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## Important Updates to Hunter Hall Funds

Dear

Last week, following a shareholder vote at the Hunter Hall International Limited (HHL) Extraordinary General Meeting on 1 June, HHL and Pengana Holdings (Pengana) have merged to create Pengana Capital Group Limited (PCG). The combination of HHL and Pengana creates a substantial business with in excess of \$3 billion in funds under management. PCG is a highly regarded fund manager with wide ranging expertise, and significant expertise and experience in the area of international and Australian equities funds management.

We are now pleased advise further details and on our strategy for integrating the HHL and Hunter Hall Global Value Limited (ASX: HHV) funds into the PCG business, and other important information you need to know.

The strategies for the existing Pengana funds will remain unchanged and our investment teams remain in place. It is business-as-usual for our investment and operational teams.

### **International team expertise**

The Hunter Hall Value Growth Trust (VGT), the Hunter Hall Global Equities Trust (GET) and HHV will now be managed by a vastly experienced team of six, including investment professionals from both Pengana and Hunter Hall, with a combined 90 years of industry experience. This team will be led by Jordan Cvetanovski (CIO & Portfolio Manager) and Steven Glass (Head of Research & Portfolio Manager). Jordan and Steven have been successfully managing the Pengana International Equities Fund ('PIEF') since 2015.

Jordan is a highly regarded international equities fund manager with extensive experience acquired in Europe and Australia. Prior to joining Pengana, Jordan was a Partner at Carmignac Gestion (a Paris based fund manager with in excess of EUR50bn of funds under management) where he managed three international equity funds. Prior to Carmignac, Jordan worked at Robeco (in the Netherlands), Platinum and BT Funds Management. At Pengana, Jordan employs the same approach to portfolio construction that he used successfully over many years in Europe.

Steven is a proven international investor with considerable experience in managing international investments from Australia. Steven started his international investment career at Platinum Asset Management and prior to joining Pengana, Steven spent seven years working as a Portfolio Manager at Hunter Hall. At Pengana, Steven is responsible for the investment research process.

The team will also include James McDonald (Portfolio Manager) who was Hunter Hall's Acting CIO and Ryan Fisher who recently joined Pengana from Goldman Sachs, where he was Managing Director within the Global Investment Research division and a highly-rated sell-side analyst specialising in Financials.

### **Investment mandate**

The investment strategy for VGT, GET and HHV will change effective immediately, replicating the strategy and process of PIEF.

PIEF's focus is on investing in a well-constructed portfolio of growing businesses at reasonable valuations. It employs a 'benchmark-unaware' strategy with freedom to invest across all international equity markets and company sizes.

An integral element of the portfolio construction process is the division of stocks into three segments: Core, Cyclical and Opportunistic. Core stocks, which will always represent 60-80% of the Fund, provide stability, while stocks that the investment team classify as Cyclical or Opportunistic provide the opportunity for material upside.

In line with PIEF's strategy, the ultimate aim of VGT, GET and HHV will now be to: generate long-term consistent returns whilst reducing volatility and the risk of losing capital.

The ethical screen which has been in place across the VGT, GET and HHV will be retained in its entirety.

#### **Fee reductions**

VGT - Effective 6 June, 2017, we will be aligning the fee structure of VGT to PIEF, reducing the management fee from 1.64% to 1.35% (including GST and RITC). This covers all expenses, with further reimbursable expenses previously estimated to be 0.16% also removed. The performance fee of 15.38% has been eliminated.

GET - The management fee structure of GET will remain unchanged however the performance fee of 15.38% will be removed.

#### **The GET tax position**

In recent years, investors in GET have suffered economic losses, resulting in GET having capital losses of \$27.75m and revenue losses of \$22.5m (as at end April 2017). This Fund reorganisation is proposed in order to create the most effective structure to enable future investment returns.

As the value of tax losses are not booked in the unit price, any investors redeeming units would forfeit their share of the tax losses. Conversely, new investors who have not borne the economic losses would automatically acquire the tax losses when investing in the Fund. To maintain the interests of existing investors, GET will be closed to new investments until such time as the capital losses have been equitably recouped. Existing investors can make additional investments or redeem their investments as per normal.

In broad terms, the capital losses may defer the income year in which GET investors are ultimately taxed on future realised gains, improving after-tax investment returns. The extent of the recoupment benefit of tax losses to each investor will depend on numerous factors and personal circumstances. However, this benefit could be significant so please discuss it with your tax adviser.

The revenue losses are subject to additional recoupment tests, which may depend on the continuity of majority underlying beneficial ownership of GET. Assuming these losses can be recouped, and as at the end of April 2017 this was the case, they may be applied against the future assessable income of the fund.\*

#### **PDS changes**

As at 6 June, 2017, the PDS for the VGT has been updated to reflect these changes and can be accessed [here](#).

GET is closed to new investors, however existing investors can make additional investments or redeem their investments as per normal. Refer to details accompanying the [PDS](#), and the [additional information booklet](#).

There are no PDS changes to any of the other funds.

#### **HHV Plan**

Since the HHV General Meeting on 6 April, the HHV Board have been in a process of consultation and dialogue with key stakeholders in order to move forward on the commitment to deliver value to

shareholders and confirm future plans ('the Plan'). Details of the Plan, in the areas of Board renewal and compensation, investment team and mandate, dividend policy and bonus options issuance, can be found in today's [letter from the Chairman](#).

We appreciate the patience and support you have demonstrated through this process, and we are excited about the future of Pengana Capital Group. Our intention is to deliver best-in-class investment strategies, with a focus on sustainable wealth creation and stability. We commit to communicate with you on a regular basis, to keep you informed.

A copy of all unitholder and shareholder communications, as well as the ASX release communicating the changes for PCG and HHV can be found on our [website](#).

Over our 15 year history, Pengana's primary focus has been on an unrelenting quest to generate superior long term returns for our investors. This focus continues to guide PCG as a listed company. We are excited about the future of PCG, and commit to communicate with you on a regular basis, to keep you informed.

Should you have any questions, please don't hesitate to contact your [Pengana Distribution representative](#) or call us on +61-2-8524-9900.

Kind regards,

**Damian Crowley**  
Director of Distribution  
Pengana Capital Group

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