in Fairfax received the much anticipated non-binding proposal from TPG consortium, which comprises private equity player TPG Group and the Ontario Teachers' Pension Plan Board. It was our opinion that the initial bid materially undervalued the prospects for FXJ given the growth in its jewel asset, Domain, the digital transformation of mastheads and the strategic value with changed media laws. One week later on May 15th, the consortium restructured their offer to a bid for full control for A\$1.20 per share. Then on May 18th, FXJ announced that it had received a new indicative cash offer of A\$1.225-A\$1.25 per share from Hellman & Friedman. FXJ have granted both Hellman & Friedman and the TPG consortium access to due diligence. As this bidding situation has now become competitive, FXJ may not have seen the last round of offers.

Our position in SMS Management & Technology has become competitive as the company has received a conditional Expression of Interest (EOI) from ASG Group. Under the current Agreement entered into on February 27th, between SMS and DWS Ltd. the SMS board concluded that the EOI may reasonably be expected to lead to a superior proposal by DWS, and therefore will engage with ASG. We believe that DWS will come back with a revised counter offer as the synergies between SMS/DWS are significant.

Relative Value

The relative value book contributed +0.50% to performance. The Fund was positioned in the A/H shares discount trade in Anhui Conch H-shares that trade at a premium to the A-Share listing. As volatility in the H-market picked up, our shorts in the H-shares vs long A-shares paid off. We unwound the trade with a +4% gain.

Our long position in Jardin Matheson/short position in Jardin Strategic saw the +JM/-JS ratio trading below 1.50 for the first time since 2013, due to JM's free float within the MSCI HK index to be reduced from 35% to 30%. This MSCI event will be effective as of month end, and we expect the ratio to move back towards the 1.60 ratio level.

The Fund is tactically positioned to reap the positive benefits in Korea post the election. The appointment of shareholder activists as Chief of Staff for Policy and Fair Trade Commission Chairman, along with pledges to encourage institutional investors to participate in the stewardship code, are positive signals for increased shareholder returns. Korea has one of the lowest dividend yields in Asia. This will benefit our +preference/-local share class arbitrage trades including large holding companies becoming more incentivized to increase their dividends going forward.

Directional Alpha

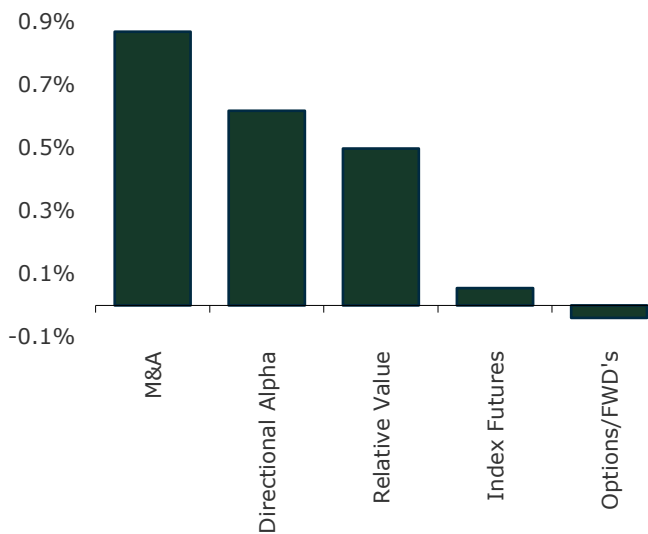
The Directional Alpha book contributed +0.62% to the Fund's overall performance. Of note was our position in Nintendo gaining 20%. There was an avalanche of catalysts for a re-rate in the stock including Mario Kart 8 Deluxe's strong debut, the E3 game show in the US in June, fighting game Arms to be released in June, Splatoon 2 to be released in July, and most importantly above management expectations of Switch console sales. Other strong performers were China Unicom (762 HK), +11.4%, and Softbank (9984 JT) +6.7%.

We thank you for your continued support.

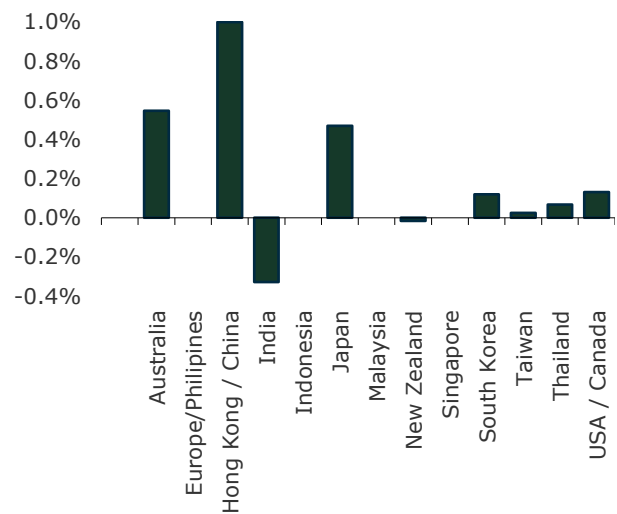
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Monthly Contribution by Strategy

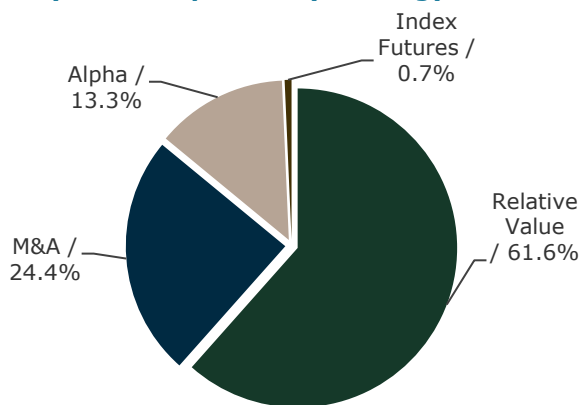


Monthly Contribution by Region



Portfolio Positioning

Monthly Gross Exposure by Strategy in %



Exposure by Region as % of NAV

Country	Gross	AdjNet*
Australia	8.0%	-1.4%
Hong Kong/ China	55.9%	5.0%
India	6.2%	2.3%
Indonesia	0.0%	0.0%
Japan	34.3%	2.8%
Korea	31.0%	4.9%
Malaysia	4.7%	2.0%
New Zealand	0.0%	0.0%
Singapore	23.5%	2.5%
Philippines	0.0%	0.0%
Taiwan	1.5%	0.0%
Thailand	9.8%	0.2%
United States	0.0%	0.0%
Total	174.8%	18.2%

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

Awards



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