

Pengana PanAgora Absolute Return Global Equities Fund

MAY 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	\$112M
Portfolio Managers	George Mussalli, CIO Richard Tan, Director, Equity

Management fee*	1.52% p.a.
Performance fee*	20.22%
Unit price	0.9322
Redemption price at month end	0.9277
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.

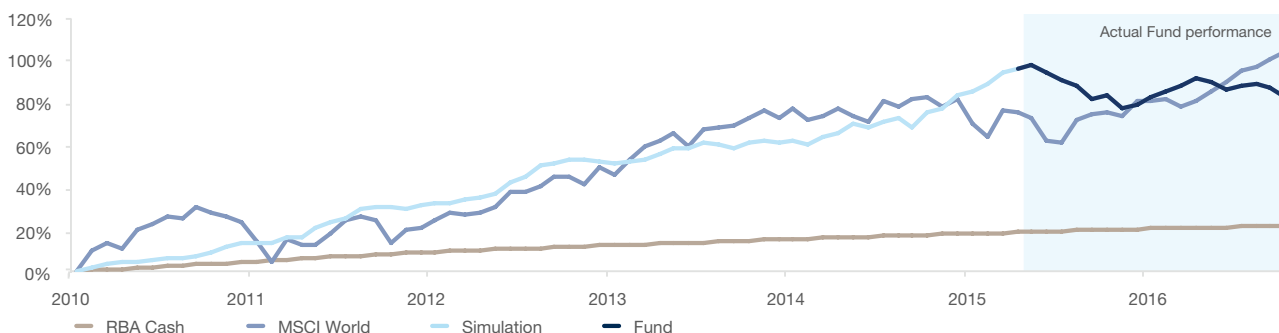
PERFORMANCE SUMMARY[#]

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

Performance (%)	
Fund	
1 month	-2.5
1 year	-0.4
Strategy and Fund including partial simulation[#]	
3 year annualised	4.3
5 year annualised	6.9
Inception to date annualised	9.2

Key performance and risk statistics	
Strategy and Fund including partial simulation[#]	
Volatility	5.4%
Sharpe ratio	1.1
Information ratio	1.7
Positive periods	72%
Max drawdown	-10.2%
Beta (ASX 200)	0.08
Beta (MSCI World)	0.07

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).

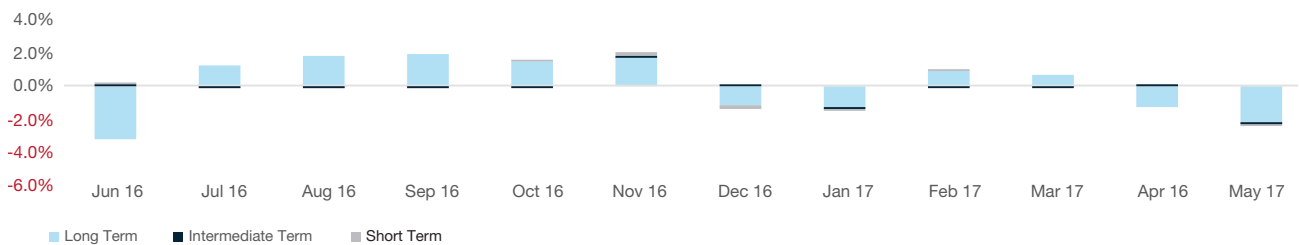
Fund Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	-1.47	0.87	0.59	-1.17	-2.48								-3.64
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

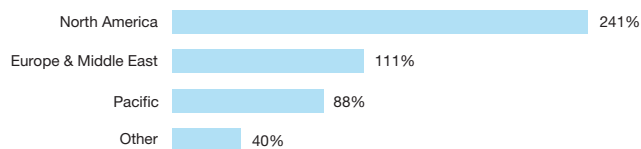
12M Attribution by Sub-Portfolio



Sub-Portfolio Exposures

	Long Term	Intermediate Term	Short Term	Total
Long	218%	5%	16%	239%
Short	-223%	-2%	-17%	-241%
Net	-5%	3%	-1%	-3%
Gross	441%	6%	33%	480%

Gross Regional Exposures



Gross Sector Exposures (Top 5)



Exposures are shown above as of 31 May 2017

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PERFORMANCE COMMENTARY

MARKET (\$USD)

May was a good month for global equities with the MSCI ACWI Index gaining 2.3%. Fading concerns over the French presidential elections and strong German GDP numbers bolstered European stocks and pushed the Euro to a six-month high against the U.S. Dollar. In the U.S., strong unemployment data for April prompted a shift in interest rate expectations bringing the anticipated Fed rate hike forward from September to June. Optimism did not extend to the commodities market however, where oil prices dropped below 50 USD on May 4th and industrial metals (in particular copper) weakened due to worries over economic growth in China.

The strong performance was briefly tempered by speculation that President Trump may have interfered in the investigation of former National Security Advisor Michael Flynn, which caused a sharp drop in equity prices and a corresponding spike in implied volatilities. The scare proved short-lived with equities quickly regaining their previous levels and ending the month significantly up across all regions.

From a geographic perspective, the MSCI Europe index gained almost 5% and was strongly supported by equities in Emerging Markets and Asia. Performances were weaker in the US where the S&P 500 gained 1.4% but more significant was the performance of the Russell 2000 (small caps) which lost a sizeable 2% in what can be perceived as a reversal of the Trump's reflation trade that followed the elections in November.

Sector-wise investors preferred the Utilities +5.6%, Information Technology +4.9% and Consumer Staples +4.6% sectors and penalised Energy companies -1.5%. Materials +0.3% and Financials +0.1% also underperformed.

Factor-wise investors preferred higher momentum and growth companies at the expense of stocks with stronger value scores in most regions. Large cap names and lower volatility were also rewarded for the month.

FUND (\$AUD)

For the month of May 2017 the fund returned -2.48%. The underperformance was driven by the long-term portfolio -2.19%, stemming from both the U.S. and international holdings. Intermediate-term and short-term strategies also detracted, -0.04% and -0.25%, respectively.

Long-term

Our U.S. exposure detracted -0.80% from performance for the month of May. The U.S. large cap alpha model underperformed for the month with the top decile returning -0.09% compared to a return of +1.11% in the bottom decile, corresponding to a negative spread of -1.20%. The majority of the underperformance was driven by value and quality factors, while sentiment factors performed well.

Sector-wise, the biggest detractor occurred in the Information Technology and Consumer Discretionary sectors, -0.66% and -0.35% respectively. In the I.T. sector, a short position in Ansys Inc. was the largest detractor from performance after Q1 results beat expectations. This position is still held short in the portfolio due to poor value and quality scores. The majority of the losses in the Consumer Discretionary sector were caused by the underweight industry group Automobiles & Components. The largest detracting companies within this industry group consisted of short positions in Tesla Motors Inc., and Autoliv Inc.

Our International exposure detracted -1.40% in May With the biggest contribution from Japan -1.93% as value factors underperformed. Uncertainty remains in Japan about the impact of U.S. President Donald Trump's protectionist policies and the effect it will have on the country's exports. Within Japan, the Industrials (Machinery; Construction & Engineering) and Consumer Discretionary (Specialty Retail) sectors detracted the most, -0.72% and -0.57% respectively. The largest detracting names consisted of overweight positions in JGC Corp. and Nipro Corp., as well as an underweight position Nitori Holdings Co. Ltd.

Intermediate-term and Short-term

The intermediate strategies detracted -0.04% from return in May due to the underperformance of U.S. merger arbitrage related trades. The short-term strategies also detracted -0.25%, attributable primarily to earnings related trades.

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