



PENGANA AUSTRALIAN EQUITIES FUND

A FUND AIMING TO PROTECT AND ENHANCE INVESTOR WEALTH ON A CONSISTENT AND REPEATABLE BASIS.

FIVE REASONS TO INVEST

ONE.

KEY FOCUS ON CAPITAL PRESERVATION AND DOWNSIDE PROTECTION

The Fund does not focus on beating the market. The focus is on preserving capital and generating a fair return of at least 6% above the cash rate.

TWO.

COMMON SENSE INVESTMENT APPROACH

The team looks for good businesses with transparent and resilient business models run by competent management at the right price.

THREE.

INVESTMENT FLEXIBILITY

The Fund is benchmark unaware and selects companies purely on their investment merits and their ability to deliver a fair return, not based on their weighting in the index.

FOUR.

ALIGNMENT OF INTERESTS

The investment team are significant investors in the Fund. The focus is on generating performance not increasing the Fund's size. The Fund's capacity will be limited to maintain performance.

FIVE.

A DECADE LONG TRACK RECORD

The Fund has a strong track record over the 10 years since inception on 1 July 2008 and has produced positive returns in each year despite market volatility.

PENGANA AUSTRALIAN EQUITIES FUND

FUND FACTS

APIR CODE

PCL0005AU

INCEPTION DATE

1 July 2008

MINIMUM INVESTMENT

\$20,000

RECOMMENDED INVESTMENT TIMEFRAME

Five or more years

BENCHMARK

RBA cash rate

MANAGEMENT FEE (INCL. GST)

1.025% p.a. of the Fund's net asset value, plus a capped expense recovery amount of 0.05% p.a. of the Fund's net asset value

PERFORMANCE FEE# (INCL. GST)

10.25% (including GST, net of RITC) of increase in net asset value subject to the Australian cash rate plus 6% p.a. and high water mark, paid half yearly

BUY/SELL SPREAD

0.2% on both applications and withdrawals

ENTRY/EXIT FEES

Nil

FUND PRICING

Daily

DISTRIBUTION FREQUENCY

Twice yearly (June and December)

TARGET ASSET ALLOCATION

Cash 0–100%
Equities 0–100%

TYPICAL NUMBER OF STOCKS

20–30

AVAILABILITY

- AMP North
- Asgard
- BT Wrap
- BT Panorama
- Federation
- First Wrap
- HUB24
- IOOF Pursuit Select
- Macquarie
- Mason Stevens
- MLC Wrap
- Navigator
- Netwealth
- Portfolio Care
- Powerwrap

Please see website for complete listing.

FUND OBJECTIVE

To protect and enhance investor wealth on a consistent and repeatable basis.

INVESTMENT PHILOSOPHY

The Fund seeks to generate consistent superior investment returns using fundamental analysis to select and own securities with the following characteristics:

- Good businesses with transparent and resilient business models.
- Competent management with a track record of integrity.
- A favourable relationship between the market price and the future cash flows of the business.

INVESTMENT STRATEGY

The Fund seeks to identify good quality companies that are reasonably priced by focussing on their operating leverage, balance sheet and return to shareholders in order to identify stocks that can generate at acquisition, an after tax cash earnings yield of 6–8% p.a. with strong growth for the medium term.

We undertake our own proprietary research in assessing both qualitative and quantitative factors to build a concentrated portfolio of stocks.

A focus on capital preservation is preferred to 'super' returns and cash holdings are viewed as a natural alternative when suitable equity investment opportunities cannot be identified.

WHO THE FUND SUITS

- Investors seeking a truly active investment approach, with a focus on capital preservation.
- Investors looking for genuine diversification benefits to other equities holdings.
- Investors seeking absolute positive returns.
- Investors with an investment time horizon of at least five years.

KEY QUESTIONS AND ANSWERS FOR CLIENTS

HOW DOES THE FUND DETERMINE ITS CASH WEIGHTING?

The flexibility of our investment mandate gives us the best opportunity to achieve our objectives.

The level of cash held in the Fund is not a market timing decision but is purely based on whether the investment team can find enough quality investments to meet their investment criteria.

Typically the Fund has held more cash when stocks have become more expensive and less cash when there are a lot of investment opportunities.

HOW CAN THE FUND PRESERVE CAPITAL?

The Fund aims to preserve capital using a number of methods.

Firstly, through the ability to hold cash.

Secondly, through the types of stocks the Fund invests in which are companies the team assess as having strong businesses with transparent and resilient business models, competent management and at valuations that enable the Fund to achieve its objectives.

THE PENGANA AUSTRALIAN EQUITIES FUND PROVIDES EXPOSURE TO A HIGH CONVICTION PORTFOLIO OF LISTED AUSTRALIAN COMPANIES.



ROLE IN A PORTFOLIO

Core Equity Holding

The Fund can serve as a core holding in the equities allocation of a portfolio due to its focus on capital preservation and absolute return. It may also complement other equities holdings due to its lower volatility than the market.

Diversification

With the ability to hold large, mid and small cap companies and cash if suitable investments can't be found, the Fund offers excellent diversification in a portfolio. The Fund may also complement portfolios that are overweight in the top 50 stocks or that are index related (eg ETFs, Index funds).

CREATIVITY AND INNOVATION ARE THE CORNERSTONES OF OUR INVESTMENT PROCESS.



PORTFOLIO MANAGERS INTERVIEW

THE AUSTRALIAN EQUITIES FUND IS MANAGED BY PORTFOLIO MANAGERS RHETT KESSLER AND ANTON DU PREEZ

Q: WHAT IS THE INVESTMENT PHILOSOPHY OF THE FUND?

Kessler

Our clients trust us with their hard-earned money. In return, we seek to provide peace of mind and a meaningful contribution to their goal of achieving/maintaining financial independence.

For most of our clients, the investment objective translates into having two basic investment needs – to preserve their capital and to achieve a fair return on their capital.

Our definition for capital preservation is the preservation of purchasing power for the individual. Factors we consider include inflation and currency (that is, preserving their value in Australian dollars).

Q: HOW HAVE YOU STRUCTURED THE FUND TO SUPPORT YOUR INVESTMENT PHILOSOPHY?

Du Preez

We believe an absolute return focus (facilitated by a common sense mandate) is required to achieve the Funds objectives. An important component of this mandate is the ability to hold an unlimited amount of cash when acceptable investments cannot be found.

Importantly, we insist on focusing our investment skill on finding, assessing and owning 'good deals' rather than being underweight or over-weight index determined stock weightings.

An example of this is that we do not own any BHP shares in spite of them being such a large component of the Australian market.



PRINCIPAL PORTFOLIO MANAGERS



RHETT KESSLER

Chief Investment Officer
& Fund Manager

Rhett joined Pengana in October 2007, bringing with him over 18 years of experience as an investment professional.

Prior to joining Pengana he was Head of Research for IAG Asset Management (IAGAM) as well as being a Joint Portfolio Manager for various wholesale funds totalling \$3.3 billion.

In 2005 he successfully launched and ran the IAGAM Absolute Return Fund on which the Pengana Australian Equity Fund is based. Prior to this he was a rated media analyst for UBS Australia, having emigrated from South Africa in 1996, where he successfully managed wholesale and retail equity portfolios as Deputy General of Investment for Liberty Asset Management.

Rhett holds bachelor degrees in Commerce and Accounting from the University of Witwatersrand, is a Chartered Accountant (SA) and a Chartered Financial Analyst.



ANTON DU PREEZ

Deputy Chief Investment Officer
& Fund Manager

Prior to joining Pengana Capital in February 2009, Anton was with Rand Merchant Bank (RMB) for five years. In this role he managed a value proprietary fund in Australia for two years, and before that a similar RMB fund in South Africa. Before joining RMB, Anton was a co-principal of a market neutral hedge fund based in Cape Town, South Africa.

Previously, he was a director and fund manager at PSG Asset Management responsible for managing a global equity fund. Anton was a rated sell-side analyst with ABN Amro covering industrial and consumer sectors.

Anton holds bachelor and honours degrees in Commerce and Accounting from the University of Stellenbosch and Pretoria, is a Chartered Accountant and a Chartered Financial Analyst. Anton is also qualified as a Chartered Management Accountant (UK).

Please refer to Product Disclosure Statement for more details.

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services license number 226566) is the issuer of units in the Pengana Australian Equities Fund (ARSN 146 346 929) (the 'Fund'). A product disclosure statement for the Fund is available and can be obtained from our distribution team or by visiting pengana.com. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This document was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This document has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this document a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.



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