

IMPORTANT: Notice of Termination of the Pengana Australian Equities Income Fund

30th October 2020

Dear Investor,

We are writing to advise you that Pengana, as the Responsible Entity (RE) of the Pengana Australian Equities Income Fund (ARSN 098 586 586 APIR HHA0001AU) (the **Income Fund**), has decided to terminate the Income Fund effective from the date of this letter. This letter explains the reasoning for this decision, what happens now, an exclusive offer to transfer your investment to another Pengana fund, and what you need to do.

WHY IS THE INCOME FUND TERMINATING?

The Income Fund's investment strategy was developed in 2017 subsequent to Pengana's merger with Hunter Hall, with the objective of providing an income focused alternative to Pengana's flagship Australian equity offering, the Pengana Australian Equity Fund. The Income Fund has been managed by members of the same investment team using the same investment process, but with an additional income hurdle for stocks to be included in the Income Fund portfolio. The strategy was implemented in August 2017.

At the time, we anticipated significant demand for such a strategy run by a well-respected and successful team. Although the Income Fund has performed well compared to peers, and particularly well since the market correction in March, the environment has been unfavourable for traditional equity income strategies. The major banks and many other traditional dividend payers have underperformed companies with lower dividend yields that do not meet the criteria for inclusion in the Income Fund's portfolio.

Unfortunately we don't anticipate this situation changing over the coming years and Pengana has therefore decided to terminate the Income Fund.

Our flagship Pengana Australian Equities Fund (PAEF) continues to be managed by members of the same team, with very similar exposures to the Income Fund. It currently holds 20 stocks in common with the Income Fund and generated a distribution yield of 7.5%* over the last financial year. PAEF has generated a return, net of all fees and expenses and assuming reinvestment of distributions, of 8.8% p.a.* since its inception back in July 2008.

For investors that wish to stay invested with the team via the Pengana Australian Equities Fund, we have included an offer below to assist in the transfer of your investment, with additional upside.

Pengana also manages the Pengana Emerging Companies Fund, an Australian equities fund that invests solely in smaller sized companies. This Fund also has a long and successful track record, generating a net return of 12.2% p.a.* (assuming reinvestment of distributions) since its inception in November 2004. See below for further details of how you may transfer your investment to this fund, or any of Pengana's other funds.

*Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

YOUR OPTIONS

The default option is to receive the cash proceeds of your investment. If this is your choice you do not need to do anything to receive your cash proceeds. If you wish to confirm or change your payment instructions please contact our Client Services Team (details provided below).

If you wish to transfer your investment so that you are invested directly in the Pengana Australian Equities Fund, or any of Pengana's other funds, Pengana will:

1. **Pay the buy spread** into your chosen fund on your behalf so that there are no costs in moving your investment; and
2. Issue you with additional units to the value of \$1, for every \$100 units you subscribe for in your chosen fund, i.e. **allocate an additional 1% investment paid for by Pengana**

If you wish to participate in this offer please contact your financial planner, or alternatively direct investors can contact Daniel Fine, our Head of Private Clients, at Daniel.fine@pengana.com, or our client service team to arrange this. We have attached a Switch Request form, which includes the contact details for the client service team, to this letter.

Direct investors can book a meeting with Daniel by simply clicking [THIS LINK](#) >

WHAT HAPPENS NOW?

The Income Fund has been closed to new application and withdrawal requests received after 2pm on 30th of October 2020 and any applications received after this date will not be processed and will be returned to you.

The assets in the Income Fund will be liquidated and we expect that the net cash proceeds will be available for distribution to all investors during the week commencing 16th November 2020.

You will not be charged management fees from today.

ADDITIONAL INFORMATION

As a result of the termination of the Income 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 2021.

We expect that the final audit report for the Income Fund will be completed by the end of March and will be made available to you as soon as possible.

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 Income Fund and apologise for any inconvenience caused by the Income Fund's termination.

Yours sincerely,

Russel Pillemer

Russel Pillemer
CEO

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