



17 February 2015

Dear Investor

IMPORTANT: Notice of Termination of the Pengana Australian Equities Market Neutral Fund

Further to our letter to you on 16th January, we are writing to advise that Pengana, as the Responsible Entity (RE) of the Pengana Australian Equities Market Neutral Fund (ARSN 155 065 320) (the **Fund**), has decided to terminate it effective from the date of this letter. This letter explains the reasoning for this decision, what happens now and what you need to do.

Why is the Fund terminating?

The Fund was established by Pengana in September 2008 with the objectives of providing investors with consistent returns of 5-10% p.a. over the RBA cash rate, and market neutral exposure to Australian equities with low volatility and low correlation to the Australian equity market.

Pengana, as the RE of the Fund, has overall responsibility to act in the best interest of unitholders and to give priority to their interests.

In our letter of 16th January 2015 we informed unitholders of our intention to replace the current investment manager.

At the time of this decision we had identified a highly skilled and experienced investment team with an investment process which appeared to meet the objectives of the Fund. However having completed our due diligence we do not have sufficient conviction that the investment objectives will be met and accordingly Pengana believes the correct course of action in such circumstance is to return monies to investors, and a decision has therefore been made by Pengana to now close the Fund. We firmly believe that this decision is in the best interests of the Fund's investors.

What happens now?

In order to facilitate the orderly wind up of the Fund and to ensure all unitholders are treated equally, the Fund is now closed to all withdrawals. Withdrawal requests received before 2pm on 16 February 2015 have been accepted and payment will be

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made in accordance with your instructions. However, no further withdrawal requests will be accepted.

The Fund was already closed to new Application requests received after 2pm on 15 January 2015 as per the investor letter of 16 January 2015, and any applications received after this date will not be processed and will be returned to you.

The assets in the Fund had already been sold down to cash in mid-January as previously advised and the cash proceeds will now be distributed to all investors. We expect to distribute the net cash proceeds of your investment to you in the week beginning 16 February 2015. Payment will be as per your current instructions provided to us.

You will not be charged management fees from 16 January 2015.

What you need to do?

If you wish to confirm or change your payment instructions please contact our Client Services Team (details provided below).

If you do not need to change your payment instructions no action is required for you to receive your cash proceeds.

As a result of the termination of the Fund you will incur capital gains or losses on the disposal of your units which may have tax implications for you. The composition and timing of the final distribution could also affect your tax position. We therefore recommend that you speak to your tax adviser about your individual circumstances. A tax statement will be sent to you after 30 June 2015.

We expect that the final audit report for the Fund will be completed around 30 April 2015 and will send this to you as soon as it is available

If you have any questions, please contact our Client Services Team on 02 8524 9900 Monday to Friday between 9am and 5pm (Sydney time).

We wish to thank you for your support of the Fund and apologise for any inconvenience caused by the Fund's termination.

Yours sincerely,



Damian Crowley
Director of Distribution
Pengana Capital Limited



Russel Pillemer
Chief Executive Officer
Pengana Capital Limited