

# Pengana Asia Special Events (Offshore) Fund US\$-/A\$ Class – December 2011



## Fund Description

The Pengana Asia Special Events (Offshore) Fund (the "Fund") employs an event-driven investment strategy that seeks to exploit the mispricing of securities of companies involved in corporate transactions within the Asian (including Japan and Australia) region. The Fund invests in events such as mergers and acquisitions, corporate reorganisations, capital management initiatives, index changes, earnings surprises, equity-capital structure arbitrage, holding company arbitrage and directors' trades. Where appropriate, investments in these situations will be combined with the systematic hedging of broad market risk. The Fund aims to provide investors with consistently positive annual returns irrespective of Asian stock market conditions.

## Fund Features

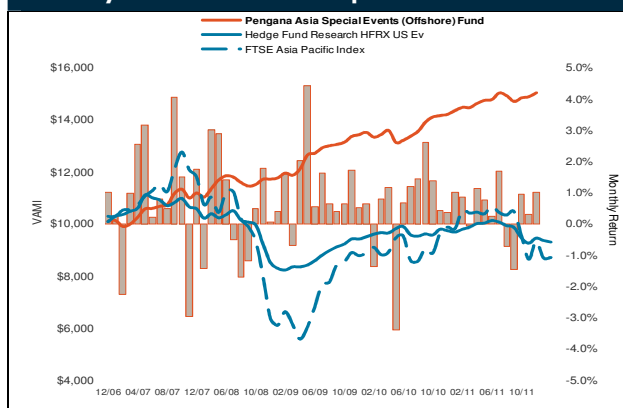
<b>Style</b>	Asia-Pacific event-driven	<b>Management Fees <sup>1</sup> (monthly)</b>	1.50% p.a.
<b>Comparative Benchmark</b>	FTSE Asia Pacific Index HFR Event Driven Index	<b>Performance Fees <sup>1</sup> (annually)</b>	20% p.a. of the increase in the NAV, above the Base NAV, with a high water mark
<b>Investors</b>	Wholesale Investors Only	<b>AUM at Month End</b>	US\$ 52.4 million
<b>Minimum Initial Investment</b>	US\$250,000 for US\$ shares, A\$250,000 for A\$ shares	<b>Liquidity Terms</b>	Applications: Monthly Redemptions: Monthly <sup>(30 cal Days' Notice)</sup>
<b>Strategy Inception Date</b>	01 December 2006	<b>US\$ / A\$ Price</b>	US\$ 1,269.25 / A\$1,507.57

## Performance Summary and Risk Statistics US\$ share class (net of fees) <sup>2</sup>

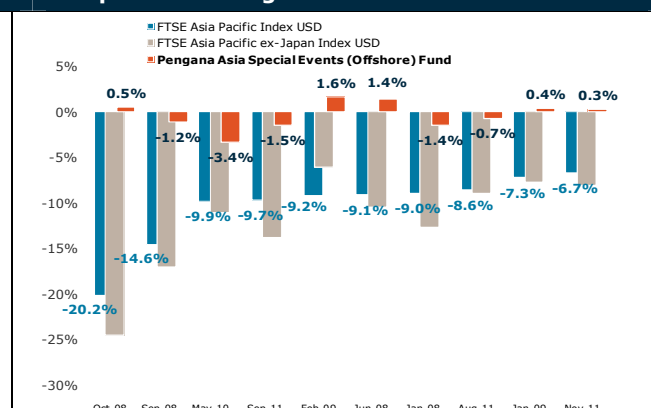
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	1.0%	0.9%	-0.1%	1.1%	0.8%	0.2%	1.7%	-0.7%	-1.5%	0.9%	0.3%	1.1%	<b>5.9%</b>
2010	0.6%	-1.4%	0.8%	1.2%	-3.4%	0.7%	1.2%	1.4%	2.6%	1.4%	0.4%	0.3%	<b>5.8%</b>
2009	0.4%	1.6%	-0.7%	2.0%	4.4%	0.5%	1.6%	0.6%	0.4%	0.6%	1.7%	0.5%	<b>14.5%</b>
2008	-1.4%	3.0%	n/a	n/a	2.9%	1.4%	-0.5%	-1.7%	-1.2%	0.5%	1.8%	0.0%	<b>4.8%</b>
2007	0.2%	-2.2%	1.0%	2.5%	3.1%	0.2%	0.8%	0.5%	4.1%	1.5%	-3.0%	1.7%	<b>10.7%</b>
2006												1.0%	<b>1.0%</b>

<b>1 month return <sup>2</sup></b>	<b>1.1%</b>	<b>Volatility</b>	<b>5.1%</b>
<b>3 month return <sup>2</sup></b>	<b>2.3%</b>	<b>Risk reward ratio</b>	<b>1.7</b>
<b>6 month return <sup>2</sup></b>	<b>1.8%</b>	<b>Sharpe ratio</b>	<b>1.6</b>
<b>1 year return <sup>2</sup></b>	<b>5.9%</b>	<b>Max drawdown</b>	<b>-3.4%</b>
<b>Annualised return <sup>2</sup> (5.1years)</b>	<b>8.7%</b>	<b>Positive months</b>	<b>80%</b>
<b>Since inception <sup>2,3</sup></b>	<b>50.3%</b>	<b>Beta <sup>4</sup></b>	<b>0.11</b>

## Monthly Returns Since Inception <sup>2,3</sup>



## Comparison During Down Months <sup>2</sup>



<sup>1</sup> Please refer to the Private Placement Memorandum for a more detailed explanation.

<sup>2</sup> Total return performance figures are shown after all fees and charges. These performance figures assume a net return of 0% for each of March 2008 and April 2008 when the Fund was not trading. The performance figures for the period before March 2008 reflect the track record in the RHA Asia Special Events Fund. Antonio Meroni, the senior manager for the Fund, was also the senior manager for the RHA Asia Special Events Fund. The Fund and the RHA Asia Special Events Fund have the same investment strategy. The performance figures for the period May 2008 to June 2008 reflect a model portfolio and trading of proprietary capital and are not reflective of actual returns. Investments can go up and down. Past performance is not a reliable indicator of future performance.

<sup>3</sup> Inception date strategy: December 2006 as the RHA Asia Special Events Fund

<sup>4</sup> FTSE Asia Pacific Index

This report is not an offer of securities and it must not be construed as an offer to sell or an invitation to subscribe for any securities or other financial products in any jurisdiction or country. Investment in the Pengana Asia Special Events (Offshore) Fund (the "Fund") can only be made by completing a subscription form attached to the Private Placement Memorandum. The information in this report is not intended to be securities or financial product advice and should not be relied upon as such. The repayment of an investment in, and the performance of, the Fund is not guaranteed by the Fund, the Pengana Asia Special Events Master Fund, Pengana Capital Limited nor any of their related bodies corporate or any other person or organisation. Investment in the Fund is subject to risk, including possible delays in repayment and loss of income and principle invested. Past performance is not indicative of or a guarantee of future results. The information in the report is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter.

# Pengana Asia Special Events (Offshore) Fund US\$-/A\$ Class – December 2011



## Fund Commentary

The US\$ Class of the Fund finished +1.1%<sup>2</sup> (while the A\$ Class finished +1.3%<sup>2</sup>) for the month of December 2011, compared to the FTSE Asia Pacific Index which closed +0.2% and the HFR Event Driven Index which closed -0.6%. This brings the yearly performance of 2011 for the Fund to +5.9%<sup>2</sup>, significantly outperforming its peers and the FTSE Asia Pacific Index which closed sharply down -17.1%. The tsunami tragedy in Japan, S&P downgrade of US debt, concerns over slowing growth in China and the ongoing European sovereign debt crisis were the key events that caused general market volatility to surge during the course of the year. The key challenge for the Fund was to preserve capital for our investors during periods of extreme dislocation, which we observed several times in 2011.

Net exposure for the month of December averaged 3% while gross exposure reduced significantly to 94% as certain M&A situations successfully completed and were removed from the book. December continued to remain a fairly active month in the M&A space and the Fund looks to deploy capital towards situations offering favourable risk reward profile.

### M&A Events

The M&A sub strategy was the biggest contributor to the fall in gross exposure as the Fund was paid for successful M&A situations which were taken off the book. Significant positions closed were Coal & Allied (CNA AU), Gold One (GDO AU), Plus Expressways (PLUS MK), Hiroto Holdings (HIRO MK) and Hsu Fu Chi (HFCI SP). Collectively, these contributed towards ~45% in gross exposure. The Fund initiated new positions in certain hostile transactions announced during the month, specifically Hastings Diversified (HDF AU) and China Gas (384 HK). Hastings received a hostile approach from major shareholder APA Group (APA AU) to integrate the two businesses through a scrip and cash offer. The offer was promptly rejected by the Hastings board as inadequate. The Fund initiated a long position in Hastings on the back of expectations that APA will return with a higher offer to engage Hastings' board. Our expectations are based on the strategic fit of this merger for APA and the disposal of the Allgas stake which has raised capital for APA to increase the cash consideration. Downside in Hastings is limited due to the lack of control premium offered to shareholders, making risk reward extremely favourable. In an unusual development, the Fund also initiated a long position in a hostile transaction in Hong Kong involving China Gas (384 HK). Apart from the fact that hostile transactions are rare outside Australia, one involving a Chinese State Owned Enterprise as the acquirer makes this situation even more peculiar. After a series of corporate governance issues, China Gas was approached by a consortium involving ENN Energy (2688 HK) and Sinopec (338 HK) for a change of control transaction through a tender offer at HKD 3.50/share. The bid was described as hostile by the China Gas board and rejected on valuation grounds. The bid has been priced at 15x forward earnings, which is in line with industry valuations but does not imply any control premium. Major shareholders in China Gas are also unlikely to accept into the current offer which makes the 50% minimum condition difficult to achieve in present form. We do not anticipate any 3rd party counter offer due to the presence of a Chinese SOE in the bidding consortium and expect the current offer to be bumped slightly to attain control. We also note that strategic shareholders (outside of the arbitrage community) have been increasing their stake in China Gas, making it more probable that the offer in current form is unlikely to succeed. The Fund experienced a deal break during the month involving CSG Limited (CSV AU), negatively impacting performance by 30bps. The non-binding approach from a third party did not translate into a firm offer after due diligence was conducted due to a price expectation gap between buyer and seller. Major shareholders of CSG have not voiced any concern over the board's disagreement to an offer not deemed as full value, and we have therefore removed this position from the portfolio. On a positive note, our long position in SMB United (SMP SP) received a superior proposal from Osaki Electric (6644 JT) of S\$0.40/share, trumping Boer Power (1685 HK) current offer by 25%. The Fund had initiated a long position after the hostile bid by Boer for SMB shares was rejected by the board over valuation. SMB had engaged Lazard as a defence advisor to seek alternative offers which resulted in Osaki's superior offer. Although Osaki has secured irrevocable undertakings from the major shareholders, we do not completely rule out the probability of Boer returning with a higher offer. On other positive developments, Murchison Metals (MMX AU) successfully settled a litigation claim with Chameleon Mining (CHM AU) which was a condition to the asset disposal to Mitsubishi, significantly de-risking the transaction. Another inbound M&A deal into China was approved by MOFCOM, the acquisition of International Mining Machinery (1683 HK) by Joy Global (JOY US). We note that this transaction was approved within the phase 2 process, which bodes well for other MOFCOM related live deals.

### Stubs

No significant changes were made to the stub sub-strategy and gross exposure was maintained at 15% during the month. New positions implemented during the month were Wheelock (20 HK) against Wharf (4 HK) which traded at the lowest discount to NAV for the year. We attribute this anomaly to poor market liquidity into year-end which should re-rate once liquidity returns into the New Year.

### Directional Strategies (Earnings Surprise & Capital Management)

The Fund initiated a short position in ENN Energy (2688 HK) on the back of the bid for China Gas (384 HK). We view this bid negatively on the back of our expectations that ENN will be forced to raise their offer for China Gas and stretch the balance sheet of the company. At current gearing levels, ENN will have to tap the equities market to raise capital for the transaction. Presently, ENN also faces the risk of downgrades from the rating agencies creating more overhangs for the stock. We have hedged this short position with a highly correlated industry peer.

The Fund was inactive in the earnings sub-strategy during the month due to a lack of announced activity. Collectively, the gross exposure in the directional book averaged ~14% during the month.

This report is not an offer of securities and it must not be construed as an offer to sell or an invitation to subscribe for any securities or other financial products in any jurisdiction or country. Investment in the Pengana Asia Special Events (Offshore) Fund (the "Fund") can only be made by completing a subscription form attached to the Private Placement Memorandum. The information in this report is not intended to be securities or financial product advice and should not be relied upon as such. The repayment of an investment in, and the performance of, the Fund is not guaranteed by the Fund, the Pengana Asia Special Events Master Fund, Pengana Capital Limited nor any of their related bodies corporate or any other person or organisation. Investment in the Fund is subject to risk, including possible delays in repayment and loss of income and principle invested. Past performance is not indicative of or a guarantee of future results. The information in the report is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter.

# Pengana Asia Special Events (Offshore) Fund US\$-/A\$ Class – December 2011

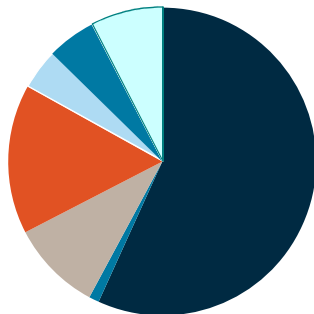
**WINNER**  
THE AUSTRALIAN  
HEDGE FUND AWARDS &  
HEDGE FUNDS ROCK 2010

PROUDLY SPONSORED BY 



## Gross Exposure by Strategy

- M&A / 56.8%
- Post Merger Completion / 1.1%
- Earning Surprises / 9.6%
- Index Changes / 0%
- Stubs / 15.7%
- Capital Structure / 4.3%
- Capital Raising / 0%
- Capital Management / 5.1%
- Corp. Reorganisations / 0%
- Directors Trades / 0%
- Options / 0%

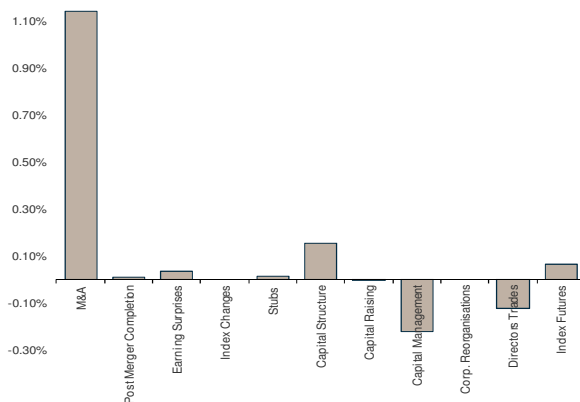


## Exposure by Region as a Percentage of NAV

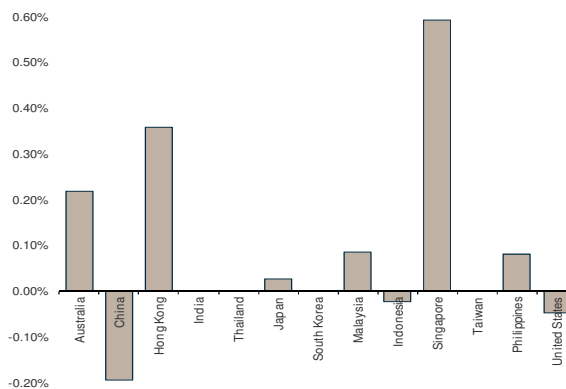
Country	Gross	Adj Gross*	Net	Adj Net*
Australia	22.7%	6.5%	19.5%	2.3%
China	4.8%	2.8%	-0.8%	-2.2%
Hong Kong	21.0%	14.2%	7.8%	3.3%
India	0.0%	0.0%	0.0%	0.0%
Indonesia	0.9%	0.9%	0.9%	1.0%
Japan	17.0%	5.5%	9.8%	-0.6%
Korea	0.0%	0.0%	0.0%	0.0%
Malaysia	1.3%	0.5%	1.3%	0.6%
New Zealand	0.0%	0.0%	0.0%	0.0%
Singapore	16.4%	7.0%	8.9%	-0.8%
Philippines	8.6%	0.3%	8.6%	0.2%
Taiwan	0.0%	0.0%	0.0%	0.0%
Thailand	0.0%	0.0%	0.0%	0.0%
United States	1.2%	1.2%	-0.2%	-0.5%
<b>Total</b>	<b>93.9%</b>	<b>38.9%</b>	<b>55.8%</b>	<b>3.3%</b>

\* Excluding M&A and capital structure arbitrage and not beta adjusted

## Monthly Contribution by Strategy



## Monthly Contribution by Region



## Performance Summary and Risk Statistics A\$ share class (net of fees) <sup>5,6</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	1.0%	0.9%	0.1%	1.0%	1.2%	0.5%	1.7%	-0.5%	-1.1%	1.2%	0.5%	1.3%	<b>7.8%</b>
2010	1.2%	-1.0%	0.8%	1.3%	-2.4%	0.9%	0.9%	1.7%	2.7%	1.3%	0.9%	0.0%	<b>8.5%</b>
2009	0.6%	1.6%	-0.1%	2.2%	4.2%	0.6%	1.3%	0.6%	-1.0%	0.4%	1.8%	0.5%	<b>13.9%</b>
2008	-1.1%	3.4%	-	-	3.3%	1.8%	-0.10%	-1.4%	-1.0%	11.8%	2.0%	-0.7%	<b>18.8%</b>
2007	0.3%	-2.2%	1.1%	2.6%	3.2%	0.3%	0.9%	0.6%	4.2%	1.7%	-2.8%	1.9%	<b>12.2%</b>
2006												1.1%	<b>1.1%</b>

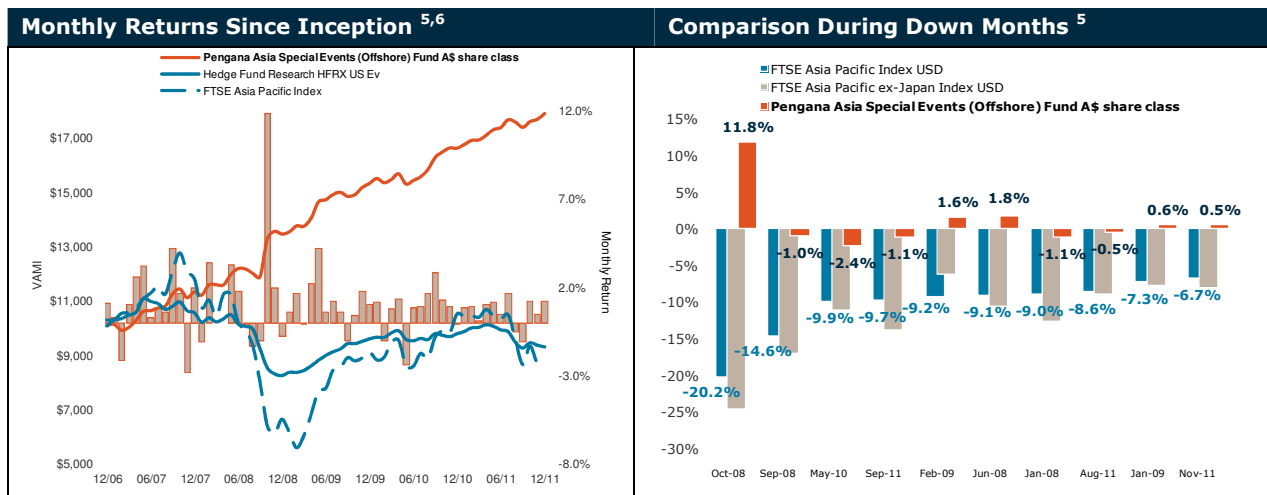
<b>1 month return <sup>5</sup></b>	<b>1.3%</b>	<b>Volatility</b>	<b>7.0%</b>
<b>3 month return <sup>5</sup></b>	<b>3.0%</b>	<b>Risk reward ratio</b>	<b>1.8</b>
<b>6 month return <sup>5</sup></b>	<b>3.0%</b>	<b>Sharpe ratio (ØRfr=4.25%)</b>	<b>1.2</b>
<b>1 year return <sup>5</sup></b>	<b>7.8%</b>	<b>Max drawdown</b>	<b>-2.8%</b>
<b>Annualised return <sup>5</sup></b>	<b>12.6%</b>	<b>Positive months</b>	<b>76%</b>
<b>Since inception <sup>5,6</sup></b>	<b>79.4%</b>	<b>Beta <sup>4</sup></b>	<b>-0.01</b>

<sup>5</sup> The performance figures (December 2006 to September 2008) reflect the USD share class performance adjusted for an AUD/USD hedge using 3 month forwards. The performance figures from 1 October 2008 onwards reflect the actual performance of the AUD share class. The performance figures assume a net return of 0% for each of March 2008 and April 2008 when the strategy was not trading. The performance figures for the period before March 2008 reflect the audited USD track record in the RHA Asia Special Events Fund adjusted for an AUD/USD hedge using 3 month forwards. Antonio Meroni, the senior manager for the Fund, was also the senior manager for the RHA Asia Special Events Fund. The Fund and the RHA Asia Special Events Fund have the same investment strategy. The performance figures for the period May 2008 to June 2008 reflect a model portfolio and trading of proprietary capital and are not reflective of actual returns. Investments can go up and down. Past performance is not a reliable indicator of future performance.

<sup>6</sup> Inception Date A\$ share class: 1 October 2008; Strategy Inception Date: 1 December 2006 as the RHA Asia Special Events Fund

This report is not an offer of securities and it must not be construed as an offer to sell or an invitation to subscribe for any securities or other financial products in any jurisdiction or country. Investment in the Pengana Asia Special Events (Offshore) Fund (the "Fund") can only be made by completing a subscription form attached to the Private Placement Memorandum. The information in this report is not intended to be securities or financial product advice and should not be relied upon as such. The repayment of an investment in, and the performance of, the Fund is not guaranteed by the Fund, the Pengana Asia Special Events Master Fund, Pengana Capital Limited nor any of their related bodies corporate or any other person or organisation. Investment in the Fund is subject to risk, including possible delays in repayment and loss of income and principle invested. Past performance is not indicative of or a guarantee of future results. The information in the report is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter.

# Pengana Asia Special Events (Offshore) Fund US\$-/A\$ Class – December 2011



## Contact Details

Pengana Capital Limited • 8 Eu Tong Sen Street, #19-85 The Central, Singapore 059818, • T +65 6593 6020, [www.pengana.com](http://www.pengana.com)

Pengana Capital Limited • Level 12, 167 Macquarie Street, Sydney, NSW 2000, Australia • T +61 2 8524 9900 • F +61 2 8524 9901  
ABN 30 103 800 568, AFSL 226566

For further information, please visit our website at [www.pengana.com](http://www.pengana.com) or contact:

**Senior Fund Manager:** **Antonio Meroni**, +61 2 8524 9912, +65 6593 6023, [antonio.meroni@pengana.com](mailto:antonio.meroni@pengana.com)  
**Offshore Investors:** **Damian Crowley**, +61 2 8524 9970, [damian.crowley@pengana.com](mailto:damian.crowley@pengana.com)

This report is not an offer of securities and it must not be construed as an offer to sell or an invitation to subscribe for any securities or other financial products in any jurisdiction or country. Investment in the Pengana Asia Special Events (Offshore) Fund (the "Fund") can only be made by completing a subscription form attached to the Private Placement Memorandum. The information in this report is not intended to be securities or financial product advice and should not be relied upon as such. The repayment of an investment in, and the performance of, the Fund is not guaranteed by the Fund, the Pengana Asia Special Events Master Fund, Pengana Capital Limited nor any of their related bodies corporate or any other person or organisation. Investment in the Fund is subject to risk, including possible delays in repayment and loss of income and principle invested. Past performance is not indicative of or a guarantee of future results. The information in the report is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter.