



NOVEMBER
2017
PERFORMANCE
UPDATE

PENGANA ABSOLUTE RETURN ASIA PACIFIC FUND

FUND DESCRIPTION AND FEATURES

The Fund aims 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.

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.

Visit our website for more information on the [Fund](#)

Portfolio Managers	Antonio Meroni Vikas Kumra
APIR code	PCL0004AU
Redemption price	1.1100
Fees	Management Fee: 1.50%pa Performance Fee: 20.5% pa of the funds return in excess of the RBA Cash Rate
Minimum initial investment	A\$20,000
FUM Fund/Strategy	AUD\$34 mil / US\$40.5mil
Fund inception date	September 2010
Benchmark	RBA Cash Rate Target

PERFORMANCE COMMENTARY

The Fund finished up +0.2% for the month of November 2017. The HFR Event Driven Index posted a small loss of -0.4%, whilst Asia Pacific markets rose +1.4%. Of particular note was Japan, continuing its upward path and rising +1.5%, whilst China (Shanghai Composite Index) fell -2.24%. During the month, on the back of some M&A deals successfully completing the overall gross M&A exposure was reduced from 78% to 64%, whilst we have tactically reduced the Relative Value bucket to 77% and kept the Directional Alpha book unchanged. The Fund's net and gross exposures averaged 19.2% and 166.6% respectively during the month.

M&A

The M&A sub-strategy posted a gain of +0.4%, with a year-to-date contribution of +5.6%. The biggest return contributor in November was our position in Hong Kong listed TCC International Holding. To recap, on 20th April Taiwan Cement (the Offeror), proposed to acquire all shares, via a scheme of arrangement, for HK\$ 3.60 cash or scrip consideration of 0.42 Taiwan Cement shares. This was the second attempt of the Offeror to take 1136 HK private, after a general offer in 2013 failed. Since the onset of this M&A deal, we have viewed this situation as a free option trade for the scrip consideration to trade above the cash consideration of HK\$3.60. On the back of Taiwan Cement shares re-rating, we have elected the scrip

alternative and subsequently locked in the arbitrage by shorting Taiwan Cement shares. This resulted in a positive attribution of 0.20% in November. In Taiwan, our position in Siliconware Precision Industries posted an absolute gain of 4.6%. On 30 June 2016, Advanced Semiconductor Engineering (Offeror, ASE) and SPIL planned to establish ASE Industrial Holding Co (HoldCo), whereby ASE shareholders will receive 0.5 share in the new HoldCo for every ASE share they own, while each existing SPIL share will be swapped for TW\$ 51.2 in cash. Whilst all antitrust clearances in Taiwan and USA had been obtained, the only outstanding antitrust was MOFCOM, (Ministry of Commerce, China). On 24 November, MOFCOM finally conditionally approved the transaction, thereby paving the way to proceed with the establishment of HoldCo, and shareholders in SPIL to receive TW\$ 51.2 cash per share. We have added a new position in Changyou.com Limited as the board of directors has received a preliminary nonbinding proposal from Charles Zhang, chairman of CYOU, to take the company private for USD42.10. We believe this takeover price to be opportunistic, as the stock offers option value to growth in new game releases. CYOU will be releasing a number of new PC and mobile games towards the end of 2017 and into 1Q18 including Xuanyuanjian, published via Tencent. In Australia, our position in Pepper Group completed successfully, as the scheme implementation agreement by private equity buyer KKR was voted through. The realised annualised return was >10% p.a.

M&A AND
DIRECTIONAL
ALPHA
STRATEGIES
CONTRIBUTED
POSITIVELY
FOR THE
MONTH

Relative Value

The relative value book contributed -0.43% during the month. Most of the negative contribution came from our long/short position +SINA Corp /-Weibo Corp. SINA was subject to shareholder activism to unlock the deep discount inherent in its NAV, and distributed bonus shares in WB US as a special dividend to SINA shareholders, as they have done in the past. On 7 November however, SINA announced that it had issued 7150 newly created Class A preference shares controlled by senior management by Mr. Charles Chao. This resulted in SINA management controlling 55.5% of the voting power in SINA, up from 11.1%. Those shares have neither economic right nor any right to dividends or any other distribution. The purpose of this issuance was to prevent future proxy contests which management believes could be costly, time consuming and disruptive for daily business operation. We continue to hold this position as we believe SINA acknowledges the deep discount and will take proactive steps to reward shareholders via other forms of capital management initiatives.

In Japan, we have entered into a long position in Kansai Paint (4613 JT) / short position in Nippon Paint (4612 JT) contributing favourably to performance. The catalyst in the short position was the announcement that the company had put an acquisition proposal to Axalta Coating Systems as consolidation in the paint industry has accelerated. Assuming an all cash transaction, Nippon Paint would have to tap the market for a dilutive capital equity raise. Our position that we entered last month in long Mitsui OSK vs short Kawasaki Kisen, was unwound with a positive contribution of 14 basis points.

Directional Alpha

The performance contribution from our Directional Alpha book was +0.32%. Key successes during November were Shangri-La Asia +13.4%, Shinsegae +14.8%, and the spin-off in Wharf Real Estate Investment +10%, whilst our detractors included China Travel -12.5%, and Samsung Electronics -7.8%. We have locked in gains in 3SBio, +10.3% and ASM on the back of a successful placement.

FUND PERFORMANCE

	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception p.a. ^{1,2}
Pengana Absolute Return Asia Pacific Fund	0.25%	3.54%	4.30%	7.02%	3.24%	5.72%	8.43%
RBA Cash Rate Target	0.12%	0.37%	0.75%	1.50%	1.81%	2.13%	3.01%
MSCI AC Asia Pacific Index	1.42%	5.90%	11.61%	25.61%	6.60%	6.45%	5.21%

STATISTICAL DATA

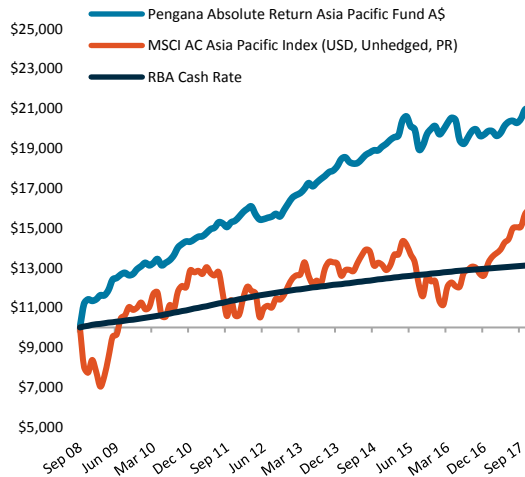
Fund portfolio summary

Volatility ³	6.05%
Beta ⁴	0.03
Number of stocks	73
Maximum draw down	-7.99%
Sharpe Ratio	0.9

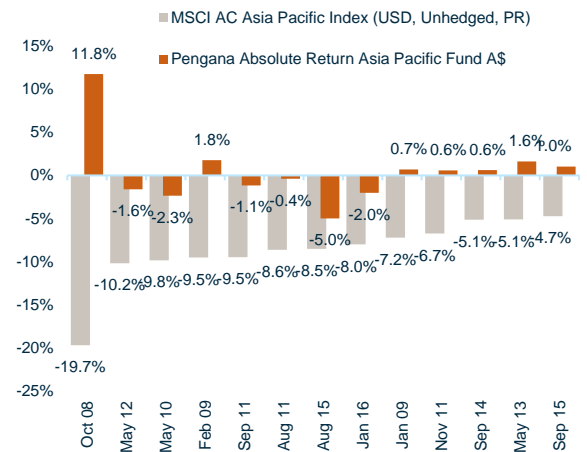
1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance. The value of investments can go up and down.
2. The strategy inception date is 1 October 2008. These performance figures show the returns of the Absolute Return Asia Pacific Fund from its 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 Fund is fully invested into the Offshore Fund.
3. Annualised standard deviation since inception.
4. MSCI AC Asia Pacific Price Index in USD

PENGANA ABSOLUTE RETURN ASIA PACIFIC FUND

PERFORMANCE SINCE INCEPTION⁵

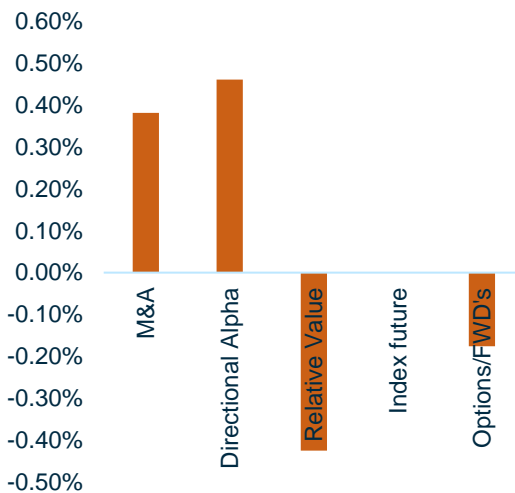


FUND PERFORMANCE DURING MARKET FALLS⁵

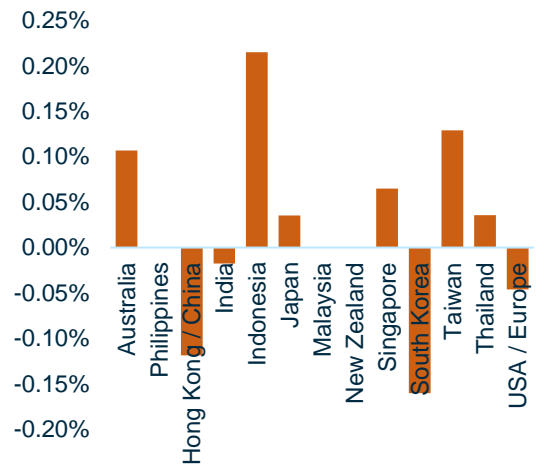


5. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance. The value of investments can go up and down. Fund Inception date: September 2010. These performance figures show the returns 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.

MONTHLY CONTRIBUTION BY STRATEGY

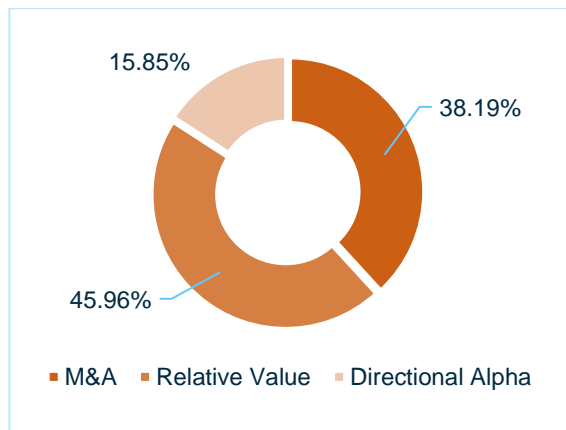


MONTHLY CONTRIBUTION BY REGION



PORTFOLIO POSITIONING

MONTHLY GROSS EXPOSURE BY STRATEGY



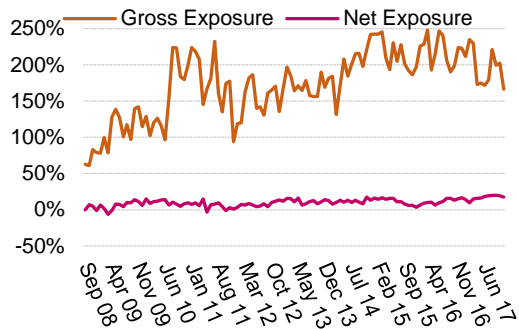
EXPOSURE BY REGION AS % OF NAV

Country	Gross	Adj. Net*
Australia	17.98%	-2.07%
Hong Kong/ China	47.24%	9.33%
India	2.02%	1.60%
Indonesia	3.66%	-3.66%
Japan	50.29%	2.45%
Korea	18.69%	7.88%
Malaysia	5.20%	0.45%
New Zealand	0.00%	0.00%
Singapore	8.54%	3.15%
Philippines	0.00%	0.00%
Taiwan	10.80%	-0.72%
Thailand	2.15%	0.77%
USA/Canada	0.00%	0.00%
Total	166.57%	19.18%

MONTHLY REPORT

PENGANA ABSOLUTE RETURN ASIA PACIFIC FUND

FUND – GROSS AND NET EXPOSURES



AWARDS



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INFORMATION
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PENGANA.COM

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