



HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

9 March 2017

Market Announcements Office
ASX Limited
Level 5, 20 Bridge Street
Sydney NSW 2000

HUNTER HALL ANNOUNCES MERGER WITH PENGANA

Hunter Hall International Limited (**ASX:HHL**) today announced that it has entered into an agreement to merge its business with Pengana Holdings Pty Ltd (**Pengana**).

The proposed merger is a positive step for Hunter Hall. It brings together two strongly-aligned, active investment managers to create a funds management business with a strong platform for growth.

Pengana's substantial funds under management in Australian equities complements Hunter Hall's globally invested funds. In addition, the two investment teams have global investing experience and will come together to manage and offer investors and shareholders a broader and more diversified investment offering from a base in excess of \$3 billion in funds under management.

The proposed merger will be effected by Hunter Hall acquiring all the shares in Pengana in return for the issuance of approximately 74.1 million Hunter Hall shares to Pengana shareholders. Following the merger, Hunter Hall shareholders will own approximately 27% and Pengana shareholders will own approximately 73% of the issued equity of Hunter Hall, comprising approximately 101.5 million shares post transaction. The proposed merger is subject to Hunter Hall shareholder approval and other conditions. A copy of the Merger Agreement is included as an attachment to this announcement.

Key Transaction Features

The key metrics and features of the transaction and merged entity are as follows:

- Combined funds under management of approximately \$3.1 billion as at 31 December 2016:
 - \$1.95 billion in Australian equities
 - \$950 million in international equities
 - \$200 million in other equity strategies
- Retention of the Hunter Hall ethical screen for key funds
- Estimated back office and occupancy cost savings of \$6 million per annum to be realised from FY2018
- Increased distribution capability across platforms, dealer groups, IFAs, direct clients and self-managed superannuation funds

Hunter Hall Chairman, Kevin Eley, said: "This merger is a very exciting opportunity for Hunter Hall shareholders and investors alike. The Board has assessed the proposed merger to be superior to the current off-market takeover offers for Hunter Hall.

GPO Box 3955, Sydney NSW 2001, Australia
Telephone: +61 2 8224 0300
Email: invest@hunterhall.com.au
Website: www.hunterhall.com.au

“The combination of Hunter Hall and Pengana will create a more substantial funds management business able to offer investors a broader range of successful investment products.

“Pengana has seen significant growth in its business, growing funds under management 28.4% per annum over the last three and a half years.

“There is strong alignment of the investment philosophies of the two groups and some of our key investment people have worked together before. We envisage a seamless merger of the businesses that will create a leading funds manager in Australia. With a strong track record in Australian and international equity investing and significant global investment expertise in the two teams, we believe the merged group will have the potential to deliver attractive growth,” Mr Eley said.

Pengana Chief Executive Officer Russel Pillemer said: “We welcome the opportunity to join forces with the Hunter Hall team and the opportunities this merger brings to investors. Pengana has created a highly scalable infrastructure and distribution network to support some of the most talented investment managers in Australia. We look forward to extending this support across an expanded investment team, for the benefit of both shareholders and investors.

“We will continue to focus on active, benchmark-unaware strategies which strike a chord with investors and advisers in today’s unpredictable markets. This focus has powered Pengana’s growth and we will continue to seek new opportunities to reduce investors’ exposure to market sensitivity and volatility, and to deliver real investment outcomes over the long term,” Mr Pillemer said.

In addition to Hunter Hall shareholder approvals under the Corporations Act and the Listing Rules, the proposed merger is subject to, amongst other conditions:

- HHL shareholder approval at an EGM expected to be held in May 2017
- Acceptance of the offer by 100% of Pengana shareholders

The Board of Hunter Hall intends to unanimously recommend that shareholders vote in favour of the proposed merger subject to no superior offer and the independent expert concluding that the proposed merger is fair and reasonable to Hunter Hall shareholders.

Proposed Board and Senior Management

In the event the transaction is approved, the proposed Board of the merged business will be:

- Chairman, Warwick Negus, former CEO of Colonial First State Global Asset Management and co-founder of 452 Capital
- Kevin Eley, current Hunter Hall Board member
- David Groves, current Hunter Hall Board member
- Russel Pillemer, Founder and Managing Director of Pengana and second largest Pengana shareholder
- Rob Barry, existing Pengana Director and co-founder of Dominguez & Barry, former CEO of Dominguez Barry Samuel Montagu Limited
- Jeremy Dunkel, Founding Director of Pengana

Mr Pillemer will be the CEO of the merged business.

GPO Box 3955, Sydney NSW 2001, Australia
Telephone: +61 2 8224 0300
Email: invest@hunterhall.com.au
Website: www.hunterhall.com.au



HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

Washington H. Soul Pattinson & Company

Washington H. Soul Pattinson & Company (ASX:SOL, WHSP) has a relevant interest of 20% in Hunter Hall and a relevant interest of 37% in Pengana. If the transaction is approved, WHSP will have a relevant interest in Hunter Hall of 32%.

WHSP is not entitled to vote as a Hunter Hall shareholder to approve the merger of Hunter Hall and Pengana.

Shareholder Explanatory Memorandum and Independent Expert

Hunter Hall will distribute an explanatory memorandum to shareholders containing all the information required for shareholders to assess and vote on the proposed merger at a general meeting expected to take place in May 2017. Included in the explanatory memorandum will be an independent expert's report which will provide an opinion on whether the transaction is fair and reasonable for Hunter Hall shareholders. It is anticipated that the explanatory memorandum will be distributed to shareholders by mail in April 2017.

The Board of Hunter Hall continues to recommend that shareholders reject the off market takeover offers from Washington H. Soul Pattinson and Co and Pinnacle Ethical Investment Holdings Limited.

The Hunter Hall Board recommends that shareholders take no action in relation to their holdings in Hunter Hall shares until they receive the explanatory memorandum for the proposed merger with Pengana during April 2017.

Hunter Hall are being advised by K&L Gates as legal advisor and Moelis & Company as financial advisor.

Market Briefing

Hunter Hall Chairman, Kevin Eley, and Pengana CEO, Russel Pillemer, will host a market briefing tomorrow, Friday 10 March 2017 at 9.30am AEST by way of audio webcast.

Teleconference details: To link up to the briefing, dial one of the following numbers. We recommend dialling in 5-10 minutes prior to the start of the presentation to allow time to complete registration details.

Australia (toll free)	1800 908 299
New Zealand	0800 452 795
Conference ID	006 715

Presentation slides via audio webcast: To access the presentation slides and join the audio webcast, go to <http://edge.media-server.com/m/go/Market-Update-100317>

GPO Box 3955, Sydney NSW 2001, Australia
Telephone: +61 2 8224 0300
Email: invest@hunterhall.com.au
Website: www.hunterhall.com.au

Enquiries

For further information please contact:

Hunter Hall shareholders and investors

Paula Ferrao, Interim CEO

invest@hunterhall.com.au

or

1300 889 468

Media enquiries

John Frey

GRACosway

jfrey@gracosway.com.au

0411 361 361

Pengana investor enquiries

Daniel Fine, Investor Enquiries

clientservice@pengana.com

or

02 8524 9900

Rebecca Piercy

Honner

rebecca@honner.com.au

02 8248 3740 / 0422 916 422

GPO Box 3955, Sydney NSW 2001, Australia

Telephone: +61 2 8224 0300

Email: invest@hunterhall.com.au

Website: www.hunterhall.com.au



Ethical
Managed Funds



PENGANA
CAPITAL

Hunter Hall and Pengana Proposed Merger

**Creation of best in class funds management business
with a strong platform for growth**

9 March 2017

Disclaimer



This investor presentation (**Presentation**) has been prepared by Hunter Hall International Limited (ACN 059 300 426) (**Hunter Hall**). This Presentation has been prepared in relation to a proposed acquisition by Hunter Hall of all of the shares in Pengana Holdings Pty Ltd (ACN 103 765 082) (**Pengana**) from Pengana shareholders. The consideration for the acquisition is the issue of new shares in Hunter Hall (**Proposed Transaction**). This Presentation contains summary information about Hunter Hall, Pengana and their respective activities as at the date of this Presentation.

This Presentation does not take into account your investment objectives, particular needs or financial situation. It is general information only and should not be considered investment advice and should not be relied on as an investment recommendation. You should obtain financial advice tailored to your personal circumstances.

The information provided in this Presentation includes forward looking statements. Whilst the Presentation is prepared in good faith, it is not a true measure of future outcomes and performance. All data relating to the company's performance and financial position are based on past events. Future events may differ substantially from what is expressed in this Presentation.

The information provided in the Presentation is given in good faith and is believed to be accurate at the time of compilation. Neither Hunter Hall nor its directors or employees make any representation or warranty as to the accuracy, reliability, timeliness or completeness of the information. To the extent permissible by law, Hunter Hall and its directors and employees disclaim all liability (whether arising in contract, tort, negligence or otherwise) for any error, omission, loss or damage (whether direct, indirect, consequential or otherwise).

This Presentation is for information purposes only, and is not an offer or an invitation to acquire new shares, offer of securities for subscription, purchase or sale or any other financial product and is not a prospectus, product disclosure statement or other offering document under Australian law (and will not be lodged with ASIC) or law in any other jurisdiction.

Executive Summary



- ✓ Hunter Hall International Limited (“HHL”) and Pengana Holdings Pty Ltd (“Pengana”) propose a merger to create a best-in-class funds management business with more than \$3 billion of retail funds under management
- ✓ Transaction integrates two highly complementary businesses with a strong platform for growth
- ✓ Merged business creates a significantly enhanced investment management platform for HHL investors and delivers superior value for HHL shareholders compared to the current off-market takeover offers
- ✓ Proposed that the merged business will be renamed Pengana Capital Group

Hunter Hall’s Board of Directors intend to unanimously recommend that shareholders vote in favour of the merger, subject to no superior offer and an Independent Expert concluding that the proposed merger is fair and reasonable to Hunter Hall shareholders



Attractive Opportunity for Hunter Hall Shareholders

- ✓ Merger delivers HHL Shareholders exposure to a demonstrated growth story in the Australian funds management market:
 - ✓ Exposure to Pengana's growth with FUM increasing at over 28% p.a. over the last 3.5 years
 - ✓ Growth platform to capitalise on increasing demand in benchmark-unaware, absolute return and alternative asset spaces through expansion of existing funds and addition of new funds
 - ✓ Experienced and aligned management team with robust and scalable infrastructure
 - ✓ Diverse investment product offering across Australian, international and other absolute return style investment products, with a diversified revenue stream
 - ✓ A leading brand in non-benchmark active equities funds management, with proven history of long term performance
 - ✓ Economies of scale with in excess of \$3bn of retail FUM vs \$0.9bn for HHL standalone
 - ✓ Estimated cost savings of circa \$6m p.a. to be fully realised from FY 2018
 - ✓ Strong distribution capability with over 50,000 underlying retail investors across platforms, dealer groups, IFAs, and direct HNW and SMSF clients

Significantly Enhanced Offering for Hunter Hall Fund Investors

- ✓ Investors in the HHL vehicles will benefit from:
 - ✓ The combined strength of the Pengana and HHL international equities investment teams – which are highly complementary
 - ✓ Continuation of HHL's highly regarded ethical investment framework
 - ✓ Strength of best in class funds management platform and a more diverse, growing range of investment options

- ✓ Pengana and HHL are uniquely placed to merge their international equities investment teams:
 - ✓ Similar investment styles and philosophies; fundamental stock-picking with a focus on finding undervalued companies; benchmark-unaware investing with expertise across the full market cap range
 - ✓ Key investment team members have worked together before and have excellent relationships with each other
 - ✓ Both adhere to similar ethical investment frameworks and the merged team will adopt the HHL ethical framework in its entirety
 - ✓ Leverage Pengana's strong portfolio construction capabilities, utilising a highly advanced methodology that is consistent with HHL's strategy
 - ✓ Smooth integration process with senior executives and investment managers committed to the merged business

Transaction Overview



Offer Consideration

- All scrip transaction: HHL shareholders will own approximately 27% and Pengana shareholders will own approximately 73% of the merged company

Key Conditions and Approvals

- HHL shareholder approval at an EGM expected to be held in May 2017
- Acceptance of the offer by 100% of Pengana shareholders
- WHSP has a relevant interest of 20% in HHL and 37% in Pengana. WHSP will not participate in the HHL shareholder vote to approve the merger

Alignment of Interest

- Strong alignment of interest between executives and shareholders with executives owning in excess of 30% of Pengana Capital Group and subject to significant voluntary escrow restrictions extending up to six years

Hunter Hall's Board of Directors intend to unanimously recommend that shareholders vote in favour of the merger, subject to no superior offer and an Independent Expert concluding that the proposed merger is fair and reasonable to Hunter Hall shareholders

Board Composition



Proposed Board of Directors



Warwick Negus
Chairman



Russel Pillemer
CEO



Kevin Eley



David Groves



Robert Barry



Jeremy Dunkel

 Pengana  HHL  WHSP Nominee

- The Board of the merged Pengana HHL business will consist of 6 directors, 2 from HHL, 3 from Pengana and a nominee from WHSP, the merged group's largest shareholder with circa 32%
- Russel Pillemer, founder and CEO of Pengana since inception in 2002, will be the Managing Director, CEO and the merged group's second largest shareholder with circa 26%
- Warwick Negus brings extensive experience in funds management, including CEO of Colonial First State Asset Management, Founder and CEO of 452 Capital and Managing Director of Goldman Sachs Asset Management, with shareholding of circa 3%



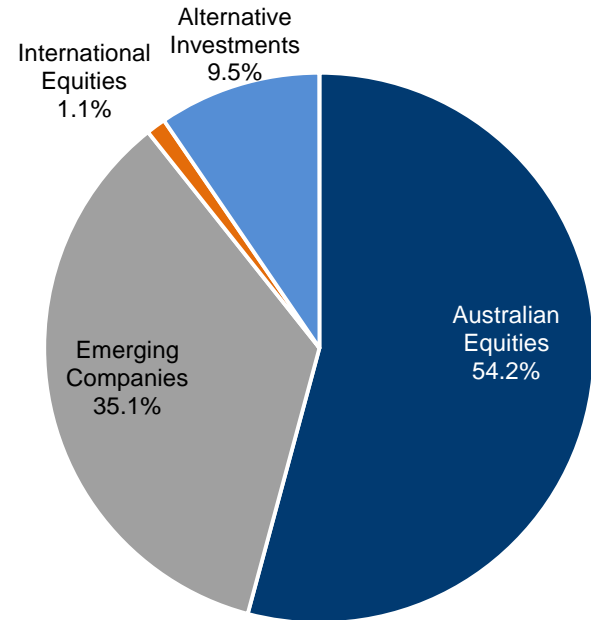
Combined Business Overview

Summary of Pengana



- ✓ Pengana is a diversified funds management business founded in 2002
- ✓ Funds include Australian Equities, Australian Small Caps, International Equities, International Small Caps, Global Absolute Return and Asian Absolute Return
- ✓ Provider of premium products; all funds employ active strategies with non-benchmark mandates
- ✓ Focused on the retail and HNW market predominantly through financial planners with large sophisticated clients
- ✓ All strategies are managed within capacity constraints in order to maximise potential for outperformance
- ✓ Employs a unique business model facilitating growth
- ✓ Well recognised brand with long-term performance over multiple product

Product Breakdown by FUM

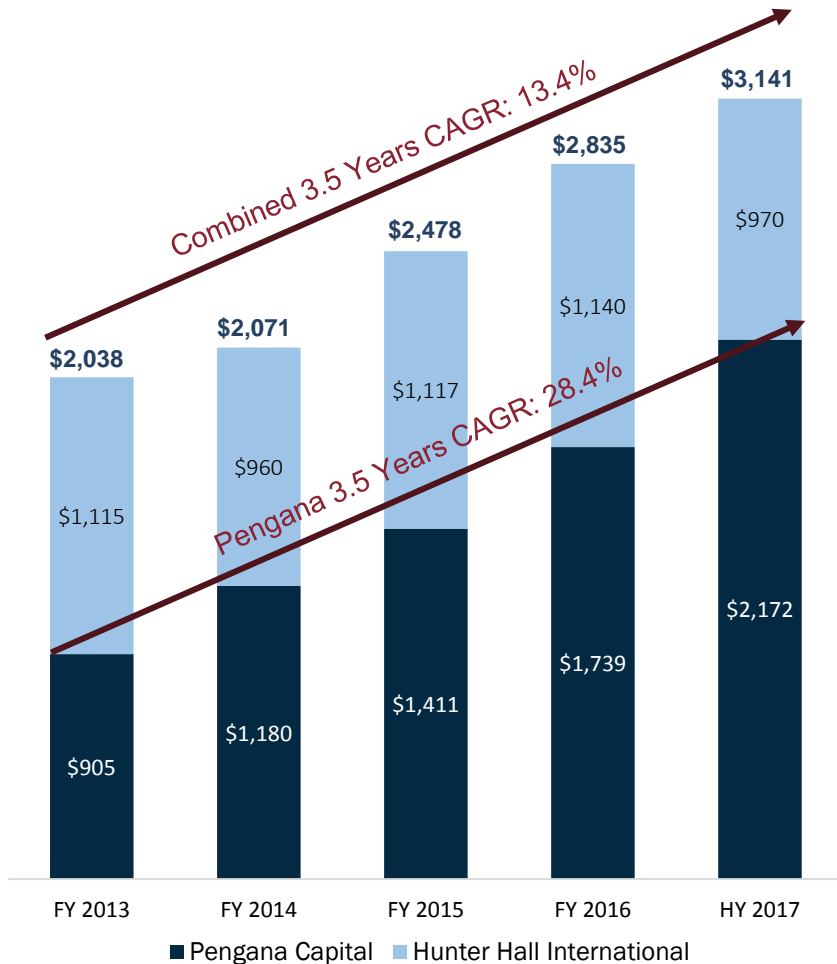


FUM = \$2.17bn

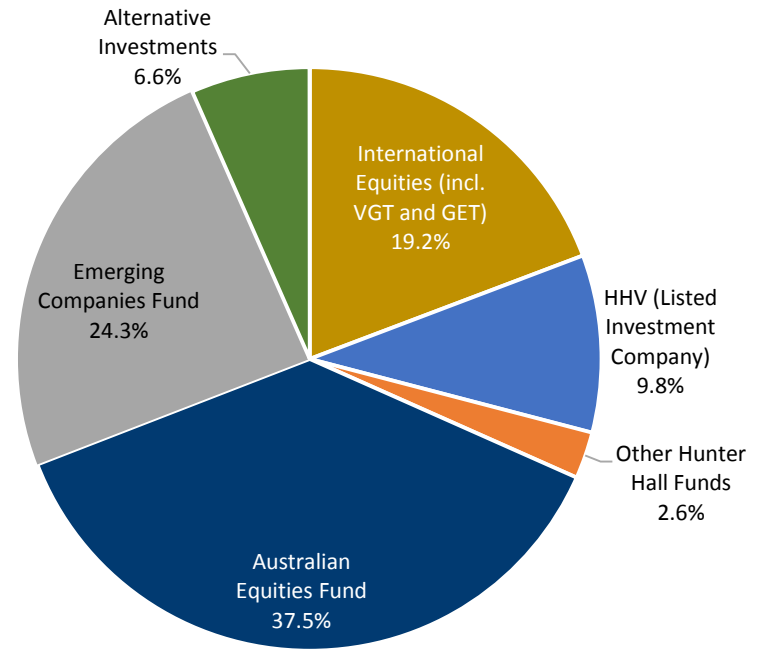
Strong Growth in Funds Under Management



Growth in Funds under Management



FUM Strategy Breakdown (31 Dec 16)



Total FUM = \$3.1bn

Key Financial Metrics



	Pengana	Hunter Hall
FUM (28 Feb 17)	\$2.2bn	\$0.9bn
Gross Management Fee (FY13-16A)	1.13%	1.52%
Gross Performance Fee (FY13-16A)	1.91%	0.09%
Total Gross Fee (FY13-16A)	3.04%	1.61%
Total Net Fee (FY13-16A)	1.83%	1.56%
CY16A Operating Expenses (\$m)	\$12.2m	\$9.8m

Estimated cost savings of circa \$6m p.a. to be fully realised from FY2018

Information in this Presentation, including any forecast financial information, should not be considered as financial advice or a recommendation to investors or prospective investors in relation to holding, purchasing or selling HHL shares. This Presentation has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, accounting and taxation advice appropriate to their jurisdiction.

Broad Infrastructure and Distribution Capabilities



Diverse Retail Client Base

- Over 50,000 retail investors across platforms, dealer groups, IFAs, direct HNW and SMSFs
- Over 3,500 direct non-advised investors

Platforms, Wraps and Master Trust

- Established access to all the major platforms and dealer groups

Approved Product Lists

- Funds are on over 150 APLs
- Including the APLs of the majority of the top 100 dealer groups by size

Independent Financial Advisers

- Supported by a broad range of small and mid size IFAs
- Majority of FUM is sourced from non-aligned IFAs

Retail Ratings

- Strong ratings from key retail research houses

Offshore and NZ

- Offshore distribution capability run out of Pengana Singapore
- Strong investor support from New Zealand

Pengana business model incorporates “best elements of both boutique and institutional models”

- ✓ Success in attracting and retaining leading funds management teams
- ✓ Unique “shadow equity” program promotes alignment of interests between fund managers, investors and shareholders
- ✓ Separation of business and funds management responsibilities; non-investment functions centralised enabling fund oversight to provide an extra layer of protection for investors

Highly Scalable Infrastructure

- ✓ Enables growth within funds as well as addition of new funds
- ✓ Built to manage significantly larger asset base

Strategic Partnership Model

- ✓ Unique strategies otherwise unavailable in Australia
- ✓ Significant growth potential at low cost

Significant Synergy Potential



Revenue Synergies

- ✓ Scale benefits associated with creating a diversified funds management platform with over \$3bn in retail FUM
- ✓ Ability to leverage retail distribution channels to offer investors multiple products
- ✓ Broadening of investment strategies enable increased contribution to portfolio construction
- ✓ Enhanced international equities offering provides opportunity to increase inflows

Cost Synergies

- ✓ Circa \$6m p.a. going forward, comprising of:
 - Reduction in back-office costs
 - Reduction in occupancy costs
 - Process improvements
- ✓ Synergies expected to be fully realised from FY18

Key Products



Australian Equities



Rhett Kessler

Joined Pengana in 2007, Rhett was previously Head of Research and a Joint Portfolio Manager at IAG Asset Management. Prior to this, he was a rated media analyst for UBS Australia



Anton du Preez

Prior to joining Pengana in 2009, Anton was a fund manager with Rand Merchant Bank in Australia and South Africa, as well as a rated sell-side analyst with ABN Amro

Emerging Companies



Ed Prendergast

Prior to co-establishing the Emerging Small Companies fund in 2004, Ed was a director at Citigroup as the Head of Small Companies research team, and at ABN AMRO



Steve Black

Co-established the Emerging Small Companies fund with Ed, Steve was previously a partner at Goldman Sachs JBWere and managed the JBWere Emerging Leaders Fund for almost 7 years

International Equities – Merged Team



Jordan Cvetanovski

Prior to joining Pengana, Jordan was a Partner and Portfolio Manager at Carmignac Gestion in Paris for 7 years, a fund manager at Robeco in the Netherlands and an equity analyst at BT



James McDonald

James was based in Hunter Hall's London office between 2003-2015, focussing on European, American and Japanese markets. He has 20 years of industry experience, including six years at BT



Steven Glass

Prior to joining Pengana, Steven was a portfolio manager at Hunter Hall International, an equities analyst at Tricom Securities and an investment analyst at Platinum Asset Management

Global Small Companies



Leah Zell

Leah has an extensive career beginning in investment banking at Lehman Brothers, and is a recognised expert in international investing. Her experience includes co-founding Wanger Asset Management, a global small-mid cap equity specialist



Jon Moog

Jon was previously a Senior Research Analyst at Brightpoint Capital and was a private equity consultant with Investor Group Services

Key Products



Absolute Return Asia Pacific



Antonio Meroni

Antonio has over 24 years experience in financial markets, including 14 years in Asian equities and the convertible bond market. He has held numerous senior positions in Singapore, Tokyo, Zurich, Milan and London



Vikas Kumra

Prior to joining Pengana in 2008, Vikas was an analyst in Credit Suisse's HOLT division in Singapore and has over 9 years experience in the finance industry

PanAgora Absolute Return Global Equities



George Mussalli

Prior to joining PanAgora, George was a Portfolio Manager on the Putnam Investments Structured Equity team



Richard Tan

Richard was an analyst for the Quantitative Investment Group of Wellington Management, and has held various roles at Fidelity Investments and Accenture

High Quality Investment Offering



Pengana Retail Funds Management Platform

Fund	FUM (\$m)	Benchmark	Outperformance (p.a. since inception)	Description
Australian Equities	\$1,210	RBA Cash Rate	8.1%	High conviction, absolute return focused portfolio invested principally in Australian equities
Emerging Companies	\$739	S&P/ASX Small Ordinaries Accumulation	9.8%	Long only strategy investing in Australasian listed small industrial companies, employing a conservative style
Abs. Return Asia Pacific	\$71	RBA Cash Rate	5.3%	Long/short event driven investment strategy seeking total returns from investing in mispriced securities in Asia Pacific-based companies
Global Small Companies	\$10	MSCI ACWI SMID Cap Net AUD Unhedged	1.3%	Long only investment in small and mid-cap global companies or soon to be listed global companies. Lizard Investors LLC is JV partner for this fund
PanAgora AR Global Equities	\$116	0% (no benchmark)	10.1% *	Employs a highly diversified long/short equity strategy which generates attractive absolute returns that are neutral to market movements
International Equities	\$16	MSCI ACWI Net AUD Unhedged	-1.1%	High conviction, absolute return portfolio invested in Global Equities

Updated to 28 February 2017

* Since inception of the strategy in the US. Returns converted to AUD with applicable management and performance fees.

Combined Entity Highlights



\$3bn in FUM

- Diversified investment strategies including Australian Equities, Australian Small Caps, International Equities, Global Small Caps, Asian Absolute Return and Global Market Neutral



Best in Class Operating Model

- Unique operating model incorporates the best elements of a boutique and of a large institution
- PMs solely focused on managing portfolios; incentives are directly aligned with investment outcomes
- Institutional infrastructure to support and oversee investment operations



Experienced Board & Management Team

- Each director on the Board brings extensive experience in the funds management industry
- Highly capable and experienced Executive Leadership Team with proven track records and significant tenure



Strength in Investment Management

- Each strategy managed by proven investment team
- Excellent history of long term outperformance
- Enhanced capability in international equities



Distribution

- Diverse retail distribution network with strong support from advisers, dealer groups, platforms, direct HNW and SMSF clients



Synergies

- Highly synergistic merger creates opportunity for increased growth across the business
- Cost synergies of circa \$6m p.a. due to be realised from FY18