



HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

Explanatory Memorandum

Your Directors unanimously recommend that you

vote in FAVOUR of the resolutions to approve the merger with Pengana

in the absence of a Superior Proposal or the Independent Expert ceasing to conclude that the Transaction is fair and reasonable to Hunter Hall Shareholders.

A Notice of Meeting is included as Annexure D. The General Meeting will be held at the offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney at

9.30am (AEST) on Thursday 1 June 2017

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the resolutions. If you are in any doubt as to how to deal with this document, you should consult your financial, legal or other professional advisor immediately.

if you have any questions in relation to the resolutions, the Transaction or the General Meeting please contact your financial, legal or other professional advisor or telephone the Shareholder Information Line on: 1300 889 468 (within Australia) and +61 2 8022 7944 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time).

To be valid, Proxy Forms for use at the General Meeting must be received no later than 9.30am (AEST) on Tuesday 30 May 2017.

MOELIS & COMPANY

Financial Adviser

K&L GATES

Legal Adviser

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Date of this Explanatory Memorandum

This Explanatory Memorandum is dated 27 April 2017 (the **Preparation Date**) based upon the information available and the facts and circumstances known as at the Preparation Date by Hunter Hall, or by Pengana, in relation to the Pengana Information.

Subject to the continuing obligations of Hunter Hall under the Listing Rules, the Corporations Act and other laws, no person undertakes to review the financial condition or affairs of Hunter Hall or the Merged Group or at any time or to keep a recipient of this document or any Hunter Hall Shareholder informed of changes in, or matters arising or coming to their attention which may affect, anything referred to in this document.

Purpose of this Explanatory Memorandum

This purpose of this Explanatory Memorandum is to explain the terms of the Transaction and the manner in which it will be completed (if approved), and to provide such information as is prescribed or is otherwise material to the decision of Hunter Hall Shareholders as to whether or not to vote in favour of or against the Resolutions to give effect to the Transaction.

This Explanatory Memorandum includes the Notice of Meeting required to be sent to Hunter Hall Shareholders in relation to the Resolutions.

This Explanatory Memorandum contains important information

This Explanatory Memorandum is important. You should read this Explanatory Memorandum carefully before making a decision about how to vote on the Resolutions to be considered at the General Meeting.

No investment advice

This Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to the individual investment objectives, financial situation, taxation position or the particular needs of any Hunter Hall Shareholder or any other person. It is important that you read this Explanatory Memorandum before making any decision, including a decision on whether or not to vote in favour of the Resolutions. This Explanatory Memorandum should not be relied upon as the sole basis for any investment decision in relation to Hunter Hall Shares or any other securities. If you are in any doubt as to how to deal with this document, you should consult your financial, legal or other professional advisor immediately.

Hunter Hall Shareholders should consult their taxation adviser as to the applicable tax consequences of the Transaction.

Responsibility statement

The information concerning Hunter Hall in this Explanatory Memorandum, including financial information and information as to the views of Hunter Hall and its Directors has been provided by Hunter Hall and its Directors, and is the responsibility of Hunter Hall.

The Pengana Information has been provided by Pengana and its Directors, and is the responsibility of Pengana. Neither Hunter Hall nor its advisers assume any responsibility for the accuracy or completeness of the Pengana Information.

Leadenhall has prepared, and is responsible for, the Independent Expert's Report contained in Annexure A of this Explanatory Memorandum. None of Hunter Hall, Pengana, their respective Related Entities or the Directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

The financial information in Section 7 has been reviewed by PricewaterhouseCoopers Securities, whose Investigating Accountant's Report is contained in Annexure B. None of Hunter Hall, Pengana, their respective Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Investigating Accountant's Report.

Role of ASIC

A copy of this Explanatory Memorandum and Notice of Meeting has been lodged with ASIC for the purposes of section 611 item 7 of the Corporations Act. Neither ASIC nor any of its officers take any responsibility for the contents of this Explanatory Memorandum and Notice of Meeting.

A copy of this Explanatory Memorandum and Notice of Meeting has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Explanatory Memorandum and Notice of Meeting.

No internet site is part of this Explanatory Memorandum

Hunter Hall and Pengana maintain internet websites. Any reference in this Explanatory Memorandum to a website is a textual reference for information only and does not form part of this Explanatory Memorandum.

Notice to foreign shareholders

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons outside of Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Explanatory Memorandum complies with disclosure requirements in Australia and Australian law, which may be different to those requirements and laws in other countries outside of Australia.

Disclaimer as to forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance and achievements of the Merged Group to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand.

The forward looking statements in this Explanatory Memorandum reflect the views held only at the Preparation Date. Additionally, statements of the intentions of the Merged Group reflect its present intentions as at the Preparation Date and may be subject to change.

Other than as required by law, neither Hunter Hall nor Pengana nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

Subject to law, Hunter Hall and Pengana and their respective Directors disclaim any obligation or undertaking to disseminate after the date of this Explanatory Memorandum, any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

You are cautioned not to place reliance on any forward looking statements.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the Preparation Date.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Explanatory Memorandum are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from the figures set out in this Explanatory Memorandum, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

Currency

All references in this Explanatory Memorandum to “\$”, “A\$”, “AUD”, “Australian dollars” are to Australian currency.

Privacy and personal information

Hunter Hall and Pengana will need to collect personal information to complete the Transaction. The personal information may include the names, contact details and details of shareholdings of Hunter Hall Shareholders together with contact details of individuals appointed by Hunter Hall Shareholders as proxies, body corporate representatives or attorneys at the General Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Hunter Hall Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and may contact the Company Secretary, Paula Ferrao, on +612 8224 0300 if they wish to exercise those rights.

The information may be disclosed to print and mail service providers, and to Hunter Hall and Pengana and their respective advisers and agents to the extent necessary to effect the Transaction. If the information outlined above is not collected, Hunter Hall may be hindered in, or prevented from, conducting the General Meeting or implementing the Transaction effectively, or at all.

Hunter Hall Shareholders who appoint an individual as their proxy, body corporate representative or attorney to vote at the General Meeting should inform that individual of the matters outlined above.

Persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Hunter Hall Share Register. The Hunter Hall Share Register contains personal information about Hunter Hall Shareholders.

Additional Information

If you have any questions in relation to the Transaction, the Resolutions or the General Meeting, please contact the Shareholder Information Line on 1300 889 468 (within Australia) and +61 2 8022 7944 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time) or consult your legal, investment, taxation, financial or other professional adviser.

Defined terms and interpretation

Capitalised terms used in this Explanatory Memorandum (other than contained in the Annexures and the Proxy Form accompanying this Explanatory Memorandum) are either defined in brackets when first used or are defined in the Glossary in Section 11. The Glossary also sets out some rules of interpretation which apply to this Explanatory Memorandum.

References to Explanatory Memorandum Sections and Annexures

References to Sections and Annexures are to the named Sections and Annexures in this Explanatory Memorandum.

27 April 2017

Dear Hunter Hall Shareholder,

On behalf of the Board, I have the pleasure of inviting you to a General Meeting of the members of Hunter Hall International Limited ACN 059 300 426 (**Hunter Hall or Company**) to vote on the resolutions required to implement the proposed merger between Hunter Hall and Pengana Holdings Pty Ltd (**Pengana**). The General Meeting will be held at the offices of K&L Gates Level 31, 1 O'Connell Street, Sydney at 9.30am (AEST) on Thursday 1 June 2017.

As you will see the proposed merger has the potential to deliver significant strength to the existing Hunter Hall business, superior value for our shareholders and a more diverse offering of investment options for our investors, compared to continuing as a stand-alone business,

The Directors of Hunter Hall unanimously recommend that Hunter Hall Shareholders vote in favour of the Required Resolutions to approve the Transaction, in the absence of a Superior Proposal or the Independent Expert ceasing to conclude that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders.

The enclosed Notice of Meeting and Explanatory Memorandum sets out the details of the Transaction, the recommendation of the Directors of Hunter Hall and the reasons for their recommendation.

The Explanatory Memorandum contains a detailed report from an independent expert, Leadenhall Corporate Advisory Pty Limited, which concludes that the **Transaction is fair and reasonable to non-associated Hunter Hall Shareholders**.

Transaction Overview

Under the proposed merger, Hunter Hall will acquire all of the shares in Pengana, and shareholders of Pengana will be issued new shares in Hunter Hall as consideration (the **Transaction**) (Hunter Hall and Pengana together on completion of the Transaction will be referred to as the **Merged Group** in this document).

If the Transaction is implemented, Hunter Hall will issue 120.21 new Hunter Hall Shares for each Pengana Share on issue as at the Completion Date (**Hunter Hall Purchase Shares**) to the Pengana Sellers, in return for the Pengana Sellers' Pengana Sale Shares.

After completion of the Transaction, existing Pengana Shareholders will hold 73.1% of the Merged Group and existing Hunter Hall Shareholders will hold 26.9% of the much larger Merged Group.

As a result of the Transaction:

- (a) Washington H. Soul Pattinson and Company Limited (**WHSP**) and its Associates (which currently has voting power of 36.7% in Pengana and voting power of 46.3% in Hunter Hall) will hold 39.2% of Hunter Hall Shares; and

- (b) Russel Pillemer, Pengana's Chief Executive Officer (and the proposed Chief Executive Officer of the Merged Group), and his associated entities will hold 25.8% of Hunter Hall Shares.

A number of the Pengana Sellers are, or are associated with, key members of the Pengana investment and management teams and as part of the Transaction, some of these Pengana Sellers, including the Pillemer Sellers, have delivered executed voluntary escrow deeds to Hunter Hall in respect of an agreed number of their Hunter Hall Purchase Shares. The voluntary escrow deeds prevent those Pengana Sellers from generally disposing of their escrowed Hunter Hall Purchase Shares for the applicable escrow period which has been agreed between the parties. These voluntary escrow arrangements are designed to ensure that the relevant key members of the Pengana investment and management teams are aligned in working towards achieving the financial goals for all shareholders of the Merged Group.

Further information in relation to the voluntary escrow arrangements is provided in Section 2.3 and Section 6.6.

Reasons Hunter Hall Shareholders should vote in favour of the Resolutions

The Transaction is expected to provide Hunter Hall Shareholders with a superior value outcome compared to Hunter Hall continuing as a stand-alone business.

The merger offers the following potential benefits to Hunter Hall:

- significant historical growth in funds under management (**FUM**);
- more diversified investment offering;
- enhanced investment support infrastructure and distribution capabilities;
- significant cost and revenue synergy potential; and
- an aligned and experienced Board and management team.

Opinion of the Independent Expert

Hunter Hall Shareholders are referred to the Independent Expert's Report prepared by Leadenhall (Independent Expert). The Independent Expert was commissioned by the Directors of Hunter Hall to provide an opinion as to whether or not the Transaction is fair and reasonable to Hunter Hall Shareholders.

The Independent Expert has concluded that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders.

In the Independent Expert's Report, the Independent Expert has estimated the fair market value of Hunter Hall Shares upon completion of the transaction to be \$3.00 to \$3.50 per Hunter Hall Share on a minority basis, the mid-point of which represents a 25% premium to the last close price of Hunter Hall Shares on 26 April 2017 (being the last trading day prior to the date of this Explanatory Memorandum).

The Independent Expert's Report is set out in Annexure A of this Explanatory Memorandum.

Recommendation of the Directors

Mr. Kevin Eley, Mr. David Groves and Mr. Wayne Hawkins are the Directors of Hunter Hall. The Directors:

- (a) **unanimously recommend that Hunter Hall Shareholders vote in favour of the Resolutions set out in this Explanatory Memorandum; and**
- (b) **intend to cause the Hunter Hall Shares in which they have a Relevant Interest (see Section 4.9 for details of Hunter Hall Shares held by the Directors) to be voted in favour of the Resolutions,**

in the absence of a Superior Proposal or the independent expert engaged by Hunter Hall ceasing to conclude that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders.

Full details of the key reasons for your Directors' recommendation of the Transaction are set out in Section 3.1 of this Explanatory Memorandum. As with all transactions of this nature, the Transaction also has risks, and these are set out in Section 8 of this Explanatory Memorandum.

Shareholder approvals

Hunter Hall is required by the Corporations Act and the Listing Rules to obtain certain shareholder approvals in order to implement the Transaction. The Resolutions reflect the approvals required to implement the Transaction and are identified in full in the Notice of Meeting and the Explanatory Memorandum.

Your vote is important in determining whether or not the Transaction proceeds. If Resolutions 1 to 4 (**Required Resolutions**) to implement the Transaction are not approved at the General Meeting, the Transaction will not go ahead.

Further Information

Further information in relation to the Transaction is contained in the Explanatory Memorandum, including frequently asked questions in Section 1 and an overview of the Transaction in Section 2. Section 3 sets out reasons to vote in favour of or against the Resolutions to implement the Transaction, Section 4 and 5 sets out further information about Hunter Hall and Pengana and Section 6 and 7 provides information about the proposed Merged Group. I encourage you to read this Explanatory Memorandum in its entirety, and to attend the General Meeting and vote on the Resolutions. A Proxy Form is enclosed to enable any Hunter Hall Shareholder who is unable to attend the General Meeting to vote at the meeting.

Should you wish to discuss this Explanatory Memorandum or have any questions in relation to any part of the Transaction, please contact the Shareholder Information Line on 1300 889 468 (within Australia) and +61 2 8022 7944 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time) or consult your legal, investment, taxation, financial or other professional adviser.

On behalf of your Directors, I would like to thank you for your continued support of Hunter Hall. Your Directors believe that this transformational Transaction delivers significant benefits for all Hunter Hall Shareholders, as set out in this Explanatory Memorandum. I look forward to your participation in the General Meeting.

Yours faithfully



Kevin Eley

Non-executive Chairman

Important dates and times for the Transaction¹

Event	Date
Notice of Meeting sent to Hunter Hall Shareholders	Tuesday 2 May 2017
Registration Date ²	9:30am on Tuesday 30 May 2017
Last time for receipt of Proxy Forms for the General Meeting	9:30am on Tuesday 30 May 2017
General Meeting	9.30am on Thursday 1 June 2017
Completion Date (transfer of Pengana Shares to Hunter Hall and issue of Hunter Hall Purchase Shares to Pengana Sellers)	Thursday 1 June 2017

- 1 All dates in the above timetable are indicative only and are subject to change. The actual timetable will depend on many factors outside the control of Hunter Hall including the time in which Conditions are satisfied or (as applicable) waived. Hunter Hall (with the agreement of Pengana) has the right to vary the timetable set out above, where required.
- 2 A person who is registered as a holder of Hunter Hall Shares at 9:30am on Tuesday 30 May 2017 being 48 hours prior to the General Meeting, will be eligible to vote at the General Meeting, unless they are excluded from doing so.

This Explanatory Memorandum contains detailed information regarding the Transaction. This Section provides summarised answers to questions about the Transaction you may have and will assist you to locate further detailed information in this Explanatory Memorandum. It is not intended to address all relevant issues for Hunter Hall Shareholders. This Section should be read together with all other Sections of this Explanatory Memorandum.

Questions about the Transaction	Further Information
Transaction at a glance	
What is the Transaction?	<p>The Transaction will be effected by Hunter Hall acquiring all the shares in Pengana in return for the issuance of 74.1 million Hunter Hall Shares to the Pengana Sellers.</p> <p>Following the Transaction, Hunter Hall Shareholders will own 26.9% and the Pengana Sellers will own 73.1% of the issued shares of Hunter Hall, comprising 101.5 million Hunter Hall Shares post transaction. The Transaction is subject to Hunter Hall Shareholder approval and other conditions.</p>
Who is Pengana?	<p>Pengana is a diversified funds management business founded in 2003 by Russel Pillemer and Malcolm Turnbull. All funds employ active strategies with non-benchmark mandates and are focused on delivering superior long term risk adjusted returns to investors. Pengana currently manages \$2.2 billion across six active equity strategies including international equities, global small caps, Australian equities, Australian small caps, Asian absolute return equities and global equities market neutral.</p> <p>Pengana's products are focused on the retail and high net worth market being distributed through financial planners with large sophisticated clients.</p>
Why is the Transaction being proposed?	<p>The Transaction brings together two synergistic retail focused, active investment managers to create a funds management business with a strong platform for growth.</p> <p>Pengana's substantial funds under management (FUM) in Australian equities complements Hunter Hall's globally invested funds. In addition, the two businesses both have global investing experience providing investors with enhanced global equity expertise. The merger of Pengana and Hunter Hall will create a group with a more diversified investment offering with in excess of \$3 billion in FUM.</p>
What do the Directors recommend that I do?	<p>The Directors:</p> <ul style="list-style-type: none"> (a) unanimously recommend that Hunter Hall Shareholders vote in favour of the Resolutions set out in this Explanatory Memorandum; and (b) intend to cause the Hunter Hall Shares in which they have a Relevant Interest (see Section 4.9 for details of Hunter Hall Shares held by the Directors) to be voted in favour of the Resolutions, <p>in the absence of a Superior Proposal or the Independent Expert engaged by Hunter Hall ceasing to conclude that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders.</p>

1. Frequently Asked Questions

Continued

Questions about the Transaction	Further Information
<p>Is a Superior Proposal likely?</p>	<p>The Directors have undertaken an extensive strategic review process since Peter Hall tendered his resignation as Chief Investment Officer on 27 December 2016 and subsequently resolved to sell his Hunter Hall Shares. As part of that process, the Directors have considered a range of strategic initiatives with a focus on ensuring a smooth transition of the business and creating value for Hunter Hall Shareholders.</p> <p>As at the Preparation Date, no Superior Proposal has been forthcoming and, in consideration of the value the Transaction delivers to Hunter Hall Shareholders and time that has lapsed since the commencement of the strategic review process, the Directors believe a Superior Proposal is unlikely.</p>
<p>What is the opinion of the Independent Expert?</p>	<p>The Independent Expert has concluded that the Transaction is fair and reasonable to the non-associated shareholders of Hunter Hall.</p> <p>In this report, the Independent Expert has estimated that fair market value of Hunter Hall Shares after completion of the Transaction to be \$3.00 to \$3.50 per Hunter Hall Share on a minority basis.</p> <p>A full copy of the Independent Expert's Report is set out in Annexure A.</p> <p>Section 3.1(b) Annexure A</p>
<p>How was the value of the shares to be issued determined?</p>	<p>The merger ratio was determined based on the relative value of Pengana and Hunter Hall, considering, among other things, the future maintainable earnings, growth profiles and the estimated net tangible economic assets held by the respective businesses.</p> <p>In addition, the Independent Expert has undertaken a valuation and assessment of the business and assets of each of Pengana and Hunter Hall to conclude that the Transaction is fair and reasonable to the non-associated shareholders of Hunter Hall.</p> <p>For more information on the underlying analysis on which this conclusion is based please refer to the Independent Expert's Report set out in Annexure A</p> <p>Annexure A</p>
<p>Will my shareholding be affected?</p>	<p>After completion of the Transaction, existing Hunter Hall Shareholders will hold 26.9% of the enlarged share capital of the Merged Group and will collectively be minority shareholders. The Board will be restructured to comprise six directors, of which two are existing directors of Hunter Hall. As a result, existing Hunter Hall Shareholders will have reduced ability to influence the operating, financing and strategic decisions of the Merged Group.</p> <p>Section 2.1</p>

Questions about the Transaction	Further Information
<p>Are there any conditions to the Transaction completing?</p>	<p>Yes. The terms of the Transaction are set out in the Merger Agreement, a copy of which is provided at Annexure C.</p> <p>The conditions precedent to the Transaction (Conditions) are:</p> <ul style="list-style-type: none"> (a) approval of the Required Resolutions by Hunter Hall Shareholders; (b) all of the Pengana Shareholders agreeing to sell their Pengana Shares to Hunter Hall; (c) amendment of the Blackergast Agreement as described in Section 2.4; (d) restructure of the Pengana Loan Plans as described in Section 2.3; and (e) voluntary escrow deeds to be provided in respect of certain Pengana Sellers including the Pillemer Sellers. <p>Apart from approval of the Required Resolutions by Hunter Hall Shareholders, each Condition above has been satisfied. The outstanding Conditions will be satisfied once the Required Resolutions are approved by Hunter Hall Shareholders at the General Meeting.</p>
<p>When is the Transaction expected to complete?</p>	<p>The Transaction is expected to complete in early June 2017.</p>
<p>Why is Hunter Hall Shareholder approval required?</p>	<p>Shareholder approval of the Transaction is required by:</p> <ul style="list-style-type: none"> (a) certain provisions of the Listing Rules regulating the issue of shares and transactions with persons in a position of influence (such as related parties and substantial shareholders); (b) provisions of the Corporations Act which limit the circumstances in which a person holding voting power of 20% or more may increase their voting power; and (c) provisions of the Corporations Act which relate to the undertaking of certain actions under an employee share scheme and the ability for an entity to change its name.
<p>When and where will the General Meeting be held?</p>	<p>The General Meeting will be held at K&L Gates, Level 31, 1 O'Connell Street, Sydney at 9.30 am (AEST) on Thursday 1 June 2017.</p>
<p>Who can vote?</p>	<p>A person who is registered as a holder of Hunter Hall Shares at 9.30am on Tuesday 30 May 2017 (Registration Date), being 48 hours prior to the General Meeting, will be eligible to vote at the General Meeting unless they are excluded from doing so.</p> <p>Any person registered as a Hunter Hall Shareholder after that time will be disregarded in determining shareholders' entitlements to attend and vote at the General Meeting.</p> <p>WHSP and WHSP Hunter Hall (a directly wholly owned subsidiary of WHSP) hold 19.9% and 26.4% of shares in Hunter Hall respectively, and will be excluded from voting on the Required Resolutions (other than Resolution 4).</p> <p>The reason WHSP and WHSP Hunter Hall are excluded is because WHSP's directly wholly owned subsidiary, WHSP Pengana, is a Pengana Shareholder (which will acquire Hunter Hall Shares under the Transaction).</p> <p>The voting exclusion statements in relation to the Resolutions are set out in the Notice of Meeting at Annexure D</p>

1. Frequently Asked Questions

Continued

Questions about the Transaction	Further Information
<p>How can I vote?</p>	<p>If you are entitled to vote, you may do so either:</p> <ul style="list-style-type: none"> (a) in person; (b) by proxy; (c) by corporate representative (if you are a corporate shareholder); or (d) by attorney. <p>If you wish to vote in person, you should attend the General Meeting.</p> <p>If you wish to vote by proxy, you must complete and sign the Proxy Form accompanying this Explanatory Memorandum by the date specified below.</p>
<p>What date do I have to lodge proxies by?</p>	<p>To be valid, Proxy Forms for use at the General Meeting must be received by Computershare or the Company no later than 9.30am (AEST) on Tuesday 30 May 2017.</p> <p>If a Proxy Form is completed by an individual or a corporation under a power of attorney, the original or certified copy of that power of attorney under which the form is signed must also be received by Computershare or the Company by 9.30am (AEST) on Tuesday 30 May 2017.</p> <p>Please note that the Chair of the General Meeting intends to vote undirected proxies in favour of each of the Resolutions relating to the Transaction.</p>
<p>What voting majority is required to approve the Resolutions?</p>	<p>The Required Resolutions (Resolutions 1 – 4) relating to the Transaction must be approved by at least 50% of votes cast by Hunter Hall Shareholders entitled to vote on the Resolutions.</p> <p>Resolution 5 (change of Company name) must be approved by at least 75% of votes cast by Hunter Hall Shareholders entitled to vote on the Resolutions. If Resolution 5 is not approved but the Required Resolutions are approved, then the Transaction will still go ahead provided the other Conditions are satisfied.</p>
<p>Who will become Chairman of the Merged Group?</p>	<p>It has been agreed that Warwick Negus, existing Pengana Director and WHSP Director, former Chief Executive Officer of Colonial First State Global Asset Management and co-founder of 452 Capital, will be appointed as Chairman of the Merged Group with effect from completion of the Transaction.</p> <p>On completion of the Transaction, Mr Negus will hold 3.3% of all Hunter Hall Shares.</p>
<p>Who will become Chief Executive Officer?</p>	<p>Russel Pillemer will be appointed the Chief Executive Officer of the Merged Group immediately following completion of the Transaction.</p> <p>On completion of the Transaction, Russel Pillemer and RC Pillemer Pty Limited (the Pillemer Sellers) will hold 25.8% of all Hunter Hall Shares.</p>

Questions about the Transaction	Further Information
<p>Will the Transaction result in changes to the Board?</p>	<p>Yes. After completion of the Transaction, the proposed Board of the Merged Group will be:</p> <ul style="list-style-type: none"> • Chairman, Warwick Negus, former Chief Executive Officer 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, co-founder and Chief Executive Officer of Pengana; • Rob Barry, current Chairman of Pengana, co-founder of Dominguez & Barry and former Chief Executive Officer of Dominguez Barry Samuel Montagu Limited; and • Jeremy Dunkel, Director of Pengana. <p>Section 2.1</p>
<p>What will happen if Hunter Hall Shareholders do not approve the Required Resolutions?</p>	<p>In the event that any of the Required Resolutions relating to the Transaction are not approved by Hunter Hall Shareholders, the Transaction will not proceed and Hunter Hall will continue to operate in its current form.</p> <p>As a result, Hunter Hall Shareholders will not be able to access the potential benefits of the Merged Group as outlined in Section 6.2, nor will they be exposed to the risks to the Merged Group as set out in Section 8.3.</p> <p>Section 6.2 Section 8.3</p>
<p>What other information is available?</p>	<p>You should read the detailed information in relation to the Transaction provided in this Explanatory Memorandum.</p> <p>Further information in relation to Hunter Hall can be obtained from its website www.hunterhall.com.au.</p>
<p>Who can help answer my questions about the Transaction?</p>	<p>Should you wish to discuss this Explanatory Memorandum or have any questions in relation to any part of the Transaction, please contact the Shareholder Information Line on 1300 889 468 (within Australia) and +61 2 8022 7944 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time) or consult your legal, investment, taxation, financial or other professional adviser.</p>

2. Summary of the Transaction

2.1 Proposed Transaction

Hunter Hall entered into the Merger Agreement with Pengana on 9 March 2017. Under the Merger Agreement, Hunter Hall proposes to merge with Pengana by acquiring all of the shares in Pengana in return for the issue of 74.1 million new Hunter Hall Shares to the Pengana Sellers (the **Transaction**).

The Pengana Sellers will hold 73.1% of the Merged Group and existing Hunter Hall Shareholders will hold 26.9% of the Merged Group following completion of the Transaction.

As a result of the Transaction, Russel Pillemer (through the Pillemer Sellers), who currently holds no shares in Hunter Hall and holds 36.7% of Pengana Shares, will hold 25.8% of the Merged Group. WHSP Pengana and its Associates, who currently hold 36.7% of Pengana Shares and 46.3% of Hunter Hall Shares (through WHSP and WHSP Hunter Hall), will hold 39.2% of the Merged Group.

The table below sets out the interests of the Pillemer Sellers and WHSP Pengana and its Associates before and after completion of the Transaction:

Shareholder	Current Hunter Hall Shares (%)	Current Pengana Shares (%)	Shares in Merged Group after Completion of the Transaction (%)
WHSP	19.9%	0.0%	5.4%
WHSP Hunter Hall	26.4%	0.0%	7.1%
WHSP Pengana	0.0%	36.7%	26.8%
WHSP entities	46.3%	36.7%	39.2%
Russel Pillemer	0.0%	1.7%	1.2%
RC Pillemer Pty Limited	0.0%	33.7%	24.6%
Pillemer Sellers	0.0%	35.4%	25.8%

Certain of the Pengana Sellers were issued their Pengana Shares under a Pengana Loan Plan and granted loans to facilitate their acquisition of their Pengana Shares. These loans will remain outstanding on completion of the Transaction. It is a Condition to the Transaction that the Pengana Loan Plans be replaced and the underlying documents be novated so that the right to repayment of the underlying loans will be conferred on Hunter Hall. As part of the replacement of the loan plans, Hunter Hall will have the right to buy-back the unvested Hunter Hall Purchase Shares of certain Pengana Sellers (not including the Pillemer Sellers) in certain circumstances (for example where a Pengana Seller ceases to be employed by Pengana).

As part of the Transaction, certain Pengana Sellers including the Pillemer Sellers, have delivered voluntary escrow deeds to Hunter Hall in respect of their Hunter Hall Purchase Shares. The voluntary escrow deeds prevent those Pengana Sellers from disposing of their escrowed Hunter Hall Shares for the applicable escrow period. More than half of the new Hunter Hall Purchase Shares issued to the Pengana Sellers will be subject to escrow under these arrangements.

Further information in relation to the voluntary escrow arrangements is provided in Section 2.3 and Section 6.6.

After completion of the Transaction, it is proposed that the Board of the Merged Group will be composed of six members as follows:

- Chairman, Warwick Negus, existing Pengana director, former Chief Executive Officer 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, co-founder and Chief Executive Officer of Pengana;
- Rob Barry, current Chairman of Pengana, co-founder of Dominguez & Barry and former Chief Executive Officer of Dominguez Barry Samuel Montagu Limited; and
- Jeremy Dunkel, Director of Pengana.

Mr Russel Pillemer is to be appointed Chief Executive Officer of the Merged Group with effect immediately following completion of the Transaction.

Mr Wayne Hawkins, a current Director of Hunter Hall will resign from the Board with effect from the Completion Date.

The profiles of the six proposed Board members of the Merged Group to be appointed are set out in Section 6.5.

2.2 Conditions to the Transaction

The terms of the Transaction are set out in the Merger Agreement, a copy of which is provided at Annexure C.

The Conditions to the Transaction are:

- (a) the approval of the Required Resolutions by Hunter Hall Shareholders;
- (b) all of the Pengana Shareholders agreeing to sell their Pengana Shares to Hunter Hall;
- (c) amendment of the Blackergast Agreement as explained more fully in Section 2.4;
- (d) restructure of the Pengana Loan Plans as explained more fully in Section 2.3; and
- (e) as explained more fully in Section 2.3, voluntary escrow deeds being provided in respect of the Hunter Hall Purchase Shares of certain Pengana Sellers including the Pillemer Sellers.

2.3 ESS and voluntary escrow of certain Hunter Hall Purchase Shares

Further information in relation to the Conditions described at 2.2(d) and (e) above are set out below:

- (a) **ESS Restructure** – It is a Condition to the Transaction that documents are entered into by Pengana and the Pengana Loan Plan Participants to implement a restructure of the Pengana Loan Plans such that Hunter Hall Shares issued to Pengana Loan Plan Participants (in exchange for Pengana Shares granted under a Pengana

Loan Plan (**Pengana Loan Plan Shares**)) will be held by those Pengana Loan Plan Participants on the same terms and conditions as they held their Pengana Loan Plan Shares. The ESS Restructure will then be implemented with effect from Completion of the Transaction by Hunter Hall adopting loan plans in the same form as the Pengana Loan Plans.

- (b) **Voluntary escrow** – In addition to the ESS Restructure, it is a Condition to the Transaction that voluntary escrow deeds be provided in respect of certain of the Hunter Hall Purchase Shares from most of the Pengana Sellers (including the Pillemer Sellers) as summarised below. The voluntary escrow deeds prevent the escrowed Pengana Sellers from disposing of the escrowed Hunter Hall Purchase Shares for the applicable escrow period.

Pengana Seller	No. of Hunter Hall Shares escrowed	Percentage of Hunter Hall Shares escrowed (approx.)	Escrow period	Category
WHSP Pengana	NIL	N/A	N/A	N/A
Pillemer Sellers	26,222,609	25.8%	Until 15 February 2023 (portions to be released annually)	Pillemer Restricted Shares (see Section 2.3(b)(i))
Pengana Loan Plan Participants	6,981,194	6.9%	5 years from the Completion Date	Pengana Loan Plan Shares (see Section 2.3(b)(ii))
Other members of Pengana management	4,013,210	4%	Until 15 February 2020 (portions to be released annually)	Restricted Shares (see Section 2.3(b)(iii))

The voluntary escrow shares fall into three categories, each with a different escrow period, as follows:

- (i) **Pillemer Restricted Shares:** All Hunter Hall Purchase Shares to be issued to the Pillemer Sellers (representing 25.8% of Hunter Hall Shares after completion of the Transaction) are initially to be escrowed and will be released from escrow over a period of approximately six years as follows:
- (A) 15 February 2018 – 8.88% of the Pillemer Sellers' Hunter Hall Shares to be released;
 - (B) 15 February 2019 – 8.88% of the Pillemer Sellers' Hunter Hall Shares to be released;
 - (C) 15 February 2020 – 8.90% of the Pillemer Sellers' Hunter Hall Shares to be released;
 - (D) 15 February 2021 – 24.44% of the Pillemer Sellers' Hunter Hall Shares to be released;

(E) 15 February 2022 – 24.44% of the Pillemer Sellers' Hunter Hall Shares to be released; and

(F) 15 February 2023 – 24.46% of the Pillemer Sellers' Hunter Hall Shares to be released.

- (ii) **Pengana Loan Plan Shares:** All of the Hunter Hall Shares issued to Pengana Loan Plan Participants in exchange for their Pengana Loan Plan Shares (representing 6.9% of Hunter Hall Shares after completion of the Transaction) will be escrowed for a period of 5 years from the Completion Date.
- (iii) **Restricted Shares:** Hunter Hall Purchase Shares issued to 4 members of the Pengana management team (and their controlled entities) (representing 4.0% of Hunter Hall Shares after completion of the Transaction) will be released from escrow in equal amounts over three years as follows:
- (A) 15 February 2018 – 33.33% of the person's Hunter Hall Shares to be released;
 - (B) 15 February 2019 – 33.33% of the person's Hunter Hall Shares to be released; and
 - (C) 15 February 2020 – 33.34% of the person's Hunter Hall Shares to be released.
- (c) See Section 6.6 for further information about the voluntary escrow arrangements.

2.4 Blackergast Agreement

The Blackergast Agreement is a service agreement between Pengana, Blackergast Pty Ltd (Blackergast) and the two shareholders of Blackergast (the **Team**) under which Blackergast (as an authorised representative of Pengana Capital Ltd, a wholly-owned subsidiary of Pengana) manages a fund established by Pengana and the Team.

Under the terms of the Blackergast Agreement, the Transaction would constitute a "Liquidity Event" which would result in an automatic termination of the agreement and would give rise to an option (exercisable by either Pengana or the Team) for Pengana to acquire Blackergast in return for shares in Pengana.

This would mean that Blackergast would become a wholly owned subsidiary of Pengana and the Team would acquire shares in Pengana in return. The value attributed to the Blackergast shares and the Pengana shares to be issued to the Team in return, is determined using a valuation methodology set out in the agreement.

It is a Condition to the Transaction that the Blackergast Agreement is amended to reflect the commercial arrangement between the parties namely that the "Liquidity Event" is not triggered by the Transaction, and that, from completion of the Transaction:

- (a) a "Liquidity Event" will not result in the termination of the Blackergast Agreement or give rise to the option described above;

2. Summary of the Transaction

Continued

- (b) the Team is granted an option, exercisable at any time, to require Pengana to procure that Hunter Hall acquires Blackergast in return for Hunter Hall Shares (the number of which to be determined in accordance with a valuation methodology). To the extent that the issue or acquisition of any of these Hunter Hall Shares requires shareholder approval and shareholder approval is unable to be obtained, Pengana would be required to procure Hunter Hall to pay the Team the value of those Hunter Hall Shares in cash (to be determined based on the volume weighted average price of trading in Hunter Hall Shares on ASX over a 90 day period);
- (c) following the issue of the Hunter Hall Shares to the Team (and the payment of any money) described above, the Blackergast Agreement terminates and is replaced by a management agreement for a period of up to 4 years in return for annual service fees; and
- (d) any Hunter Hall shares issued to the Team prior to 15 February 2023 on exercise of the option will be voluntarily escrowed for the remainder of any applicable voluntary escrow period described in Section 2.3(b)(i) above.

2.5 Timing

Completion of the Transaction is anticipated by early June 2017.

The key dates and times in relation to the Transaction are set out in the beginning of this Explanatory Memorandum. These key dates are indicative only and are subject to change.

2.6 General Meeting

The General Meeting to approve the Resolutions is scheduled to be held at the offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney at 9.30 am (AEST) on Thursday 1 June 2017.

The Notice of Meeting along with further details of the General Meeting, including how to vote, is contained in Annexure D of this Explanatory Memorandum.

2.7 Shareholder Approval

Shareholder approval of the Transaction is required by:

- (a) certain provisions of the Listing Rules regulating the issue of shares and transactions with persons in a position of influence (such as related parties and substantial shareholders);
- (b) provisions of the Corporations Act which limit the circumstances in which a person holding voting power of 20% or more may increase their voting power; and
- (c) provisions of the Corporations Act which relate to the undertaking of certain actions under an employee share scheme and the ability for an entity to change its name.

See Section 9 for further information on the approvals required.

The Required Resolutions proposed to the General Meeting must be approved by a majority in number (more than 50%) of Hunter Hall Shareholders present and voting at the General Meeting (in person or by proxy, corporate representative or attorney).

Resolution 5 must be must be approved by at least 75% of Hunter Hall Shareholders present and voting at the General Meeting (in person or by proxy, corporate representative or attorney).

WHSP and WHSP Hunter Hall (a directly wholly owned subsidiary of WHSP) hold 19.9% and 26.4% of shares in Hunter Hall respectively, and will be excluded from voting on the Required Resolutions (other than Resolution 4). The reason WHSP and WHSP Hunter Hall are excluded from voting on those resolutions is because WHSP's directly wholly owned subsidiary, WHSP Pengana, is a Pengana Shareholder (which will acquire Hunter Hall Shares under the Transaction).

2.8 What will happen if the Required Resolutions are not approved?

If the Required Resolutions are not approved by Hunter Hall Shareholders, the Transaction will not go ahead.

Further, if any of the other Conditions are not satisfied or waived (where applicable), the Transaction will not go ahead.

2.9 What to do next

(a) Read the remainder of this Explanatory Memorandum

Read the remainder of this Explanatory Memorandum in full before making any decision on the Transaction.

(b) Consider your options

Hunter Hall Shareholders should refer to Section 3 for further guidance on the reasons to vote in favour of, or against, the Resolutions and Section 8 for guidance on the risk factors associated with the Transaction.

Should you wish to discuss this Notice of Meeting or have any questions in relation to any part of the Transaction, please contact the Shareholder Information Line on 1300 889 468 (within Australia) and +61 2 8022 7944 (outside Australia) Monday to Friday between 9:00am and 5:00pm (Sydney time) or consult your legal, investment, taxation, financial or other professional adviser.

(c) Vote at the General Meeting

Your Directors urge you to vote on the Resolutions at the General Meeting. The Resolutions and the Transaction affects your holding of Hunter Hall Shares and your vote at the General Meeting is important in determining whether the Transaction proceeds. Details of how to vote and voting eligibility are set out in Annexure D and in the Proxy Form accompanying this Explanatory Memorandum.

This Section sets out the reasons why your Directors consider that you should vote in favour of the Resolutions to implement the Transaction and the reasons why you may decide to vote against the Resolutions. You should read the entire Explanatory Memorandum before deciding whether or not to vote in favour of the Resolutions.

Whilst your Directors acknowledge that there are reasons to vote against the Resolutions, they believe the advantages of the Transaction significantly outweigh the disadvantages.

3.1 Reasons to vote in favour of the Resolutions to implement the Transaction

The Directors of Hunter Hall believe that the Transaction offers a number of potential benefits to Hunter Hall Shareholders. These potential benefits are set out below and are considered by the Directors of Hunter Hall as reasons why Hunter Hall Shareholders should vote in favour of the Resolutions to implement the Transaction.

(a) The Directors of Hunter Hall unanimously recommend that Hunter Hall Shareholders vote in favour of the Resolutions to implement the Transaction, in the absence of a Superior Proposal

In assessing the Transaction, the Directors of Hunter Hall considered the potential benefits and potential disadvantages of the Transaction for Hunter Hall Shareholders. The Directors of Hunter Hall believe that the potential benefits for Hunter Hall Shareholders outweigh the potential disadvantages associated with the Transaction.

For this reason, the Directors of Hunter Hall support the Transaction, believe it is in the best interests of Hunter Hall Shareholders and unanimously recommend that Hunter Hall Shareholders vote in favour of the Resolutions, in the absence of a Superior Proposal.

In addition, the Directors intend to cause the Hunter Hall Shares in which they have a Relevant Interest (see Section 4.9 for details of Hunter Hall Shares held by the Directors) to be voted in favour of the Resolutions.

(b) The Independent Expert has concluded that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders in the absence of a Superior Proposal

The Directors of Hunter Hall appointed Leadenhall as the Independent Expert to prepare the Independent Expert's Report and provide an opinion as to whether the Transaction is in the best interests of Hunter Hall Shareholders.

The Independent Expert has concluded that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders in the absence of a Superior Proposal.

The Independent Expert has estimated the fair market value of Hunter Hall Shares upon completion of the transaction to be \$3.00 to \$3.50 per Hunter Hall Share on a minority basis, the mid-point of which represents a 25% premium to the last close price of Hunter Hall Shares on 26 April 2017 (being the last trading day prior to the date of this Explanatory Memorandum). This valuation also represents a premium to the Independent Expert's estimated standalone valuation of Hunter Hall Shares pre transaction on a control basis of \$2.90 to \$3.10 per Hunter Hall Share. This is despite the valuation of the Merged Group being undertaken on a minority basis and as such incorporating a 20% discount for lack of control.

Hunter Hall Shareholders should carefully review the Independent Expert's Report in its entirety. The Independent Expert's Report is included in Annexure A.

(c) Significant growth in funds under management

After completion of the Transaction, the Merged Group will manage in excess of \$3 billion in FUM.

(d) More diversified investment offering

The Transaction will provide the Merged Group with a more diverse investment product offering across Australian, international and other absolute return style investment products.

Diversification of product offering benefits Hunter Hall Shareholders by reducing portfolio concentration risk in international focused funds.

(e) Enhanced investment support infrastructure and distribution capabilities

The Merged Group will have enhanced distribution capabilities, with Hunter Hall benefitting from exposure to:

- (i) a more diverse and significantly expanded retail client base;
- (ii) access to most of the major platforms and dealer groups;
- (iii) further support from independent financial advisers;
- (iv) strong ratings from key retail research houses across multiple funds;
- (v) enhanced back-office; and
- (vi) highly scalable infrastructure.

It is expected that the portfolio managers of the Merged Group will be able to take advantage of this distribution network and enhanced investment support infrastructure to deliver superior value to Hunter Hall Shareholders.

(f) Significant synergy potential

The Transaction has the potential to deliver significant revenue and cost synergies expected to be realised.

3. Reasons to vote in favour of or against the Transaction

Continued

(i) **Revenue Synergies**

The Merged Group will manage over \$3.1 billion in FUM which is expected to deliver significant economies of scale through leveraging retail distribution channels (further details are set out in Section 6.2(d)(i)).

(ii) **Cost Synergies**

The Merged Group is expected to realise approximately \$6 million in cost synergies per annum from FY18 onwards (further details are set out in Section 6.2(d)(ii)).

(g) **Reduction in key man risk**

The Merged Group will significantly mitigate key person risk through the separation of operational and funds management responsibilities and the clear segmentation of investment teams by strategy.

(h) **Aligned and experienced Board and management team**

The Board of the Merged Group will bring relevant skills and experience, including industry and business knowledge, financial management and corporate governance experience.

The Merged Group will be led by a capable and experienced management team with significant tenure. See Sections 6.2(a) to 6.2(e) for further information.

In addition, a number of the Pengana Sellers are, or are associated with, key members of the Pengana investment and management teams and as part of the Transaction, some of these Pengana Sellers, including the Pillemer Sellers, have delivered executed voluntary escrow deeds to Hunter Hall in respect of an agreed number of their Hunter Hall Purchase Shares. These voluntary escrow arrangements are designed to ensure that the relevant key members of the Pengana investment and management teams remain aligned with working towards achieving the financial goals for all shareholders of the Merged Group. Further information in relation to the voluntary escrow arrangements is provided in Section 2.3 and Section 6.6.

(i) **Strategic alternatives considered**

Since Peter Hall tendered his resignation as Chief Investment Officer and agreed to sell 19.9% of his Hunter Hall Shares, the Directors, in conjunction with their advisers and the Hunter Hall executive management team, explored all available proposals to ensure a smooth transition of the business and create value for all Hunter Hall Shareholders. This included, among other things:

- (i) considering candidates, both internally and externally, for the Chief Executive Officer and Chief Investment Officer positions to continue to drive organic growth;
- (ii) exploring alternative merger and/or takeover transactions in relation to Hunter Hall with other strategic parties; and

- (iii) exploring the potential buy-back of some or all of Peter Hall's residual 24.05% holding.

As announced on 15 March 2017, Peter Hall accepted WHSP Hunter Hall's takeover offer for all of the shares in Hunter Hall not already owned by WHSP.

After careful consideration of all available strategic alternatives, the Directors believe that the Transaction delivers the best outcome for Hunter Hall Shareholders.

(j) **No Superior Proposal has been forthcoming**

No Superior Proposal has been received by the Directors of Hunter Hall since the announcement that Hunter Hall and Pengana had entered into the Merger Agreement on 9 March 2017.

The Directors of Hunter Hall consider the Transaction offers a more favourable outcome to Hunter Hall Shareholders than Hunter Hall's options on a standalone basis.

3.2 Reasons to vote against the Transaction

The Directors of Hunter Hall have unanimously recommended that Hunter Hall Shareholders vote in favour of the Resolutions to implement the Transaction in the absence of a Superior Proposal, and the Independent Expert has concluded that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders.

Nevertheless there may be potential disadvantages associated with the Transaction.

Hunter Hall Shareholders may consider voting against the Resolutions due to the potential disadvantages which are outlined below.

(a) **Independent valuation**

In concluding that the Transaction is fair and reasonable to Hunter Hall Shareholders in the absence of a Superior Proposal, the Independent Expert is making judgements based on future events which are not predictable with certainty and which may prove to be incorrect (either positively or negatively).

(b) **Directors' recommendation**

Hunter Hall Shareholders may not agree with the Directors' unanimous recommendation and are not obliged to follow the recommendation.

(c) **Status quo**

You may believe it is in your best interest to maintain your current investment and risk profile.

(d) **Potential proposals**

You may believe there is the potential for a Superior Proposal to be made in the foreseeable future.

(e) Reduced influence over the Merged Group and dilution of existing shareholding

After completion of the Transaction, existing Hunter Hall Shareholders will hold 26.9% of the enlarged share capital of the Merged Group and will collectively be minority shareholders. The Board will be restructured to consist of two (out of six) directors nominated by Hunter Hall. As a result, existing Hunter Hall Shareholders will have reduced ability to influence the operating, financing and strategic decisions of the Merged Group. Together, the two major shareholders in Pengana, WHSP Pengana and Russel Pillemer, and their associated entities will hold 65.1% of Hunter Hall Shares.

(f) Risk that synergies and efficiencies cannot be achieved

Existing Hunter Hall Shareholders share the risk of the Merged Group not being able to at least deliver the synergies and efficiencies incorporated into the assessment of the Merged Group in the Independent Expert Report. A failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Merged Group and the value of its shares.

(g) Loss of control a deterrent to future takeover offers

After completion of the Transaction, the two major shareholders of Pengana, WHSP Pengana and Russel Pillemer, and their associated entities will represent 65.1% of the Hunter Hall Share register. The material size of these holdings may deter third parties from making a takeover offer for the Company in the future.

(h) Dividend policy

If the Transaction is implemented, there is no surety that the Merged Group will continue to pay a dividend in line with Hunter Hall's historic dividend payout ratio. The Merged Group will review the dividend policy as set out in Section 6.3.

(i) Earnings per Share

If the Transaction is implemented, there is no surety that the earnings per shares of the Merged Group will continue to be in line with Hunter Hall's historic earnings per share (EPS). In addition, due to the significance of performance based fees in the Pengana business, the EPS of the Merged Group is likely to be more volatile than that of Hunter Hall's historical EPS.

Further details of the risks associated with the Transaction are set out in Section 8 below.

3.3 Other relevant considerations

The other relevant considerations that Hunter Hall Shareholders need to factor into their decision are outlined below.

(a) The Transaction is conditional

The Transaction is conditional on a number of Conditions, which are set out in Section 2.2, Section 2.3 and Section 2.4.

As at the Preparation Date, your Directors are not aware of any matter which they expect will result in a breach of, or lead to non-satisfaction of, any of those Conditions.

(b) Hunter Hall Break Fee

The Merger Agreement provides that Hunter Hall has agreed to pay Pengana a break fee, being \$800,000 (exclusive of GST), if:

(i) any member of Hunter Hall's Board withdraws their recommendation that the Hunter Hall Shareholders approve the Required Resolutions in circumstances where the Independent Expert concludes that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders;

(ii) any member of Hunter Hall's Board withdraws their statement that they intend to vote their Hunter Hall Shares in favour of the Required Resolutions in circumstances where the Independent Expert concludes that the Transaction is fair and reasonable to Hunter Hall Shareholders;

(iii) the Required Resolutions are not validly passed by the non-associated Hunter Hall Shareholders at the General Meeting, in circumstances where the Independent Expert concludes that the Transaction is fair and reasonable to non-associated Hunter Hall Shareholders; or

(iv) the Merger Agreement is terminated by Pengana in accordance with its terms as a result of a fundamental breach by Hunter Hall of its obligations under the Merger Agreement, which has not been remedied within 10 business days.

(c) Pengana Break Fee

The Merger Agreement provides that Pengana has agreed to pay Hunter Hall a break fee of \$800,000 (exclusive of GST), if the agreement is terminated by Hunter Hall as a result of a fundamental breach by Pengana of its obligations under the Merger Agreement, which have not been remedied within 10 business days.

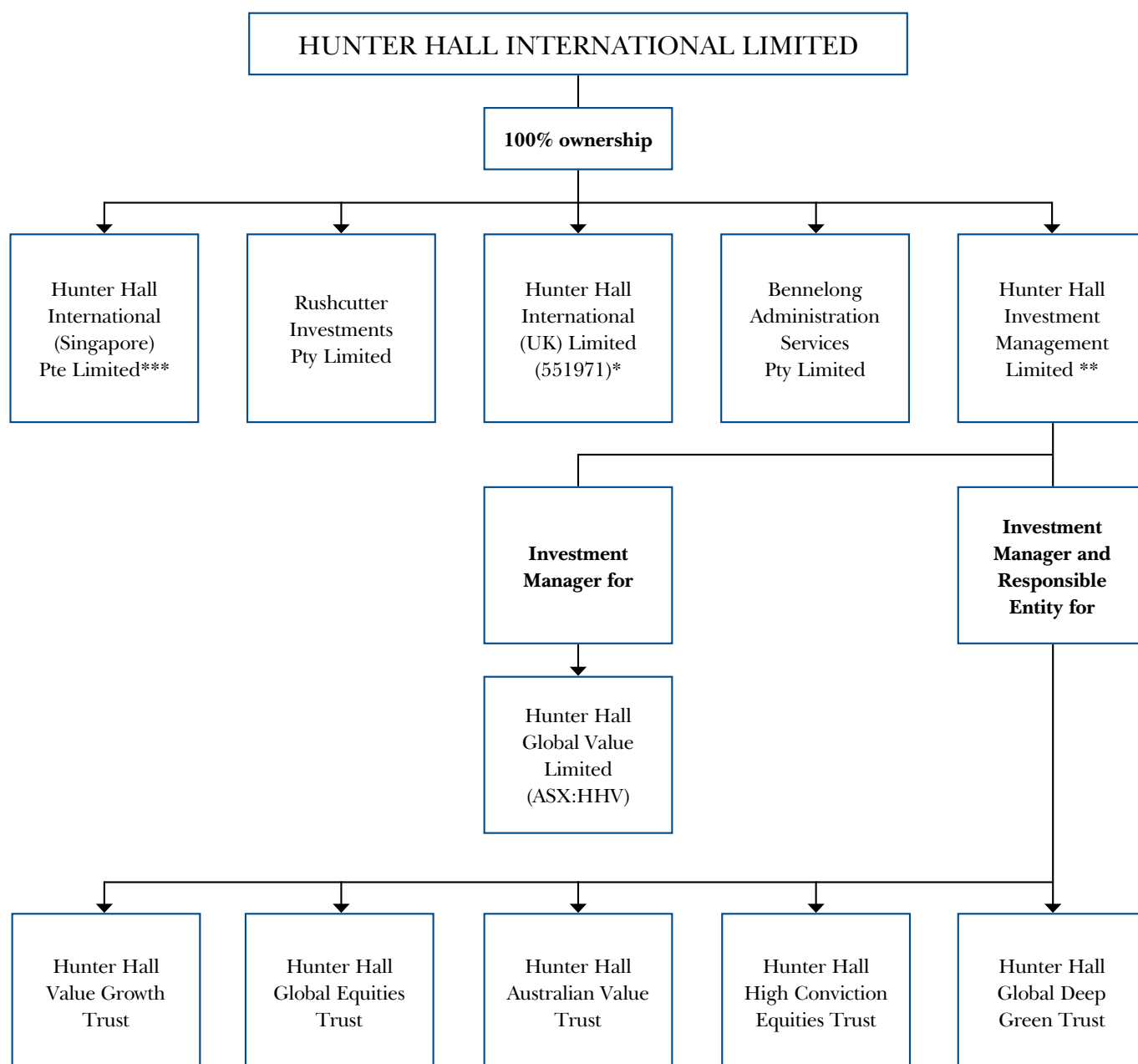
4. Information about Hunter Hall

4.1 Business overview

Hunter Hall is a specialist global and Australian equity investment manager incorporated in Australia on 3 March 1993 and listed on the ASX on 26 February 2001.

Hunter Hall's funds management business is built on long-term investment performance with an ethical investment overlay. Hunter Hall's objective is to provide investors with superior returns over the medium to long-term by investing in stocks that are in Hunter Hall's opinion undervalued.

4.2 Organisational Structure



*Hunter Hall International (UK) Limited (551971) is in the process of being wound up

**Hunter Hall Investment Management Limited is an Australian Financial Services Licensee. AFSL: 219462

*** Hunter Hall International (Singapore) Pte Limited is in the process of being wound up

4.3 Directors and Key Management Personnel

Hunter Hall Board of Directors

Non-Executive Chairman	Mr Kevin Eley
Non-Executive Director	Mr David Groves
Non-Executive Director	Mr Wayne Hawkins

Hunter Hall Key Management Personnel

Paula Ferrao	Acting Chief Executive Officer, CFO
James McDonald	Acting Chief Investment Officer
Anthony Rule	Head of Finance and Operations
Asher Lockhart	Head of Product and Risk
Monica Hood	Senior Business Development Manager

4.4 Hunter Hall Securities

As at the day immediately before the date of this Explanatory Memorandum, Hunter Hall had the following shares on issue:

Class of share	Total number on issue
Hunter Hall Shares	27,329,643

4.5 Corporate Governance

Hunter Hall's corporate governance policies, procedures and structures are independently monitored and reviewed to ensure Hunter Hall's business is operated ethically, responsibly and efficiently ensuring any issues are quickly identified and resolved.

The Hunter Hall Corporate Governance Policies are available on Hunter Hall's website.

4.6 Capital and liquidity risk management

The Hunter Hall Board of Directors have built a comprehensive capital and liquidity risk management framework for the management of Hunter Hall's short, medium and long-term funding and liquidity management requirements.

Hunter Hall manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows.

4.7 Substantial shareholders

As at the day immediately before the date of this Explanatory Memorandum, Hunter Hall had the following substantial shareholders:

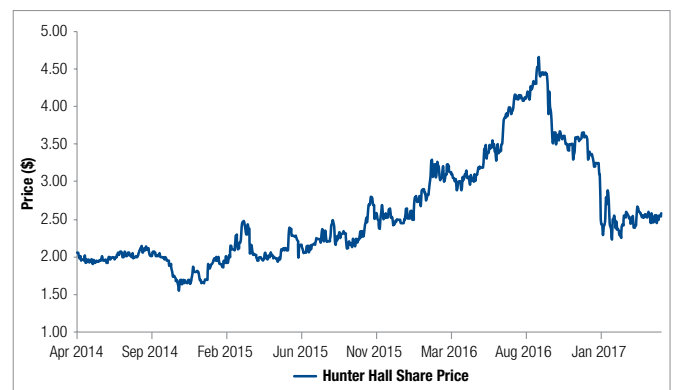
Shareholder	Number of shares held	Percentage of total Hunter Hall shares
WHSP Hunter Hall Pty Ltd and associates	12,651,308	46.3%
John Bridgeman Limited and associates	1,808,121	6.6%

4.8 Recent Hunter Hall Share price performance

As at 26 April 2017, being the last trading day before the date of this Explanatory Memorandum:

- the last recorded trading price of Hunter Hall Shares was \$2.60, and
- lowest and highest close prices of Hunter Hall Shares during the previous three months were \$2.25 and \$2.67 respectively.

Outlined in the chart below is Hunter Hall's trading price performance over the past three years.



4. Information about Hunter Hall

Continued

4.9 Interests of Board and management

(a) **Hunter Hall Directors' interests in Hunter Hall marketable shares**

The following table shows the Relevant Interests of each Director in marketable shares in Hunter Hall on 26 April 2017, the last day before the date of this Explanatory Memorandum.

Hunter Hall Director	Hunter Hall Shares
Kevin Eley	60,000
David Groves	31,221
Wayne Hawkins	48,000
Total	139,221

Except as stated in this Section 4.9 of the Explanatory Memorandum:

- (i) there are no marketable shares of Hunter Hall held by or on behalf of Directors as at the date of this Explanatory Memorandum;
- (ii) none of the Directors hold, or have any interest in, marketable shares of Pengana; and
- (iii) there has been no dealing by any Director in any marketable shares of Pengana or Hunter Hall in the four months preceding the date of this Explanatory Memorandum.

(b) **Payments or other benefits to certain persons by Hunter Hall**

Except as stated in this Section 4.9 of the Explanatory Memorandum, there is no payment or other benefit that is proposed to be made or given (other than directors fees paid in the normal course):

- (i) to any Pengana director or proposed director of Hunter Hall to induce them to become, or to qualify as, a director of the Merged Group, other than as described in this Explanatory Memorandum; and
- (ii) for services provided by any director or person named (other than professional advisors) in connection with the formation or promotion of the Merged Group or the offer of shares in the Merged Group under the Transaction.

4.10 Litigation

As at the day immediately before the date of this Explanatory Memorandum and as far as the Hunter Hall Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative or criminal or governmental prosecution of any nature in which Hunter Hall is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Hunter Hall.

4.11 Share registry

Computershare Investor Services Pty Limited,
Level 4, 60 Carrington Street, Sydney, NSW, 2000.

For all enquiries call:

within Australia	1300 850 505
outside Australia	+61 02 8234 5000
Fax:	+61 02 8234 5050

The information contained in this Section 5 has been prepared by, and is the responsibility of, Pengana and has been unanimously approved by the Pengana directors.

5.1 Business overview

Pengana is a diversified funds management business founded in 2003, and is a provider of premium investment products. All funds employ active strategies with non-benchmark focused mandates, and are focused on delivering superior long term risk adjusted returns to investors.

The firm was founded on the premise that alignment of interest between a fund manager and its investors is crucial. The business and funds are structured and managed within this framework. Each strategy is managed by a separate investment team.

Pengana manages over \$2.2 billion (as at 31 March 2017) across six active equity strategies including international equities, global small caps, Australian equities, Australian small caps, Asian absolute return equities and global equities market neutral.

All strategies are managed within capacity constraints in order to maximise potential for outperformance, with a unique business model delivering centralised specialist support from the corporate team, allowing managers to concentrate solely on managing their portfolios.

The investment capacity of both the Pengana Emerging Companies Fund (ECF) and the Pengana Australian Equities Fund (AEF) are managed to the following medium-term targets:

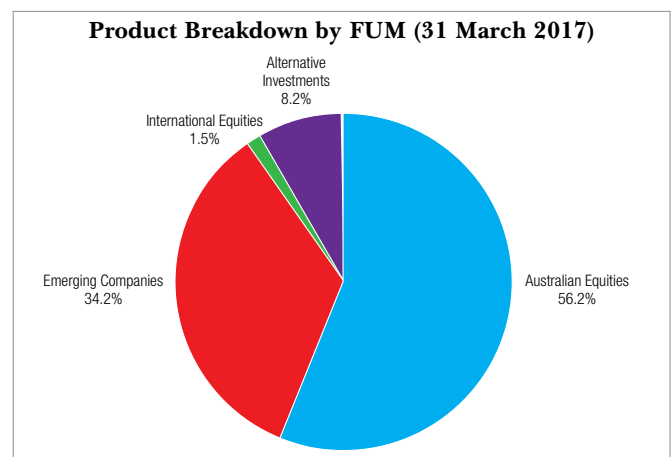
- (a) ECF – 0.5% of the market capitalisation of the S&P/ASX Small Ordinaries Accumulation Index; and

- (b) AEF - 0.5% of the index market capitalisation of mid and small cap Australian equities, with no more than 50% of the AEF invested in mid and small cap Australian equities.

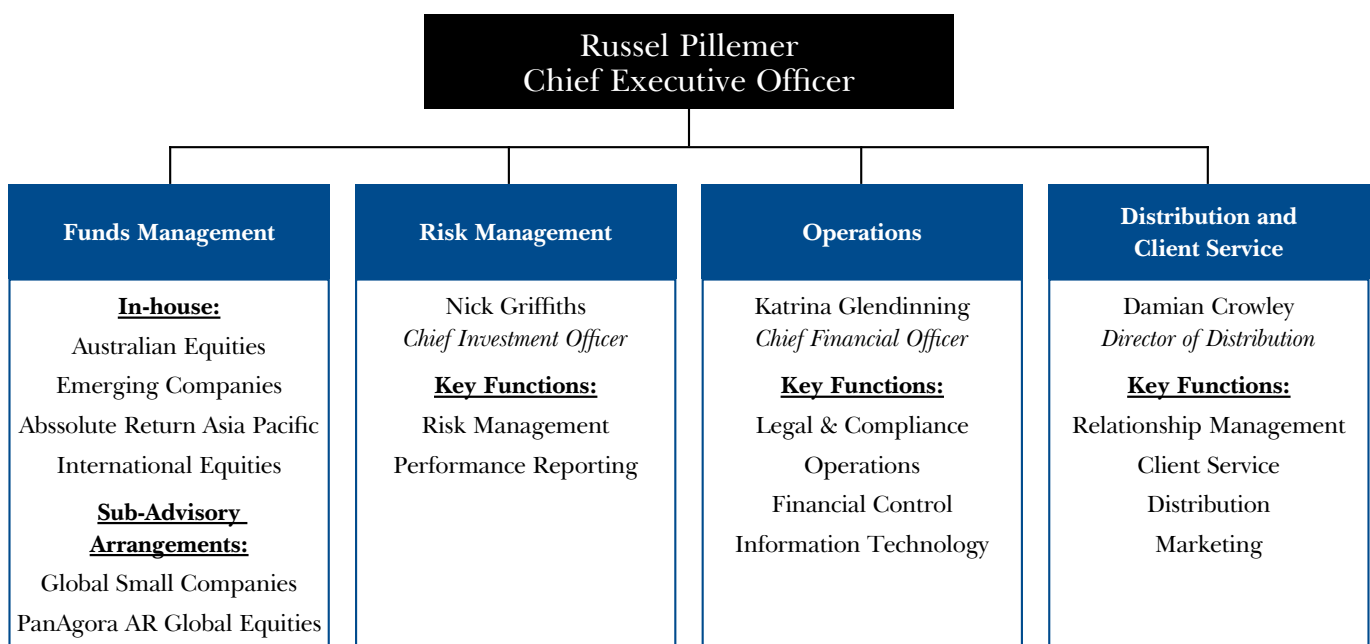
ECF is nearing target capacity based on current index capitalisation and accordingly flows from new advised investors are restricted and the fund is not accepting flows from new direct investors. In-flows to AEF may be restricted prior to reaching this target capacity if the AEF fund managers believe that it is in the best interests of the AEF unitholders to do so.

Distribution is focused on the retail and high net worth market predominantly through financial planners with large sophisticated clients, with an estimated 40,000 retail investors across platforms, dealer groups, independent financial advisors, direct high net worth and self-managed superannuation funds. There is access to funds via the major platforms and wraps, and over 150 approved product lists.

Headquartered in Sydney, Pengana also has operations in Singapore and Melbourne. It is an independent entity, majority owned by directors and staff.



5.2 Organisational Structure



5. Information about Pengana

Continued

5.3 Directors and Key Management Personnel

(a) Directors

The Pengana board is comprised of the following members:

Pengana Board of Directors	
Robert Barry	Non-Executive Director and Chairman
Russel Pillemer	Chief Executive Officer
Warwick Negus	Non-Executive Director
Jeremy Dunkel	Non-Executive Director
Dean Smorgon	Non-Executive Director

(b) Senior management team and profiles

Key members of Pengana's senior management team include:

Pengana Key Management Personnel		
Chief Executive Officer	Russel Pillemer	See Section 6.5
Chief Financial Officer	Katrina Glendinning	See Section 6.5
Director of Distribution	Damian Crowley	See Section 6.5
Chief Investment Officer	Nick Griffiths	See Section 6.5
Executive Director	Adam Myers	See Section 6.5

5.4 Substantial shareholders

As at the day immediately before the date of this Explanatory Memorandum, Pengana had the following substantial shareholders:

Shareholder	Number of shares held	Percentage of total Pengana Shares
WHSP Pengana	226,076	36.65%
Russel Pillemer and R C Pillemer Pty Ltd	218,140	35.37%

A substantial majority of the remaining 27.98% of Pengana Shares are held by Pengana executives, staff and Directors.

5.5 Information about WHSP and Russel Pillemer

(a) WHSP

Washington H. Soul Pattinson and Company Limited (WHSP) is Australia's second oldest publicly listed company, having listed on the Sydney Stock Exchange (as the ASX was then known) on 21 January 1903. The company operates as a diversified investment house, holding stakes within listed and unlisted companies. WHSP's diverse portfolio of assets

encompasses many industries including natural resources, telecommunications, building materials, retail, agriculture, pharmaceuticals, financial services and corporate advisory. As at 31 January 2017, the pre-tax net asset value of WHSP's portfolio was \$4.5 billion. The company seeks to be a supportive shareholder by working with its investee companies to create long-term value and deliver shareholder returns.

The largest shareholders of WHSP are Brickworks Limited, a manufacturer and distributor of building products in Australia, and the Millner family. Robert Millner is the Chairman of WHSP and director of a number of WHSP's portfolio companies including Hunter Hall Global Value Limited (ASX:HHV).

(b) Russel Pillemer

Russel Pillemer co-founded Pengana in 2003 together with Malcolm Turnbull. He has been the company's Chief Executive Officer since inception. Prior to founding Pengana, Russel worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group. Russel was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital. He is a member of the Institute of Chartered Accountants in Australia and has a Bachelor of Commerce (Hons) from the University of New South Wales. Russel controls 35.37% of the Pengana Shares.

5.6 Pengana Securities

As at the day immediately before the date of this Explanatory Memorandum, Pengana had the following shares on issue:

Class of share	Total number on issue
Pengana Shares	616,816

5.7 Capital and liquidity risk management

The Pengana group (through its wholly owned subsidiary Pengana Capital Ltd) holds an Australian Financial Services License (AFSL) under which there are minimum solvency and capital requirements.

5.8 Litigation

As at the day immediately before the date of this Explanatory Memorandum and as far as the Pengana directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative or criminal or governmental prosecution of any nature in which Pengana is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Pengana.

6.1 Profile of the Merged Group

The Merged Group integrates two complementary businesses with a strong platform for growth to create a funds management business with more than \$3 billion of retail FUM (as at 31 March 2017).

The Merged Group will manage a diversified product suite comprised of approximately (as at 31 March 2017):

- (a) \$2.05 billion in Australian equities;
- (b) \$900 million in international equities; and
- (c) \$180 million in other equity strategies.

The Merged Group will have significantly more investment professionals as well as an enhanced operating infrastructure and distribution capabilities.

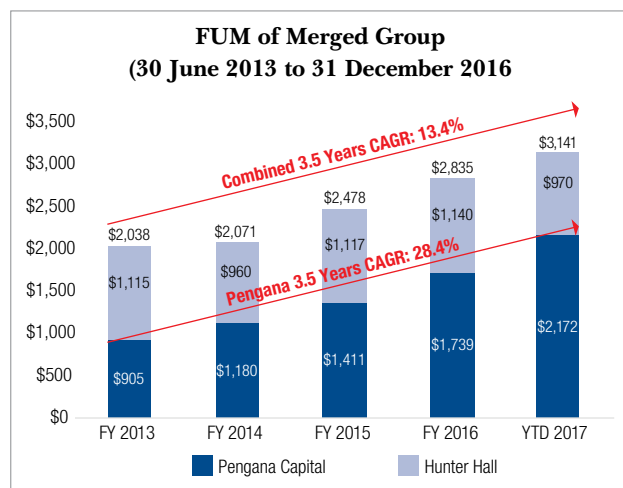
6.2 Benefits of the Merged Group

The Merged Group is likely to deliver superior value for the Hunter Hall business which will benefit from:

(a) Significant growth in funds under management

The Merged Group will combine Pengana's substantial FUM in Australian equities with Hunter Hall's globally invested funds. After completion of the Transaction, the Merged Group will manage in excess of \$3 billion in FUM compared with \$0.9 billion for Hunter Hall standalone (as at 31 March 2017).

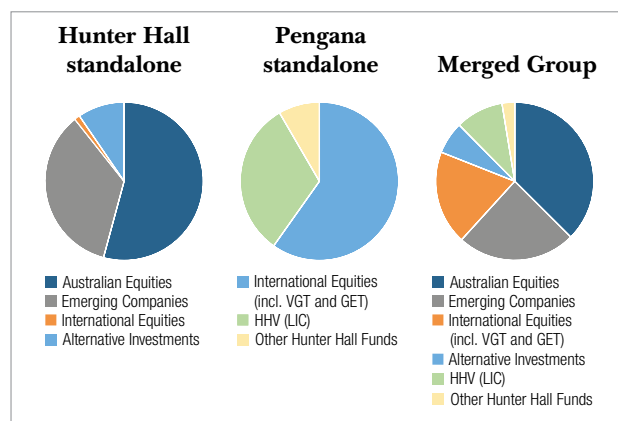
The Merged Group also gives Hunter Hall Shareholders exposure to Pengana's potential growth. Pengana's FUM has grown at ~28% per annum over the last 3.5 years ending 31 December 2016. The strong historical growth in the pro forma Merged Group is shown below:



(b) More diversified investment offering

The Transaction will provide the Merged Group with a more diverse investment product offering across Australian, international and other absolute return style investment products.

Fund Strategy Breakdown (as at 31 March 2017)



Each strategy is managed by skilled and experienced investment teams with track records and strategies that are consistent with the objectives of the funds they manage.

The diversified product offering also benefits Hunter Hall Shareholders by reducing portfolio concentration risk in international focused funds versus Hunter Hall standalone.

(c) Enhanced investment support infrastructure and distribution capabilities

The Merged Group will have significantly strengthened distribution capabilities, with shareholders in the Merged Group benefitting from exposure to:

(i) Diverse retail client base

- (a) An estimated 50,000 underlying retail investors across platforms, dealer groups, independent financial advisors, direct high net worth individuals and self-managed superannuation funds.
- (b) Over 3,500 direct non-advised investors.

(ii) Platforms, wraps and master trust

- (a) Established access to most of the major platforms and dealer groups.

(iii) Approved product lists

- (a) Funds are on over 150 approved product lists including the approved product lists of the majority of the top 100 dealer groups.

(iv) Independent financial advisors (IFAs)

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

(v) Retail ratings

- (a) Strong ratings from a number of key retail research houses across multiple funds.

6. Information about the Merged Group

Continued

(vi) **Pengana brand and enhanced back-office and investment support infrastructure, with Hunter Hall Shareholders gaining exposure to:**

- (a) Pengana's business model:
 - » Success in attracting and retaining funds management teams;
 - » A "shadow equity" program for fund managers under which the fund managers receive approximately 50% of the profits of their respective fund and/or strategy (referred to as "fund manager profit share") ensuring alignment of interests between shareholders, fund managers and fund investors; and
 - » Separation of most business and funds management responsibilities;
 - » Most non-investment functions centralised at group enabling fund oversight to provide extra layer of protection for investors.
- (b) Scalable infrastructure:
 - » Facilitates growth within funds as well as addition of new funds; and
 - » Built to manage significantly larger asset based.
- (c) Strategic partnership model:
 - » Differentiated strategies from managers otherwise unavailable in Australia; and
 - » Significant growth potential at low cost.

The portfolio managers of the Merged Group will be able to take advantage of this distribution network and enhanced investment support infrastructure to deliver superior value to Hunter Hall Shareholders.

(d) **Significant synergy potential**

The Transaction has the potential to realise significant revenue and cost synergies.

(i) **Revenue Synergies**

The Merged Group will manage over \$3 billion in FUM (as at 31 March 2017) which has the potential to deliver significant economies of scale, including:

- (a) Ability to leverage retail distribution channels to offer investors multiple products;
- (b) Broadening of investment strategies to enable increased contribution to portfolio construction; and
- (c) Enhanced international and Australian equities offering which will provide opportunity to increase inflows.

(ii) **Cost Synergies**

The Merged Group is expected to realise approximately \$6 million in cost synergies per annum from FY18 onwards, as a result of:

- (a) Rationalisation of infrastructure and removal of duplications;

- (b) Reduction in human resourcing costs;
- (c) Reduction in occupancy costs; and
- (d) Process improvements.

(e) **Aligned and experienced Board and Management team**

The Board of the Merged Group will bring relevant skills and experience, including industry and business knowledge, financial management and corporate governance experience.

The Merged Group will be led by a capable and experienced management team from both Pengana and Hunter Hall with significant tenure.

In addition, a number of the Pengana Sellers are, or are associated with, key members of the Pengana investment and management teams and as part of the Transaction, some of these Pengana Sellers, including the Pillemer Sellers, have delivered executed voluntary escrow deeds to Hunter Hall in respect of an agreed number of their Hunter Hall Purchase Shares. These voluntary escrow arrangements are designed to ensure that the relevant key members of the Pengana investment and management teams remain aligned with working towards achieving the financial goals for all shareholders of the Merged Group. Further information in relation to the voluntary escrow arrangements is provided in Section 2.3 and Section 6.6.

6.3 Intentions of the Merged Group

The intention post-merger is to fully integrate the two businesses into a single entity, operating on a larger scale and leveraging the enlarged infrastructure and distribution network. It is expected that the fundamental operations of the business will not change. It is also expected that the Merged Group will continue its active investment strategies and retain the Hunter Hall ethical investment framework for the existing Hunter Hall managed funds.

As part of the wider integration process, there will be some rationalisation of infrastructure and functions to remove duplications. Any elimination of duplications that involves the termination of employment will be undertaken based on the needs of the Merged Group. At this stage, the Merged Group has sufficient capital and there is no requirement for any capital injection from shareholders. The Merged Group will continue to explore both organic and inorganic business opportunities as avenues for future growth.

Following completion of the Transaction, the Board of the Merged Group will undertake a review of the dividend policy previously adopted by Hunter Hall. The payment and amount of any future dividends will depend on the Merged Group's financial performance, financial position, cash flow, earnings, present and future financing arrangements, as well as any other factors the Merged Group considers relevant.

6.4 Corporate Governance

The corporate governance framework in place at Hunter Hall as described in Section 4.5 will continue post Transaction.


The Board members that are proposed to be appointed to the Merged Group post Transaction are set out in Section 6.5. The majority of the proposed Board is comprised of independent Directors and the roles of Chairman and Chief Executive Officer are exercised by two separate individuals as suggested by Principle 2 of the ASX Corporate Governance Principles. Further, the Board will be led by independent director, Warwick Negus, as required by Principle 2 of the ASX Corporate Governance Principles.

Following completion of the Transaction, WHSP and its Associates will hold 39.2% of Hunter Hall Shares and the Pillemer Sellers will hold 25.8% of Hunter Hall Shares. As such, each of WHSP (together with WHSP Hunter Hall and WHSP Pengana) and the Pillemer Sellers separately may have effective control of the Merged Group, without the need for any additional shareholder support, through the ability to pass ordinary resolutions (and potentially special resolutions), depending on shareholder turnout at general meetings of the Merged Group.

Neither WHSP nor the Pillemer Sellers have any control rights in relation to the Merged Group afforded to them other than such rights each hold in their capacity as a Hunter Hall Shareholder.

6.5 Merged Group's Board of Directors and senior management

The proposed Board members of the Merged Group to be appointed are set out below:


Name	Background
 Warwick Negus, Chairman	<p>Current Pengana Non-Executive Director Mr Negus has more than 30 years' experience in the finance industry across Asia, Europe and Australia. His previous executive roles include the Chief Executive Officer of Colonial First State Global Asset Management, Co-founder and Chief Executive Officer of 452 Capital, and a Managing Director of Goldman Sachs in Australia, London and Singapore. He was also a Vice President of Bankers Trust Australia. Mr Negus is currently a director of Washington H Soul Pattinson and Company Limited, Bank of Queensland, Terrace Tower Group, Virgin Australia Holdings Limited and FINSIA. He is also a member of Council of University of NSW and Chairman of ASX listed URB Investments Limited.</p>

Name	Background
 Kevin Eley	<p>Current Hunter Hall Non-Executive Chairman</p> <p>Mr Eley was appointed Non-Executive Chairman of Hunter Hall on 27 May 2016. He is a member of the Hunter Hall Group Audit, Risk and Compliance Committee and the Hunter Hall Group Nomination and Remuneration Committee.</p> <p>Mr Eley is a Chartered Accountant, a Fellow of the Financial Services Institute of Australia and a Fellow of the Australian Institute of Company Directors. He has over 31 years' experience in management, finance and investment and has worked for a major international accounting firm, two investment banks and was Chief Executive Officer of HGL Limited. Some of his current non-executive directorships include Equity Trustees Limited, Milton Corporation Limited and HGL Limited.</p>
 David Groves	<p>Current Hunter Hall Non-Executive Director</p> <p>Mr Groves is the Chairman of the Hunter Hall Group Audit, Risk and Compliance Committee and a member of the Hunter Hall Group Nomination and Remuneration Committee. He is Interim Chairman and a Non-Executive Director of Hunter Hall Global Value Limited.</p> <p>Mr Groves has 25 years' experience as a company director, including 15 years' experience in financial services. Mr Groves is a director of Pipers Brook Vineyard Pty Ltd and Tasman Sea Salt Pty Ltd. Mr Groves is a former director of Equity Trustees Limited, Tassal Group Ltd and GrainCorp Ltd and a former executive with Macquarie Bank Limited and its predecessor, Hill Samuel Australia.</p> <p>Mr Groves is an advisory board member of the Australian Rugby Foundation and a member of the council of Wollongong University.</p>
 Russel Pillemer	<p>Current Pengana Chief Executive Officer</p> <p>Russel Pillemer co-founded Pengana in 2003 together with Malcolm Turnbull. He has been Pengana's Chief Executive Officer since inception. Prior to founding Pengana, Russel worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group. Russel was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital. Russel, with his associated entities, is the second largest Pengana shareholder.</p>

6. Information about the Merged Group


Continued


Name	Background
	Current Pengana Chairman
Robert Barry	Robert Barry is the Non-Executive Chairman of Pengana. He was previously Chairman of Snowy Hydro Limited, deputy Chairman of AWB Limited and chairman or director of a number of other public and charitable organisations. He has spent 27 years in the investment banking industry. He co-founded the Dominguez & Barry Group and was chief executive of Dominguez Barry Samuel Montagu Limited, a predecessor to UBS Australia. He has had extensive experience in the financial services industry, both in Australia and internationally with three years in London as head of International Capital Markets for the Midland Bank Group.


	Current Pengana Non-Executive Director
Jeremy Dunkel	Jeremy Dunkel is a Non-Executive Director of Pengana, and a director of Taurus Capital, a family office investment consultancy specialising in philanthropy. His accounting and finance experience includes working for Chemical Bank, Chase Manhattan and Price Waterhouse. He is a director of Education Heritage Foundation, and the Moriah College Foundation, as well as the chair of Y2i.

The proposed senior management of the Merged Group to be appointed are set out below:

Name	Background
	See above
Russel Pillemer	
	Katrina is the Chief Financial Officer of Pengana and has held this role since the inception of the company in 2003. She is an Executive Director of Pengana Capital and is a member of Pengana's Compliance and Risk Committees. Katrina is an experienced financial services executive with over 25 years' experience across a diverse range of products, investors and regulatory regimes. Prior to joining Pengana Katrina was an Executive Vice President at BT Funds Management (BT) where she held a number of roles for over 9 years and prior to that worked for Price Waterhouse specialising in banking and financial services audit.
Katrina Glendinning	

Name	Background
	Damian Crowley is the Director of Distribution for Pengana and has responsibility for all the distribution of Pengana's funds in Australia and offshore across multiple channels and client segments. Damian joined Pengana in July 2011 and has over 25 years' experience in financial services distribution. Prior to joining Pengana, Damian worked at Perpetual Investments for 17 years most recently as General Manager Distribution.
Damian Crowley	

	As Chief Investment Officer, Nick is responsible for manager monitoring, performance analysis and risk management across Pengana's investment strategies. He also chairs the Risk Management Committee and is an Executive Director of Pengana Capital. Nick has more than 20 years' experience in the actuarial and investment industries in the UK and Australia. Prior to his current role, Nick was Head of Investment Research within Aon's Investment Consulting Practice in Sydney.
Nick Griffiths	

	Adam Myers is an executive director with oversight of strategic initiatives and responsibility for the quantitative and structuring capability within the group. Adam developed an appreciation of market risk during a 15 year career trading equity derivatives, structuring derivative transactions and managing equity derivative traders. Prior to joining Pengana he headed the Equity Derivatives business at Investec Bank in South Africa and the Corporate Equity Structuring function at Investec Bank in Australia.
Adam Myers	

	Paula Ferrao was appointed interim Chief Executive Officer of Hunter Hall International Limited in January 2017, having previously held the position of Chief Financial Officer since 2010. Paula has 19 years' experience in the funds management industry with strong expertise in financial reporting and tax for corporate entities, listed investment companies, managed investment schemes and public offer superannuation funds and in all aspects of fund operations. Paula is the Company Secretary of Hunter Hall International Limited, an Executive Director of Hunter Hall International (UK) Limited and of Rushcutter Investments Pty Limited, a Trustee of Hunter Hall Charitable Fund and a member of the Hunter Hall Charitable Committee.
Paula Ferrao	

6.6 Capital structure following completion of the Transaction

If the Transaction is implemented, Hunter Hall will issue 74,147,345 Hunter Hall Shares to the Pengana Sellers. As a result of the Transaction, the number of Hunter Hall Shares on issue will increase from 27,329,643 (being the number currently on issue) to 101,476,988, as illustrated below:

Merged Group Share Capital	
Hunter Hall	
Hunter Hall Shares outstanding	27,329,643
Pengana	
Pengana Shares on issue immediately prior to completion of the Transaction	616,816
Merger Ratio (73:27)	120.21x
New Hunter Hall Shares to be issued to the Pengana Sellers	74,147,345
Total Hunter Hall Shares on issue on completion of the Transaction	101,476,988

As set out in Section 2.3(b), on completion of the Transaction, in accordance with the Merger Agreement, certain Pengana Sellers will enter into voluntary escrow arrangements which will prevent the holder from disposing of certain of the Hunter Hall Purchase Shares issued to them until the expiry of their respective escrow periods.

The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the escrowed Hunter Hall Purchase Shares, encumbering or granting a security interest over the escrowed Hunter Hall Purchase Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the escrowed Hunter Hall Purchase Shares or agreeing to do any those things.

The Pengana Sellers whose Hunter Hall Purchase Shares are subject to escrow, may be released early from these escrow obligations to (among other things) enable:

- the acceptance of an offer under a takeover bid in relation to their escrowed Hunter Hall Purchase Shares if holders of at least half of the Hunter Hall Shares the subject of the bid that are not escrowed Hunter Hall Purchase Shares have accepted the takeover bid; and
- the escrowed Hunter Hall Purchase Shares to be transferred or cancelled as part of a merger or acquisition by scheme of arrangement under Part 5.1 of the Corporations Act.

During the escrow period, the Pengana Sellers whose Hunter Hall Purchase Shares are subject to escrow may deal in any of their Hunter Hall Purchase Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

See Section 2.3(b) for further information about the voluntary escrow arrangements.

6.7 Ownership of Hunter Hall after completion of the Transaction

Based on the Hunter Hall Share Register as at the Preparation Date, the top 20 shareholders of Hunter Hall following completion of the Transaction will be as follows:

Shareholder Name	No. of Shares	% Held
WHSP (together with WHSP Pengana and WHSP Hunter Hall)	39,827,904	39.2%
Pillemer Sellers	26,222,609	25.8%
Warwick Negus (held through Farnworth House Pty Ltd as trustee for the Farnworth Discretionary Trust)	3,358,307	3.3%
Katrina Glendinning (held personally and through DJG Services Pty. Limited as trustee for the DKI Trust)	2,609,519	2.6%
Dean Smorgon (held through DBR Corporation Pty Ltd)	2,323,780	2.3%
Jeremy Dunkel (held through Roxtrus Pty. Limited)	1,803,150	1.8%
Damian Crowley (held through Damian and Julie Crowley as trustee for the Damian Charles Crowley Family Fund)	1,789,326	1.8%
Steve Black (held personally and through Steve Black as trustee for the Black Family Trust)	1,646,036	1.6%
Ed Prendergast (held personally and through Meg O'Hanlon as trustee for the O'Hanlon Family Trust)	1,646,036	1.6%
Nicholas Charles Griffiths (held personally, by Christine Denise Griffiths and through Fisher Place Pty Ltd ATF Fisher Place Trust)	1,342,265	1.3%
Adam Myers (held through Radd Holdings Pty Limited as trustee for the Myers Family Trust)	1,341,904	1.3%
Rhett Kessler (held through TARK Family Holdings Pty Limited as trustee for the Tark Family Trust and Kessler Super Pty Limited as trustee for The Kessler Superannuation Fund)	1,299,590	1.3%
John Bridgeman Limited	957,798	0.9%
Henry Morgan Limited	850,323	0.8%
JP Morgan Nominees Australia	708,797	0.7%
Andrew Hall	690,000	0.7%
Frederick Wareham	520,000	0.5%
Eric Yin Wang Tse + Patty Bik Yuk Tse	328,487	0.3%
Microequities Pty Ltd	327,925	0.3%
Samuel Anton Du Preez	244,507	0.2%

6. Information about the Merged Group

Continued

6.8 Impact on control of the Merged Group

Under the Transaction, 74,147,345 Hunter Hall Shares will be issued to the Pengana Sellers.

As a result, after completion of the Transaction, the existing Hunter Hall Shareholders (who as at the date of this Explanatory Memorandum collectively own 100% of the Hunter Hall Shares) will own 26.9% of the fully diluted share capital of Hunter Hall.

This will mean that Hunter Hall will no longer be controlled by the current Hunter Hall Shareholders, collectively, as those current Hunter Hall Shareholders will collectively hold less than a majority interest in Hunter Hall.

Following completion of the Transaction, the two major shareholders of Pengana, WHSP Pengana and Russel Pillemer and their associated entities will represent 39.2% and 25.8% of the Hunter Hall Share register, respectively.

7.1 Introduction

This Section 7 contains a summary of the financial information that the Hunter Hall Directors have concluded is relevant for Hunter Hall, that the Pengana directors have concluded is relevant for Pengana, and that the Hunter Hall Directors and the Pengana directors have concluded is relevant in respect of the Merged Group on completion of the Transaction.

7.2 Overview and basis of preparation

(a) Hunter Hall overview

Hunter Hall Shares are listed on the ASX and Hunter Hall is obliged to comply with the continuous disclosure requirements of ASX and the Corporations Act. As such, Hunter Hall's historical financial statements and other relevant ASX announcements are available through the ASX market announcements platform (available from ASX's website at www.asx.com.au) and Hunter Hall's website (www.hunterhall.com.au).

Hunter Hall's most recent financial statements for the half year ended 31 December 2016 were reviewed by Grant Thornton and an unqualified opinion issued.

In addition to the information published under Hunter Hall's continuous disclosure obligations, the Merged Group information in Section 7.4(a) incorporates financial information in relation to Hunter Hall which the Hunter Hall Directors have concluded is relevant to Hunter Hall Shareholders and comprises the historical consolidated Statement of Financial Position as at 31 December 2016 ("**Historical Financial Information – Hunter Hall**").

In addition, past performance is not an indication of future performance.

(b) Pengana overview

Section 7.3 contains a summary of the financial information in relation to Pengana which the Pengana directors have concluded is relevant to Hunter Hall Shareholders and comprises the following:

- The historical consolidated Statements of Profit & Loss for the full years ended 30 June 2015 and 30 June 2016 and for the half year ended 31 December 2016, as set out in Section 7.3(a);
- The historical consolidated Statements of Cash Flows for the full years ended 30 June 2015 and 30 June 2016 and for half year ended 31 December 2016, as set out in Section 7.3(c); and
- The historical consolidated Statement of Financial Position as at 31 December 2016, as set out in Section 7.3(e), collectively, "**Historical Financial Information – Pengana**".

Significant accounting policies upon which the Historical Financial Information – Pengana is based are included in Section 7.3(f).

Historical Financial Information – Pengana summarises selected financial data derived from Pengana's consolidated financial statements for the years ended 30 June 2015 and 30 June 2016 and for the half year ended 31 December 2016. Pengana's consolidated financial statements for the years ended 30 June 2015 and 30 June 2016 were audited by PricewaterhouseCoopers. Unqualified audit opinions were issued in respect of the years ended 30 June 2015 and 30 June 2016. The consolidated financial information for the half year ended 31 December 2016 has been reviewed by PricewaterhouseCoopers Securities and is covered by the review opinion expressed in the Investigating Accountant's Report set out in Annexure B.

Past performance is not an indication of future performance.

(c) Merged Group overview

Section 7.4 contains a summary of the financial information in relation to the Merged Group which the Hunter Hall Directors and the Pengana directors have concluded is relevant to Hunter Hall Shareholders and comprises a pro forma Statement of Financial Position of the Merged Group as at 31 December 2016, assuming completion of the Transaction as set out in Section 7.4(a) and other events arising in the lead up to its completion as set out in Section 7.4(b).

Significant accounting policies upon which the Pro Forma Financial Information – Merged Group are based are included in Section 7.4(c).

(d) Basis of preparation

The Historical Financial Information – Hunter Hall, the Historical Financial Information – Pengana and the Pro Forma Financial Information – Merged Group have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act. Although they have been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, they do not meet all of the presentation and disclosure requirements of Australian Accounting Standards. The Historical Financial Information – Hunter Hall, the Historical Financial Information – Pengana and the Pro Forma

7. Financial Information

Continued

Financial Information – Merged Group are presented in an abbreviated form and do not include all of the disclosures usually provided in financial statements prepared in accordance with the Corporations Act.

The Historical Financial Information – Hunter Hall, the Historical Financial Information – Pengana and the Pro Forma Financial Information – Merged Group have been reviewed by PricewaterhouseCoopers Securities, whose Investigating Accountant's Report is contained in Annexure B.

The information set out in Sections 7.3 and 7.4 should be read together with:

- Management's discussion & analysis set out in Sections 7.3(b), 7.3(d), 7.4(a) and 7.4(b);
- The risk factors described in Section 8;
- The Investigating Accountant's Report set out in Section Annexure B; and
- Any other relevant information contained in this Explanatory Memorandum.

The Pro Forma Financial Information – Merged Group has been prepared in order to give Hunter Hall Shareholders a guide as to the position as if the Transaction had taken place at 31 December 2016 and in the circumstances noted in this Explanatory Memorandum and does not purport to state the actual financial performance and position at the time the Transaction is effected and implemented.

Past performance is not an indication of future performance.

7.3 Historical Financial Information - Pengana

(a) Pengana – historical consolidated Statements of Financial Performance

The historical consolidated Statements of Financial Performance have been extracted from the audited consolidated financial statements of Pengana for the years ended 30 June 2015 and 30 June 2016 and the unaudited consolidated financial statements of Pengana for the six months to 31 December 2016 which have undergone a review.

	FY 2015 \$m	FY 2016 \$m	HY Dec 16 \$m
Revenue			
Management fees	16.1	18.8	11.4
Performance fees	27.4	16.5	9.0
Total fee revenue	43.6	35.4	20.4
Equity accounted share of profits/(losses) of associates	1.6	(0.7)	0.4
Other revenue/income	0.8	0.0	0.2
Expenses			
Fund manager profit share	(17.8)	(13.7)	(8.3)
Human resources expenses	(9.2)	(9.8)	(4.6)
Fund administration expenses	(2.8)	(2.9)	(1.1)
Distribution expenses	(1.0)	(1.6)	(0.5)
Occupancy expenses	(1.0)	(1.0)	(0.5)
IT and telecommunication expenses	(1.1)	(1.2)	(0.6)
Other operating expenses	(1.4)	(1.7)	(0.7)
Depreciation and amortisation expenses	(0.3)	(0.2)	(0.1)
Finance costs	(0.9)	(0.2)	0.0
Profit before tax	10.5	2.4	4.7
Income tax expense	(3.2)	(0.4)	(1.4)
Net profit	7.2	2.0	3.3

(b) **Management's discussion & analysis of the historical financial performance**

The two key revenue sources for Pengana are management fees and performance fees, driven by funds under management (FUM) and fund performance, respectively.

Historical FUM growth has been the key driver of higher management fees. FUM increased 83% from \$1.2 billion at the start of the financial year ended 30 June 2015 to \$2.2 billion at 31 December 2016. This growth was primarily attributable to inflows and investment performance in existing funds.

	Period end FUM (\$m)	% change to prior period	Average Management fee rate (bps of FUM)	Average Performance fee rate (bps of FUM)	Total fee rate (bps of FUM)
FY 2014	1,151				
FY 2015	1,390	21%	12.7	21.6	34.3
FY 2016	1,713	23%	12.1	10.6	22.7
HY 2017 ⁽¹⁾	2,172	27%	11.7	9.3	21.0

Note: (1) HY 2017 fee rates have been annualised for comparability with prior periods.

Base management fees have increased, albeit at a lower rate than FUM growth due to the product mix that includes different management fee rates attributable to the different funds.

Performance fees account for a significant portion of revenue and are variable in nature as they are dependent on fund performance. Pengana aims for diversification across strategies and funds so that different funds are likely to deliver performance fees in different market conditions.

Pengana has designed a scalable infrastructure which has the capacity to manage significantly higher FUM with minimal incremental costs. The largest components of Pengana's cost base includes: fund manager profit share, human resources and fund administration expenses

The most variable expense is fund manager profit share. It is dependent on the profitability of the strategies and is based on individual agreements with the fund managers.

7. Financial Information

Continued

(c) Pengana – historical consolidated Statements of Cash Flows

The historical consolidated Statements of Cash Flows have been extracted from the audited consolidated financial statements of Pengana for the years ended 30 June 2015 and 30 June 2016 and the unaudited consolidated financial statements of Pengana for the six months to 31 December 2016 which have undergone a review.

	FY 2015 \$m	FY 2016 \$m	HY Dec 16 \$m
Cash flows from operating activities			
Receipts from customers (inc. GST)	53.2	39.0	23.4
Payments to suppliers, customers and employees (inc. GST)	(41.5)	(33.9)	(20.8)
	11.7	5.1	2.6
Dividends received	0.1	1.4	0.0
Interest received	0.3	0.1	0.0
Other revenue	0.4	0.6	0.3
Interest and other finance costs paid	(0.8)	(0.1)	-
Proceeds from the sale of financial instruments held at fair value	0.6	2.3	-
Purchase of financial instruments held at fair value	(2.4)	(6.9)	-
Income taxes paid	(1.3)	(2.0)	(0.7)
Net cash from operating activities	8.7	0.4	2.3
Cash flows from investing activities			
Payments for property, plant and equipment	(0.1)	(0.1)	(0.2)
Payments for investments in associates	(1.0)	-	-
Net proceeds from other investments	0.7	-	-
Proceeds from disposal of investments in associates	4.1	-	4.5
Proceeds from security deposits	0.0	0.1	-
Net cash from/(used in) investing activities	3.6	-	4.3
Cash flows from financing activities			
Proceeds from unitholders	1.0	4.0	-
Repayment of borrowings	(10.7)	(4.0)	-
Dividends paid	-	-	(5.9)
Repayment of notes	(1.4)	-	-
Net cash from/(used in) financing activities	(11.0)	0.0	(5.9)
Net increase in cash and cash equivalents	1.3	0.5	0.7

(d) Management discussion & analysis of historical cash flows

(i) Cash flows from operating activities

Pengana receives payment of its management fees on a monthly basis shortly after month end, and performance fees shortly after quarter year end, half year end or full year end as applicable to the performance period of the respective fund. Pengana pays all of its expenses in a timely fashion. There are no long term outstanding receivables or liabilities on its balance sheet.

(ii) Cash flows from investing and financing activities

Financing and investing activities primarily include: providing seed capital in new funds that Pengana is incubating (in prior years some of this has been debt funded); and transactions with shareholders.

(iii) **Australian Financial Services License solvency requirements**

The Group has an Australian Financial Services License under which it is required to meet minimum solvency and net asset requirements. The financial requirements under this license are monitored monthly. Currently the group has a requirement to hold \$5m in liquid assets, of which 50% is required to be held in cash.

(e) **Pengana – historical consolidated Statement of Financial Position**

The historical consolidated Statement of Financial Position has been extracted from the consolidated financial statements of Pengana for 31 December 2016 which have undergone a review.

	Dec 16
	\$m
Assets	
Current assets	
Cash and cash equivalents	6.5
Trade and other receivables	2.5
Other current assets	0.7
Total current assets	9.7
Non-current assets	
Other receivables	0.8
Investments accounted for using the equity method	23.4
Property, plant and equipment	0.4
Deferred tax	0.8
Loans to shareholders	1.9
Total non-current assets	27.3
Total assets	37.0
Liabilities	
Current liabilities	
Trade and other payables	6.9
Income tax liability	0.4
Employee benefits	0.3
Total current liabilities	7.5
Non-current liabilities	
Employee benefits	0.2
Total non-current liabilities	0.2
Total liabilities	7.8
Net assets	29.3
Equity	
Contributed equity	25.3
Reserves	23.9
Accumulated losses	(19.9)
Equity attributable to the owners of Pengana Holdings Pty Ltd	29.3
Total equity	29.3

7. Financial Information

Continued

(f) **Summary of Pengana's significant accounting policies**

Set out below are the significant accounting policies as they relate to Pengana and which form the basis of the Historical Financial Information – Pengana.

(i) **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pengana Holdings Pty Ltd ('company' or 'parent entity') as at 31 December 2016 and the results of all subsidiaries for the year then ended. Pengana Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

(ii) **Associates**

Associates are entities over which the group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(iii) **Investment in Pengana Funds**

The group invests in its own funds for incubation purposes. By virtue of the timing of these investments (on inception of the fund), the Company is often deemed to initially hold a controlling stake, and is required to consolidate the entity's results. Once the group is no longer deemed to have a controlling stake, it will by default have significant influence and be required to equity account for its investment.

(iv) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the group, the revenue is due and payable and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

(a) **Management fees**

Management fees are recognised on an accruals basis based on the portfolio managed, net of any fund manager rebates.

(b) **Performance fees**

Performance fees are recognised when the right to receive payment has been established. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as income or as a receivable at the reporting date as they are not able to be estimated or measured reliably and may change significantly.

7.4 Pro Forma Financial Information – Merged Group

(a) Merged Group – pro forma Statement of Financial Position

The pro forma historical Statement of Financial Position has been prepared to illustrate the effects of the Transaction and events leading up to its completion as if they had occurred as at 31 December 2016.

	Pro forma adjustments					Group Dec 16 \$m
	1	2	3			
	Pengana Dec 16 \$m	Hunter Hall Dec 16 \$m	Impact of offer \$m	Pengana Transaction costs \$m	Loan Share plan \$m	
Assets						
Current assets						
Cash and cash equivalents	6.5	16.8	(3.7)	(0.5)	-	19.1
Trade and other receivables	2.5	3.7	-	-	-	6.2
Other current assets	0.7	0.3	-	-	-	1.0
Total current assets	9.7	20.8	(3.7)	(0.5)	-	26.3
Non-current assets						
Other receivables	0.8	-	-	-	-	0.8
Equity accounted investments	23.4	-	-	-	(18.9)	4.5
Financial assets	-	42.8	-	-	-	42.8
Property, plant and equipment	0.4	0.3	-	-	-	0.7
Deferred tax	0.8	0.6	-	-	-	1.4
Loans to shareholders	1.9	-	-	-	-	1.9
Intangible assets	-	0.2	48.1	-	-	48.3
Total non-current assets	27.3	43.9	48.1	-	(18.9)	100.4
Total assets	37.0	64.7	44.4	(0.5)	(18.9)	126.7
Liabilities						
Current liabilities						
Trade and other payables	6.9	2.3	-	-	-	9.2
Income tax liability	0.4	0.3	-	-	-	0.7
Employee benefits	0.3	-	-	-	-	0.3
Short term provisions	-	0.8	-	-	-	0.8
Total current liabilities	7.5	3.4	-	-	-	10.9
Non-current liabilities						
Employee benefits	0.2	-	-	-	-	0.2
Long term provisions	-	0.3	-	-	-	0.3
Deferred tax liabilities	-	0.2	-	-	-	0.2
Total non-current liabilities	0.2	0.5	-	-	-	0.7
Total liabilities	7.8	3.9	-	-	-	11.6
Net assets	29.2	60.8	44.4	(0.5)	(18.9)	115.1
Equity						
Contributed equity	25.3	19.0	48.2	-	(18.9)	73.7
Reserves	23.9	0.1	(0.1)	-	-	23.9
Accumulated losses	(19.9)	6.9	(3.7)	(0.5)	-	(17.2)
Controlling interest	29.2	26.0	44.4	(0.5)	(18.9)	80.3
Non-controlling interest	-	34.8 ⁽¹⁾	-	-	-	34.8
Total equity	29.2	60.8	44.4	(0.5)	(18.9)	115.1

Note: (1) From time to time, Hunter Hall will seed new funds. By virtue of the timing of these investments (on the inception of the fund), Hunter Hall is often deemed to initially hold a controlling stake, and is required to consolidate the entity's results. At 31 December 2016, Hunter Hall held 24.5% of the HCT, which is consolidated in the financial statements of Hunter Hall. Equity of \$34.8m represents the balance attributable to external unitholders in this fund (non-controlling interests).

7. Financial Information

Continued

(b) Pro forma adjustments

(i) Adjustment 1: Impact of the offer

The Transaction results in a reverse acquisition of Hunter Hall by Pengana. A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes. In order for a transaction to be accounted for as a reverse acquisition the legal acquirer must meet the definition of a business under AASB 3 Business Combinations (“AASB 3”). Pengana is the accounting acquirer in the business combination and therefore the transaction has been accounted for as a reverse acquisition. Accordingly, although Hunter Hall will continue to be the disclosing entity the pro forma balance sheet is in effect a continuation of Pengana and as such:

- (a) the Pengana assets and liabilities recognised and measured in the pro forma balance sheet are at their carrying amounts rather than necessarily at fair value; and
- (b) the retained earnings and other equity balances recognised in the pro forma balance sheet represent retained earnings and other equity balances of Pengana.

The \$48.1m of intangibles recognised in this adjustment represents the surplus of the deemed consideration paid by Pengana of \$70.5m (being Hunter Hall’s market capitalisation as at 26 April 2017) plus outside equity interests of \$34.8m, over the net assets acquired of \$57.1m, being Hunter Hall’s net assets of \$60.8m at 31 December 2016 less pre acquisition transaction costs of \$3.7m. The Transaction has been accounted for by including provisional assessments of the fair values of the assets, liabilities and contingent liabilities as at 31 December 2016. Under AASB 3, the Merged Group has up to 12 months from the date of acquisition during which retrospective adjustments can be made to the provisional acquisition accounting. The Merged Group has commenced the exercise to consider the fair value of intangible assets acquired and adjustments may occur when this is finalised.

Accordingly, adjustments will impact the net asset position of the Merged Group and could have an impact on future depreciation and amortisation charges in future financial periods and therefore impact reported earnings.

A description of the nature of potential intangible assets which may be identified and the acquisition accounting process is set out below.

In accordance with AASB 3, Hunter Hall’s identifiable assets, liabilities and contingent liabilities, including intangible assets, must be identified and valued as at the acquisition date. The purchase price is then allocated across the fair value of these assets, liabilities and contingent liabilities with any residual recognised as goodwill.

The valuation of intangible assets is a complex and time-consuming process that may require specialist skills and detailed information about the business. In addition, each of the identified intangibles acquired may have a limited life and must be amortised over that life in contrast to goodwill, which is subject to annual impairment review. Indefinite life intangibles are not amortised and are reviewed for impairment annually. A detailed identification and valuation process will therefore be undertaken after the Transaction completes. The examples provided below are not intended to be an exhaustive list of items acquired in a business combination that meet the definition of an intangible asset. However they provide an indication of the types of intangibles that may be acquired as part of the Transaction including:

- » Investment management agreements;
- » Trade names and internet domain names;
- » Computer software; and
- » Customer databases.

Nil value has been attributed to potential carry forward tax losses for the purposes of the pro forma historical Statement of Financial Position.

(ii) Adjustment 2: Pengana transaction costs

Management estimate that the total professional fees and other costs of executing the transaction will be \$4.2 million, comprised of \$3.7 million payable by Hunter Hall and \$0.5 million payable by Pengana. Note that the \$3.7 million of costs expected to be incurred by Hunter Hall have been deducted from the net assets acquired in Adjustment 1 above, and hence only the \$0.5 million of costs expected to be incurred by Pengana have been included in this adjustment.

(iii) Adjustment 3: Pengana loan share plans

In the period since 31 December 2016, Pengana has undertaken a number of transactions relating to Pengana Loan Plans including the following:

- (a) \$18.9m partial sale of units Pengana holds in investment funds which are classified as “equity accounted investments” in the Statement of Financial Position;
- (b) the above proceeds were used to acquire shares in Pengana from existing Pengana shareholders; and

(c) implementation of loan share plans whereby Pengana provided limited recourse loans totalling \$27.2m to Russel Pillemer (the Chief Executive Officer of Pengana) and certain employees and fund managers of Pengana to acquire shares in Pengana.

The loans are interest bearing and have a maximum term of up to 7 years. Recourse on the loans (including associated interest) is limited to the associated shares and any dividend amounts applied to the loan balance. The shares are subject to a vesting condition, that the employees and fund managers must remain continuously employed for 5 years from the grant date, except for shares associated with the loan granted to Russel Pillemer which are not subject to a vesting condition and vested on the date the shares were granted.

Note that only \$18.9m of the Pengana Loan Plans have a pro forma balance sheet impact as they relate to the acquisition by the Company of equity already on issue. The remaining \$8.3m of Pengana Loan Plans have no pro forma balance sheet impact, as they relate to the issue of new equity.

Pro forma accounting impacts

The impact of transaction (a) set out above was an increase in cash and a reduction of equity accounted investments of \$18.9m.

For accounting purposes, where a company acquires shares in itself they are treated as Treasury Shares. Accordingly the accounting impact of transaction (b) above was a reduction in cash of \$18.9m and an associated reduction in contributed equity of \$18.9m.

As the share purchases are funded by limited recourse loans they are treated for accounting purposes as grants of share options and accounted for as equity-settled share based payments under AASB 2: Share Based Payment. Under the accounting principles for equity settled share based payments, the Pengana Loan Plans are fair valued on the date they are granted (**Grant Date**) and amortised as an expense in the P&L over the vesting period.

As the loans and associated shares issued are not recorded on the Statement of Financial Position on Grant Date, there are no transactions in the pro forma Statement of Financial Position relating to the issue of shares under the Pengana Loan Plans (transaction (c) above).

Assuming the Transaction takes place, a non-cash amortisation expense estimated at \$5m for the Pengana Loan Plans will be recognised for the year ended 30 June 2017.

(c) **Synergies**

Management of both Pengana and Hunter Hall have undertaken a detailed analysis of the cost base of each organisation and identified potential areas of duplication. This analysis has resulted in the following expected benefits and implementation costs:

Synergy	Description	Total	
		Total Cost to Implement \$m	Estimated Cost Savings Per Annum \$m
Human Resources	Cost reductions due to elimination of redundant positions and dual roles.	4	5
Other	Consolidation of duplicated operating infrastructure and marketing activities.	2	1
Total		6	6

The estimated cost savings will be realised in the year ended 30 June 2018. Total cost to implement will be incurred from transaction completion up to 30 June 2018.

(d) **Summary of the Merged Group's significant accounting policies**

Set out in Section 7.3(f) are the significant accounting policies as they relate to Pengana and which form the basis of the Pro Forma Financial Information – Merged Group.

7.5 Forward Looking Statements

Due to the inherent uncertainties associated with making a forecast, given the nature of the operations of the Merged Group (in particular performance fees, which are dependent on movements in asset markets), the Directors are of the opinion that any forecast prepared would be potentially misleading to Hunter Hall Shareholders.

See Sections 4, 5 and 6 for an overview of the business operations and strategy of Hunter Hall, Pengana and the Merger Group, as well as Section 8 for an overview of risk factors that may impact the business operations and strategy of Hunter Hall, Pengana and the Merged Group.

Hunter Hall Shareholders should consider carefully the risks associated with the Transaction with Pengana.

This Section provides a summary of risks only. This summary is not exhaustive and should be considered in conjunction with other information disclosed in this Explanatory Memorandum. Shareholders with any doubt, having given due consideration to these risks and other information contained in this Explanatory Memorandum, should consult their legal, investment, taxation, financial or other professional adviser.

8.1 Introduction

If the Transaction is completed, the Pengana Sellers will receive new Hunter Hall Shares as consideration for the transfer to Hunter Hall of their Pengana Shares. There are a number of factors that may influence the price of Hunter Hall Shares and the future operating and financial performance of the Merged Group. Many of these factors will remain beyond the control of the Merged Group.

This Section 8 outlines the key, but not all, risks associated with an investment in the Merged Group and the value of its shares and other risks that Hunter Hall Shareholders should be aware of.

These risks include:

- Risks specific to the Transaction;
- Risks of the Merged Group; and
- Risks relating to an investment in shares.

8.2 Risks specific to the Transaction

(a) Implementation risk

The Transaction is conditional on the satisfaction or waiver of the Conditions. It is possible that the Conditions may not be satisfied or waived and that the Transaction may not proceed.

(b) Market rating or share price of Hunter Hall Shares

While the Directors believe that the Transaction will broaden the investor appeal of Hunter Hall, there is no guarantee that the price of Hunter Hall Shares will increase as a result of the Transaction.

(c) Fluctuation in the market value of Hunter Hall Shares

Pengana Shareholders will be issued new Hunter Hall Shares as consideration under the Transaction. The value of the consideration for these participants in the Transaction will fluctuate and may significantly vary from the market value of Hunter Hall Shares on the date of this Explanatory Memorandum or the General Meeting.

There is no guarantee regarding the future market price of Hunter Hall Shares. Future market prices may be either above or below current or historical market prices.

8.3 Risks of the Merged Group

(a) Brand name may diminish in reputation and value

The Pengana and Hunter Hall brand names are key assets of their respective businesses. The reputation and value associated with these brand names could be adversely impacted by a number of factors, including the change of name from Hunter Hall to Pengana Capital Group Limited, failure to deliver outperformance to investors, disputes or litigation with third parties, or adverse media coverage. Significant erosion in the reputation of, or value associated with, the Pengana and Hunter Hall brand names could have an adverse effect on the Merged Group's future financial performance and financial position.

(b) Integration risks

The long term success of the Merged Group will depend, amongst other things, on the success of management in integrating the respective businesses. There is a risk that implementation of the Transaction may not result in the full realisation of cost savings.

(c) Forecast risks

Hunter Hall Shareholders should note that the historical financial performance of either Pengana or Hunter Hall is no assurance or indicator of the future financial performance of the Merged Group.

(d) Risk that synergies and efficiencies cannot be achieved

Existing Hunter Hall Shareholders share the risk of the Merged Group not being able to at least deliver the synergies and efficiencies incorporated into the assessment of the Merged Group in the Independent Expert Report. A failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Merged Group and the value of its shares.

(e) Performance fee structure

Pengana's performance fee structure is based on investment outcomes which are subject to changing market conditions, and are dependent on the performance of investment management personnel. If performance fees are not achieved, this could affect the value of the Merged Group's shares.

(f) Key person risk

There is a risk that key staff may leave in the future which could result in adverse changes in fund ratings from rating agencies, loss of investor confidence and ultimately increased FUM outflows.

8.4 Risks relating to an investment in shares

(a) **Economic conditions**

The Merged Group's financial performance and ability to execute its strategy is impacted by a variety of general global economic, political, social and business conditions. Key factors that have the potential to impact the Merged Group's business include inflation, interest rates and other general economic factors. Deterioration in any of these conditions may adversely impact the Merged Group's future operating and financial performance.

(b) **Share market risks**

There are risks associated with an investment in financial products on a stock exchange.

The value of Hunter Hall Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, fees of the Merged Group's funds and variations in operating costs.

(c) **Shareholder dilution**

In the future, the Merged Group may elect to issue shares to raise capital for working capital or for acquisitions that the Board of the Merged Group may decide to make. While the Merged Group will be subject to the constraints of the Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Hunter Hall Shareholders may be diluted as a result of such issues of Hunter Hall Shares and fundraisings.

9. Further information relating to the Resolutions

This Section sets out the reasons why Hunter Hall Shareholder approval of the Required Resolutions relating to the Transaction is required for the Transaction to proceed in accordance with certain provisions of the Corporations Act and Listing Rules relating to the issue of shares and transactions with persons in positions of influence (such as substantial shareholders and related parties). The following Sections outline those provisions.

9.1 Approval to issue Hunter Hall Purchase Shares (Resolution 1)

Resolution 1 proposes the issue of 74,147,345 Hunter Hall Shares to the Pengana Sellers in return for the transfer of all of the Pengana Shares to Hunter Hall (**Hunter Hall Purchase Shares**).

Resolution 1 is conditional on the passing of all of the other Required Resolutions.

Listing Rule 7.1 provides that, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without shareholder approval.

The Company is seeking approval under Listing Rule 7.1 for the issue of the Hunter Hall Purchase Shares.

The information required to be given to Hunter Hall Shareholders for the purposes of approval of the proposed issue of the Hunter Hall Purchase Shares under Listing Rule 7.3 is set out below:

Information required under LR 7.3	
Maximum number of securities to be issued	74,147,345 Hunter Hall Shares.
The date by which the entity will issue the securities	On the Completion Date which is expected to be on or about Thursday 1 June 2017 and in any event no later than three months after the General Meeting.
Price at which the securities are to be issued	Hunter Hall will issue 120.21 new Hunter Hall Shares for each Pengana Share on issue as at the Completion Date to the Pengana Sellers, in return for their Pengana Shares.
Names of the persons to whom the Company will issue the securities	See Schedules 1 and 2 of the Merger Agreement in Annexure C.
Terms of the securities	Fully paid ordinary shares of the Company ranking equally with all other ordinary shares of the Company.
The intended use of funds raised	Not applicable – no funds raised. The consideration for the Hunter Hall Purchase Shares is the Pengana Shares acquired from the Pengana Sellers.
Voting exclusion statement	A voting exclusion statement in relation to Resolution 1 is included in the Notice of Meeting at Annexure D

The Board recommends that you vote in favour of this Resolution.

9.2 Approval of acquisition of a Relevant Interest in Hunter Hall Shares (Resolution 2)

(a) Corporations Act prohibition

- (i) Section 606(1) of the Corporations Act provides that a person must not acquire a Relevant Interest in issued voting shares in a company if:
 - (a) the company is a listed company;
 - (b) the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and
 - (c) because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.
- (ii) Generally, under section 608 of the Corporations Act, a person has a Relevant Interest in securities if they:
 - (a) are the holder of the securities; or
 - (b) have power to exercise, or control the exercise of, a right to vote attached to securities; or
 - (C) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

(iii) The voting power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's Associates have a Relevant Interest. A person (second person) will be an "Associate" of the other person (first person) if:

(a) the first person is a body corporate and the second person is:

- a body corporate the first person controls;
- a body corporate that controls the first person; or
- a body corporate that is controlled by an entity that controls the first person;

(b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and

(c) the second person is a person with whom the first person is acting, or proposing to act, in concert in relation to the company's affairs.

(iv) Exceptions to the section 606(1) prohibition

There are various exceptions to the prohibition in section 606(1) of the Corporations Act. Section 611 of the Corporations Act contains a table setting out circumstances in which acquisitions of Relevant Interests are exempt from the prohibition.

Item 7 of this table provides an exception where the acquisition is approved by a resolution passed at a general meeting of the company before the acquisition is made. Votes cast on the resolution by the parties involved in the acquisition and their Associates are disregarded.

(v) Shareholder approval

Resolution 2 approves, for the purposes of item 7 of section 611 of the Corporations Act, the issuance by Hunter Hall of the Hunter Hall Purchase Shares to the Pengana Sellers and Hunter Hall adopting loan plans in the form of the Pengana Loan Plans and entering into voluntary escrow deeds in respect of 37,217,013 Hunter Hall Shares, as a result of which:

- (a) the Pillemer Sellers and their Associates;
- (b) WHSP, WHSP Pengana, WHSP Hunter Hall and their Associates; and
- (c) Hunter Hall and its Associates,

will each acquire a Relevant Interest in the Hunter Hall Shares, on the terms and conditions and in the manner set out in this Explanatory Memorandum.

(b) **Who is Russel Pillemer?**

See Section 5.4(b) for information on Russel Pillemer.

(c) **Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74**

The following table sets out information required to be provided to Hunter Hall Shareholders under item 7 in the table in section 611 of the Corporations Act and ASIC Regulatory Guide 74.

Hunter Hall Shareholders are also referred to the Independent Expert's Report set out in Annexure A.

As a result of the voluntary escrow arrangements that will be entered into with certain Pengana Sellers and the adoption of loan plans in the form of the Pengana Loan Plans on completion of the Transaction, Hunter Hall will be deemed to have acquired a Relevant Interest in its own shares as a result of its ability to prevent the disposal of those escrowed shares and those Hunter Hall Shares subject to those loan plans. Because the Pillemer Sellers and the WHSP entities will hold a more than 20% interest in Hunter Hall Shares, they will be deemed to acquire the same Relevant Interest that Hunter Hall acquires in its own shares. As a result, on completion:

- (i) the voting power of the Pillemer Sellers and their Associates in Hunter Hall will increase from 0% to 36.7%;
- (ii) the voting power of WHSP, WHSP Pengana, WHSP Hunter Hall and their Associates will increase from 46.3% to 75.9%; and
- (iii) the voting power of Hunter Hall and their Associates will increase from 0% to 36.7%

9. Further information relating to the Resolutions

Continued

In addition to the required information Table 2, Table 1 below illustrates how the Relevant Interests will be acquired:

Table 1

Shareholder	Current Hunter Hall Shares (%)	Current Pengana Shares (%)	Post-Transaction: Shares held in Merged Group (%)	Post-Transaction: Deemed Relevant Interest due to escrowed shares*	Post Transaction: Total Relevant Interest
WHSP	19.9%	0.0%	5.4%	36.7%	75.9%
WHSP Hunter Hall	26.4%	0.0%	7.1%	36.7%	75.9%
WHSP Pengana	0.0%	36.7%	26.8%	36.7%	75.9%
WHSP entities	46.3%	36.7%	39.2%	36.7%	75.9%
Russel Pillemer	0.0%	1.7%	1.2%	10.9%	36.7%
RC Pillemer Pty Limited	0.0%	33.7%	24.6%	10.9%	36.7%
Pillemer Sellers	0.0%	35.4%	25.8%	10.9%	36.7%
Hunter Hall	0.0%	0.0%	0.0%	36.7%	36.7%

* Deemed to acquire a Relevant Interest in the Hunter Hall Shares in which Hunter Hall itself has a Relevant Interest, as a result of the entity, together with its Associates, holding more than 20% in Hunter Hall Shares.

Table 2

Information required by item 7 of section 611 of the Corporations Act	
The identity of the person proposing to make the acquisition and their Associates	<p>As a result of the Transaction:</p> <ul style="list-style-type: none"> the Pillemer Sellers and their Associates; WHSP, WHSP Pengana, WHSP Hunter Hall and their Associates; and Hunter Hall and its Associates, <p>will each acquire a Relevant Interest in Hunter Hall Shares.</p>
<p>The maximum extent of the increase in voting power in Hunter Hall Shares for:</p> <ul style="list-style-type: none"> Pillemer Sellers; WHSP, WHSP Pengana, WHSP Hunter Hall; and Hunter Hall, <p>that would result from the acquisition</p>	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> the voting power of the Pillemer Sellers in Hunter Hall will increase from 0% to 36.7%; voting power of WHSP, WHSP Pengana, WHSP Hunter Hall will increase from 46.3% to 75.9%; and the voting power of Hunter Hall will increase from 0% to 36.7%
<p>The voting power that each of:</p> <ul style="list-style-type: none"> Pillemer Sellers; WHSP, WHSP Pengana, WHSP Hunter Hall; and Hunter Hall, <p>would have in Hunter Hall Shares as a result of the acquisition</p>	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> the Pillemer Sellers will have voting power of 36.7% in Hunter Hall Shares; WHSP, WHSP Pengana, WHSP Hunter Hall will have voting power of 75.9%; and Hunter Hall will have voting power of 36.7%
<p>The maximum extent of the increase in voting power for the Associates of each of:</p> <ul style="list-style-type: none"> Pillemer Sellers; WHSP, WHSP Pengana, WHSP Hunter Hall; and Hunter Hall, <p>that would result from the acquisition</p>	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> the voting power of the Pillemer Sellers and their Associates in Hunter Hall will increase from 0% to 36.7%; voting power of WHSP, WHSP Pengana, WHSP Hunter Hall and their Associates will increase from 46.3% to 75.9%; and the voting power of Hunter Hall and their Associates will increase from 0% to 36.7%

9. Further information relating to the Resolutions

Continued

<p>The voting power that the Associates of each of:</p> <ul style="list-style-type: none"> • Pillemer Sellers; • WHSP, WHSP Pengana, WHSP Hunter Hall; and • Hunter Hall, <p>would have as a result of the acquisition</p>	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> • the Pillemer Sellers and their Associates will have voting power of 36.7% in Hunter Hall Shares; • WHSP, WHSP Pengana, WHSP Hunter Hall and their Associates will have voting power of 75.9%; and • Hunter Hall and their Associates will have voting power of 36.7%
<p>Information required by ASIC Regulatory Guide 74</p>	
<p>An explanation of the reasons for the proposed acquisition</p>	<p>Refer to Sections 3.1 and 6.2 of this Explanatory Memorandum for the reasons and rationale for the Transaction.</p>
<p>When the acquisition is to occur</p>	<p>Completion of the Transaction is anticipated by late May or early June 2017, however this remains subject to change and will depend on the timing of satisfaction of the conditions to the Transaction.</p> <p>Full details of the Conditions to the Transaction are set out in the Merger Agreement, an executed copy of which is provided at Annexure C.</p>
<p>The material terms of the proposed acquisition</p>	<p>It is expected that after completion of the Transaction, existing Pengana Shareholders will hold 73.1% of the Merged Group and existing shareholders of Hunter Hall will hold 26.9% of the Merged Group. The top 20 shareholders after completion of the Transaction are set out at Section 6.7.</p> <p>Refer to Section 2 of this Explanatory Memorandum for an overview of the material terms of the Transaction.</p> <p>Full details of the Conditions to the Transaction and other agreed terms are set out in the Merger Agreement, of which an executed copy is provided at Annexure C.</p>
<p>Details of the terms of any other relevant agreement between the Pillemer Sellers (or their Associates) and Hunter Hall that is conditional on (or directly or indirectly depends on) Hunter Hall Shareholders' approval of Resolution 1</p>	<p>There is no relevant agreement between the Pillemer Sellers (or their Associates) and Hunter Hall that is conditional on (or directly or indirectly depends on) Hunter Hall Shareholder approval of Resolution 2.</p>
<p>A statement of the Pillemer Sellers intentions regarding the future of Hunter Hall if Hunter Hall Shareholders approve the acquisition</p>	<p>See Section 6.3</p>
<p>Any intention of the Pillemer Sellers to significantly change the financial or dividend policies of Hunter Hall</p>	<p>See Section 6.3</p>
<p>The interests that any Director has in the acquisition or any relevant agreement</p>	<p>The current Directors of the Company are Mr. Kevin Eley, Mr. David Groves and Mr. Wayne Hawkins.</p> <p>None of the Directors have a material personal interest in Resolution 2 other than their interests arising solely in their capacity as Hunter Hall Shareholders.</p>

9. Further information relating to the Resolutions

Continued

<p>Details about any person who is intended to become a Director if Hunter Hall Shareholders approve the Required Resolutions</p>	<p>No change to the composition of the Board of Hunter Hall, other than as described in this Explanatory Memorandum, is currently proposed by the Pillemer Sellers.</p> <p>As set out in Section 2.1 and Section 6.5 of the Explanatory Memorandum, after completion of the Transaction, it is proposed that the Board of the Merged Group will be composed of six members as follows:</p> <ul style="list-style-type: none"> • Warwick Negus, Non-Executive Chairman; • Kevin Eley, Non-Executive Director; • David Groves, Non-Executive Director; • Russel Pillemer, Chief Executive Officer; • Rob Barry, Non-Executive Director; and • Jeremy Dunkel, Non-Executive Director. <p>Mr Wayne Hawkins will resign as a Director of Hunter Hall on completion of the Transaction.</p> <p>Mr Russel Pillemer who is to be appointed Chief Executive Officer of the Merged Group, will also be the second largest shareholder of Hunter Hall holding 36.7% of voting power in the Merged Group.</p> <p>Further information on the 4 proposed board members of the Merged Group is set out in Section 6.5.</p>
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The Board recommends that you vote in favour of this Resolution. A voting exclusion statement in relation to Resolution 2 is included in the Notice of Meeting at Annexure D.

9.3 Resolution 3: Approval of acquisition of Pengana Shares from, and issue of Hunter Hall Shares to, WHSP Pengana (Resolution 3)

Listing Rule 10 regulates transactions between publicly listed companies and persons in a position of influence (such as substantial shareholders and related parties). In particular, Listing Rule 10.1 requires a listed company to obtain shareholder approval where it acquires a “substantial asset” from a substantial shareholder of the entity.

(a) Who is a Substantial Shareholder?

For the purposes of Listing Rule 10.1, WHSP Pengana is considered a “substantial holder” in Hunter Hall because its associated entities (WHSP and WHSP Hunter Hall) have voting power in over 10% in Hunter Hall.

(b) What is a substantial asset?

Pursuant to ASX Listing Rule 10.2, an asset is a “substantial asset” if it is valued at 5% or more of the equity interests (including paid up capital, reserves, and accumulated profits or losses) of the listed company.

The Transaction contemplates that Hunter Hall will acquire Pengana, which has a total value equal to 73.1% of the equity interests of Hunter Hall. Accordingly, Hunter Hall shareholder approval of the Transaction is required under ASX Listing Rule 10.1 because of the Pengana shares which will be acquired from WHSP Pengana.

ASX Listing Rule 14.11 requires Hunter Hall to disregard any votes cast on the Resolution by WHSP and WHSP Hunter Hall.

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a company to a related party or a person whose relationship with the entity or a related party is, in ASX’s opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As WHSP and WHSP Hunter Hall (a directly wholly owned subsidiary of WHSP) together currently hold 46.3% of Hunter Hall Shares, they are considered by ASX as a person whose relationship with Hunter Hall is such that approval is required under Listing Rule 10.11 for the issue of Hunter Hall shares to WHSP Pengana (a directly wholly owned subsidiary of WHSP).

Additional information required to be provided to Hunter Hall Shareholders for the purposes of Listing Rule 10.13 in relation to the issue of shares to WHSP Pengana is set out below:

Information required under LR 10.13	
Maximum number of securities to be issued to WHSP Pengana	27,176,596 Hunter Hall Shares.
The date by which the entity will issue the securities	On the Completion Date which is expected to be on or about Thursday 1 June 2017 and in any event no later than one month after the General Meeting.
Price at which the securities are to be issued	Hunter Hall will issue 120.21 new Hunter Hall Shares for each Pengana Share on issue as at the Completion Date to WHSP Pengana, in return for its Pengana Shares.
Terms of the securities	Fully paid ordinary shares of the Company ranking equally with all other ordinary shares of the Company.
The intended use of funds raised	Not applicable – no funds raised. The consideration for the Hunter Hall Purchase Shares to be issued to WHSP Pengana is the Pengana Shares acquired from WHSP Pengana.
Voting exclusion statement	A voting exclusion statement in relation to Resolution 3 is included in the Notice of Meeting at Annexure D.

The Board recommends that you vote in favour of this Resolution. A voting exclusion statement in relation to Resolution 3 is included in the Notice of Meeting at Annexure D.

9.4 Approval of Employee Loan Plan (Resolution 4)

The Company wishes to establish a new employee incentive scheme in the form of the Pengana Employee Loan Plan (**Hunter Hall Loan Plan**) to facilitate the continuation of employee incentive arrangements adopted by Pengana to ensure that Hunter Hall Shares issued to Pengana Loan Plan Participants in exchange for their Pengana Loan Plan Shares are subject to such arrangements, as well as to assist in the reward, retention and motivation of selected employees and Directors of the Company and its subsidiaries (**Participant**).

The Company may grant fully paid ordinary shares (**Awards**) to Participants under the Hunter Hall Loan Plan. In accordance with the rules of the Hunter Hall Loan Plan, the Directors will determine in their sole and absolute discretion the terms and conditions of Awards which are granted under the Hunter Hall Loan Plan including, but not limited to, the following:

- which individuals will be invited to participate in the Hunter Hall Loan Plan;
- the number of Awards to be granted to each Participant;
- the fee payable (if any) by Participants on the grant of Awards to Participants;
- any vesting conditions which must be met;
- restrictions (if any) on the Company's ability to exercise its call option rights in relation to the Awards; and
- the distribution of proceeds on disposal of Awards on exercise of the call option.

Under the Hunter Hall Loan Plan, the Directors may also, at their discretion, issue loans to Participants for the purpose of funding the purchase, by those Participants, of the Awards.

The Directors may delegate management and administration of the Hunter Hall Loan Plan together with any of their powers or discretions under the Hunter Hall Loan Plan to a committee consisting of Directors or to any one or more persons selected by them as the Directors think fit, including but not limited to the Company Secretary.

Generally, any unvested shares will be forfeited and the Board has the discretion to cause the Participant to compulsorily divest such unvested shares. However, the Board retains discretion in certain circumstances to vary or waive the vesting conditions, or bring forward the date on which shares vest, including where a Participant ceases to be employed by the Company or its subsidiary other than where their employment has been terminated for serious and wilful misconduct, material breach of the terms of their employment, or gross negligence (among other things).

The Company also has the option, exercisable at any time, to call upon a Participant to sell vested shares at the prevailing market value.

(a) Approval for the purposes of section 257B of the Corporations Act

Section 257B(1) of the Corporations Act sets out the procedure for the various forms of share buy-back, including an "employee share scheme buy-back".

9. Further information relating to the Resolutions

Continued

In order for the Company to undertake a buy-back of shares under the Hunter Hall Loan Plan (e.g. in situations where shares are forfeited by Participants in accordance with their terms of issue) using the employee share scheme buy-back procedure under the Corporations Act, the Hunter Hall Loan Plan must be approved by shareholders.

Accordingly, Hunter Hall Shareholders are asked to approve the Hunter Hall Loan Plan in order for the Company to undertake a buy-back of shares under the Hunter Hall Loan Plan using the employee share scheme buy-back procedure if it is necessary to do so in the future.

(b) Approval for the purposes of section 259B of the Corporations Act

Section 259B(1) of the Corporations Act prohibits a company from taking security over its own shares, except as permitted by section 259B(2) of the Corporations Act. Section 259B(2) of the Corporations Act states that a company may take security over shares in itself under an employee share scheme which has been approved by a resolution passed at a general meeting of the company.

If a loan is made to an employee to acquire shares under the Hunter Hall Loan Plan, then until the loan is repaid in full the Company has the ability to take security over all the shares held by the Participant to which the loan relates.

(c) Approval for the purposes of section 260C of the Corporations Act

Section 260A of the Corporations Act provides that a company may financially assist a person to acquire shares in the company or a holding company of the company only if:

- (i) giving the assistance does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors;
- (ii) the assistance is approved by shareholders under section 260B of the Corporations Act; or
- (iii) the assistance is exempted under section 260C of the Corporations Act.

Section 260C of the Corporations Act provides for certain specific instances of exempted financial assistance, including a special exemption for employee share schemes that have been approved by a resolution passed at a general meeting of the company (section 260C(4) of the Corporations Act).

As a feature of the Hunter Hall Loan Plan, the Company may determine to provide financial assistance to Participants in the form of loans to acquire shares.

Whilst the Directors do not believe that the provision of financial assistance to Participants to enable them to participate in the Hunter Hall Loan Plan will materially prejudice the interests of the Company or its shareholders or the Company's ability to pay its creditors, the Board has recommended that the Hunter Hall Shareholders approve the Hunter Hall Loan Plan for a number of purposes, including to ensure that the Hunter Hall Loan Plan qualifies for the special exemption under section 260C(4) of the Corporations Act.

(d) Approval for the purposes of Exception 9 of Listing Rule 7.2

Listing Rule 7.1 provides that shareholder approval is required for an issue of securities if the securities will, when aggregated with the securities issued by the entity during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Exception 9 of ASX Listing Rule 7.2 allows the Company to issue securities without shareholder approval and without reducing the 15% capacity under ASX Listing Rule 7.1 where the securities are issued under an employee incentive scheme within 3 years of shareholder approval of that scheme.

Resolution 4 is being put to Hunter Hall Shareholders for the Hunter Hall Loan Plan to be approved by shareholders for the purposes of Exception 9 of ASX Listing Rule 7.2.

In accordance with Exception 9 of ASX Listing Rule 7.2, the Company provides the following information:

- (i) a summary of the terms of the Hunter Hall Loan Plan is set out in this Section 9.4; and
- (ii) no securities have yet been issued under the Hunter Hall Loan Plan.

9.5 Directors recommendation

The Directors unanimously recommend that non-associated Hunter Hall Shareholders vote in favour of the Resolutions for the reasons set out in Section 3.1 of this Explanatory Memorandum, provided that each Hunter Hall Director has the ability to change their recommendation and voting intention if a Superior Proposal is made or where the Independent Expert changes its previously given opinion that the Transaction is fair and reasonable.

9.6 Independent Expert's Report

Accompanying this Explanatory Memorandum is an Independent Expert's Report prepared by Leadenhall. The Independent Expert was commissioned by the Directors of Hunter Hall to provide an opinion as to whether or not the Transaction is fair and reasonable to Hunter Hall Shareholders.

The Independent Expert has concluded that the Transaction which includes the issue of the Hunter Hall Purchase Shares to the Pengana Sellers is fair and reasonable to Hunter Hall Shareholders, in the absence of a Superior Proposal.

Please refer to the Independent Expert's Report set out in Annexure A for further details and in particular the advantages and disadvantages of the Transaction. This assessment is designed to assist non-associated Hunter Hall Shareholders in reaching their voting decisions. It is recommended that all Hunter Hall Shareholders read the Independent Expert's Report in full.

9.7 ASX relief

A listed company has an obligation to notify ASX of a proposed significant change to the nature or scale of its activities under Listing Rule 11.

ASX can exercise its discretion to require the listed company to obtain the approval of its security holders in relation to the change in the nature or scale of its activities (Listing Rule 11.1.2), or to re-comply with ASX's admission requirements (Listing Rule 11.1.3).

ASX has confirmed to Hunter Hall that:

- (a) Listing Rules 11.1.2 and 11.1.3 do not apply to the Transaction; and
- (b) the Transaction is not a change in Hunter Hall's main undertaking and does not require approval from the Hunter Hall Shareholders for the purposes of Listing Rule 11.2.

10.1 Consents

(a) Consents

Each of the following persons has given and has not before the date of this Explanatory Memorandum withdrawn its written consent to be named in this Explanatory Memorandum in the form and context in which it is named:

K&L Gates

K&L Gates has given and has not before the date of this Explanatory Memorandum withdrawn its written consent to be named in this Explanatory Memorandum as legal adviser to Hunter Hall as to matters of Australian law.

Moelis & Company

Moelis & Company has given and has not before the date of this Explanatory Memorandum withdrawn its written consent to be named in this Explanatory Memorandum as the corporate adviser to Hunter Hall.

Leadenhall

Leadenhall as Independent Expert has given and has not before the date of this Explanatory Memorandum withdrawn its written consent to the inclusion of its Independent Expert Report in the form and context in which it is included in this Explanatory Memorandum and to all statements attributed to it in this Explanatory Memorandum.

Pengana

Pengana has given and has not before the date of this Explanatory Memorandum withdrawn its written consent to the inclusion in this Explanatory Memorandum of the Pengana Information in the form and context in which it is included.

PricewaterhouseCoopers Securities

PricewaterhouseCoopers Securities as Investigating Accountant has given and has not before the date of this Explanatory Memorandum withdrawn its written consent to the inclusion of its Investigating Accountant's Report in the form and context in which it is included in this Explanatory Memorandum and to all statements attributed to it in this Explanatory Memorandum.

(b) Disclaimer

Each person referred to in Section 10.1(a):

- (i) has not authorised or caused the issue of this Explanatory Memorandum;
- (ii) does not make, or purport to make, any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based other than as specified Section 10.1(a); and

- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of this Explanatory Memorandum other than a reference to its name and any statement or report which has been included in this Explanatory Memorandum with the consent of that person referred to in Section 10.1(a).

10.2 Supplementary information

- (a) Hunter Hall will issue a supplementary document to this Explanatory Memorandum if it becomes aware of any of the following between the date of lodgement of this Explanatory Memorandum for registration by ASIC and the Completion Date:
 - (i) a material statement in this Explanatory Memorandum that is false or misleading;
 - (ii) a material omission from this Explanatory Memorandum;
 - (iii) a significant change affecting a matter included in this Explanatory Memorandum; or
 - (iv) a significant new matter has arisen and that would have been required to be included in the Explanatory Memorandum if it had arisen before the date of lodgement of this Explanatory Memorandum for registration by ASIC.
- (b) Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Hunter Hall may circulate and publish any supplementary document by sending supplementary information to shareholders and making an announcement to ASX.

10.3 Other material information

Except as set out in this Explanatory Memorandum, there is no other information material to the making of a decision in relation to the Transaction, being information that is within the knowledge of any director or Related Entity of Hunter Hall which has not previously been disclosed to Hunter Hall Shareholders.

In this Explanatory Memorandum (and Annexure D of this Explanatory Memorandum), unless the context requires otherwise:

AEST means Australian Eastern Standard Time.

Annexure means an annexure to this Explanatory Memorandum.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires.

ASX Corporate Governance Principles means the corporate governance principles and recommendations of the ASX Corporate Governance Council as at the Preparation Date.

Awards has the meaning given in Section 9.4.

Blackergast means Blackergast Pty Ltd ACN 111 319 094.

Blackergast Agreement means the agreement of that name between Pengana, Blackergast, the two shareholders of Blackergast and Pengana Capital Ltd ACN 103 800 568 executed on or about 12 December 2007 (as amended).

Board means the board of directors of Hunter Hall.

Company means Hunter Hall International Limited ACN 059 300 426.

Completion Date means the date that is 3 business days after the day that each Condition has been satisfied or waived in accordance with clause 3.2 of the Merger Agreement

Computershare means Computershare Investor Services Pty Limited ACN 078 279 277.

Conditions means the conditions precedent to the completion of the Transaction as set out in Section 2.2 of this Explanatory Memorandum.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of Hunter Hall.

ESS Restructure means the restructure of the Pengana Loan Plans described in Section 2.3.

Explanatory Memorandum means this explanatory memorandum, including the Annexures.

FUM means funds under management.

Grant Thornton means Grant Thornton Audit Pty Ltd.

General Meeting means the general meeting of the Company to be held on 1 June 2017.

Historical Financial Information – Pengana has the meaning given in Section 7.3.

Hunter Hall means Hunter Hall International Limited ACN 059 300 426.

Hunter Hall Loan Plan has the meaning given in Section 9.4.

Hunter Hall Purchase Shares means the New Hunter Hall Shares to be issued to the Pengana Sellers in their Respective Proportions in return for the transfer of the Pengana Sale Shares to Hunter Hall.

Hunter Hall Share means a fully paid ordinary share in the capital of Hunter Hall.

Hunter Hall Shareholder means a person who is registered in the Hunter Hall Share Register as a holder of Hunter Hall Shares.

Hunter Hall Share Register means the register of members of Hunter Hall maintained by or on behalf of Hunter Hall in accordance with section 168(1) of the Corporations Act.

Investigating Accountant's Report means a report by PricewaterhouseCoopers Securities as set out in Annexure B.

Independent Expert means Leadenhall Corporate Advisory Pty Limited, being the expert engaged by Hunter Hall to produce the Independent Expert's Report.

Independent Expert's Report means a report, which includes a statement by the Independent Expert on whether, in its opinion, the Transaction is fair and reasonable to Hunter Hall Shareholders.

Leadenhall means Leadenhall Corporate Advisory Pty Limited ACN 114 534 619 (AFSL 293 586).

Listing Rules means the official Listing Rules of the ASX as amended or waived from time to time.

Merger Agreement means the merger agreement between Hunter Hall, Pengana, WHSP Pengana, Russel Pillemer and RC Pillemer Pty Limited dated 9 March 2017, a copy of which is provided at Annexure C.

Merged Group means Hunter Hall following the successful completion of the Transaction.

New Hunter Hall Shares means 74,147,345 Hunter Hall Shares, being the maximum number of new Hunter Hall Shares that may be issued under the Merger Agreement.

Notice of Meeting means the notice convening the General Meeting together with the Proxy Forms for that meeting as set out in Annexure D of this Explanatory Memorandum.

Ordinary Resolution means a resolution passed by more than 50% of the Hunter Hall Shareholders eligible to vote on the relevant resolution and present at the General Meeting, either in person or by proxy.

Other Pengana Seller means a person who is registered as a holder of Pengana Shares, as set out in schedule 2 of the Merger Agreement, who has agreed to sell their Pengana Shares to Hunter Hall.

Participant has the meaning given in Section 9.4.

Pengana means Pengana Holdings Pty Ltd ACN 103 765 082.

Pengana Employee Loan Plan means the Pengana Holdings Pty Limited Loan Share Plan adopted by Pengana on or around 27 February 2017.

11. Glossary

Continued

Pengana Information means:

- (a) the answer to “Who is Pengana” in Section 1
- (b) Section 5;
- (c) Section 6 (with the exception of information in relation to Kevin Eley, David Groves and Paula Ferrao in Section 6.5, Section 6.6, Section 6.7 to the extent that information relates to Hunter Hall Shareholders and Section 6.8); and
- (d) Section 7 (with the exception of the information in this Section which was provided by Hunter Hall).

Pengana Loan Plans mean:

- (a) the Pengana Employee Loan Plan; and
- (b) the Pengana Non-Employee Loan Plan.

Pengana Loan Plan Participants means a Pengana Shareholder who has been granted Pengana Shares under a Pengana Loan Plan.

Pengana Loan Plan Shares has the meaning given in Section 2.3(a).

Pengana Non-Employee Loan Plan means the Pengana Holdings Pty Limited Non-Employee Loan Share Plan adopted by Pengana on or around 1 March 2017.

Pengana Sale Shares means all of the shares in Pengana comprising the Pillemer Shares, the WHSP Shares and the Other Pengana Sale Shares, as defined in the Merger Agreement.

Pengana Sellers means the Pillemer Sellers, WHSP Pengana and the Other Pengana Sellers, as defined in the Merger Agreement.

Pengana Shareholder means a person who is registered in the Pengana share register as a holder of Pengana Shares.

Pengana Shares means a fully paid ordinary share in the capital of Pengana.

Pillemer Sellers means Russel Pillemer and RC Pillemer Pty Limited and Pillemer Seller means any one of them.

Pillemer Restricted Shares has the meaning given in Section 2.3(b)(i).

Preparation Date means 27 April 2017.

PricewaterhouseCoopers means the Australian member firm of PricewaterhouseCoopers.

PricewaterhouseCoopers Securities means PricewaterhouseCoopers Securities Ltd ACN 003 311 617.

Pro Forma Financial Information – Merged Group has the meaning given in Section 7.4.

Proxy Form means the proxy form that accompanies this Explanatory Memorandum or is available from the Company Secretary, Paula Ferrao (contact details in Corporate Directory).

Registration Date 9.30am on Tuesday 30 May 2017.

Related Entity has the meaning given in section 9 of the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Resolution means a resolution to be put to Hunter Hall Shareholders at the General Meeting as set out in Annexure D.

Required Resolution means Resolutions 1 – 4 to be put to Hunter Hall Shareholders at the General Meeting as set out in Annexure D.

Respective Proportions means, in respect of each Pengana Seller, the proportion that Pengana Seller’s Pengana Sale Shares bear to all of the Pengana Shares, expressed as a percentage and set out in Schedules 1 and 2 to the Merger Agreement.

Restricted Shares has the meaning given in Section 2.3(b)(iii).

Special Resolution means a resolution:

- (a) of which notice has been given as set out in section 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of Hunter Hall Shareholders eligible to vote on the relevant resolution and present at the General Meeting, either in person or by proxy.

Superior Proposal means, in relation to Hunter Hall, a bona fide competing proposal received by Hunter Hall from a third party which the Board, acting in good faith, and after receiving written legal advice from its legal adviser and written advice from its financial adviser, determines would, if completed substantially in accordance with its terms, likely be more favourable to Hunter Hall Shareholders (as a whole) than the Transaction. See the Merger Agreement at Annexure C for further details.

Team means Ed Prendergast and Steve Black (see Section 2.4).

Transaction means the acquisition of the Pengana Sale Shares by Hunter Hall through the issue of Hunter Hall Purchase Shares to the Pengana Sellers.

WHSP means Washington H. Soul Pattinson and Company Limited (ACN 000 002 728).

WHSP Hunter Hall means WHSP Hunter Hall Pty Ltd ACN 616 648 241, a directly wholly owned subsidiary of WHSP.

WHSP Pengana means WHSP Pengana Pty Ltd ACN 616 534 840, a directly wholly owned subsidiary of WHSP.

In this Explanatory Memorandum:

- all dates and times are Sydney, New South Wales times unless otherwise indicated;
- words and phrases not otherwise defined in this Explanatory Memorandum have the same meaning (if any) as is given to them by the Corporations Act;
- the singular includes the plural and vice versa. A reference to a person includes a reference to a corporation;
- headings are for ease of reference only and do not affect the interpretation of this Explanatory Memorandum; and
- a reference to a Section is to a Section in this Explanatory Memorandum unless stated otherwise.



HUNTER HALL INTERNATIONAL LIMITED

PROPOSED ACQUISITION OF PENGANA HOLDINGS PTY LTD

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
27 APRIL 2017

27 April 2017

The Independent Directors
Hunter Hall International Limited
GPO Box 3955
Sydney NSW 2001

Dear Directors,

Independent Expert's Report for Hunter Hall International Limited

1. Introduction

Hunter Hall International Limited ("**Hunter Hall**") is a specialist global equities investment manager that is listed on the Australian Securities Exchange ("**ASX**"). Hunter Hall was founded in 1993 by Peter Hall. Following Peter Hall's departure from Hunter Hall in December 2016, Hunter Hall's board and advisers explored a number of alternative transactions to create value for Hunter Hall's shareholders. The board has assessed the alternative proposals and concluded that the most attractive for shareholders is the proposed acquisition of Pengana Holdings Pty Limited ("**Pengana**") an equities focussed diversified fund manager for the issue of 74.1 million Hunter Hall shares, equivalent to a 73% holding in Hunter Hall post transaction ("**Proposed Transaction**").

Washington H Soul Pattinson & Company Limited ("**WHSP**") is an ASX listed conglomerate with a market capitalisation of approximately \$4.5 billion as at 7 April 2017. WHSP has a wide range of business interests including investment management, including a 46% holding in Hunter Hall and a 37% holding in Pengana.

Further information regarding the Proposed Transaction is set out in Section 1 of this report.

2. Purpose of the report

The Directors of Hunter Hall have prepared an Explanatory Memorandum ("**Explanatory Memorandum**") in relation to the Proposed Transaction. In order to assist Hunter Hall shareholders not associated with either Pengana or WHSP ("**Shareholders**") evaluate the Proposed Transaction, the independent directors of Hunter Hall have requested Leadenhall Corporate Advisory Pty Limited ("**Leadenhall**") to prepare an independent expert's report advising whether the Proposed Transaction is fair and reasonable. This report is to be included in the Explanatory Memorandum that will be sent to Hunter Hall's shareholders regarding the Proposed Transaction.

Further information regarding the purpose of this report is provided in Section 2 of this report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- ◆ Assessed it as fair if the value of a Hunter Hall share before the transaction, on a control basis, is less than or equal to the value of a Hunter Hall share after the transaction, on a minority basis.
- ◆ Assessed it as reasonable if it is fair, or if despite not being fair the advantages to Shareholders outweigh the disadvantages

Further details of the basis of evaluation are provided in Section 2 of this report.

4. Analysis of fairness

We have assessed the current fair market value of Hunter Hall based on the discounted cash flow methodology. Our analysis is based on a three-year forecast prepared by Hunter Hall management, adjusted as appropriate based on our review of the forecast and analysis of the Hunter Hall business. We have applied a discount rate of 11.5% to 12.5% to the projected cash flows, to determine a range of values for Hunter Hall shares as set out in the table below.

Table 1: Valuation of Hunter Hall (\$'000)

Description	Low	High
Present value of projected cash flows	36,281	38,130
Terminal value	16,736	20,966
Enterprise value on a control basis	53,017	59,096
Surplus assets	19,823	19,823
Non-operating liabilities	(3,200)	(3,200)
Net cash	9,124	9,124
Equity value on a control basis	78,764	84,843
Number of share on issue	27,330	27,330
Equity value per share (\$)	2.88	3.10

Source: Leadenhall Analysis

Based on the analysis above, we have assessed the value of a Hunter Hall share to be in the range of \$2.90 to \$3.10 on a control basis.

The result from this methodology was cross-checked using a capitalisation of future maintainable earnings and share market trading analysis. Further details of the valuation of Hunter Hall are set out in Section 8 of this report.

In order to assess the consideration offered to Hunter Hall shareholders as a result of the Proposed Transaction, we have assessed the value of Hunter Hall, assuming the Proposed Transaction is completed resulting in a merged entity comprising Hunter Hall and Pengana ("**Proposed Merged Entity**"). This analysis was also based on the discounted cash flow methodology. Our cash flows include the standalone cash flows for Hunter Hall as discussed above, the projected cash flows for Pengana on a standalone basis and the projected synergies arising from the Proposed Transaction. We have applied a discount rate of 10.5% to 12.0% to these aggregated cash flows. The discount rate is lower than the discount rate for Hunter Hall on a standalone basis due to the scale and diversification benefits of the Proposed Merged Entity. This resulted in a range of values for the Proposed Merged Entity as follows:

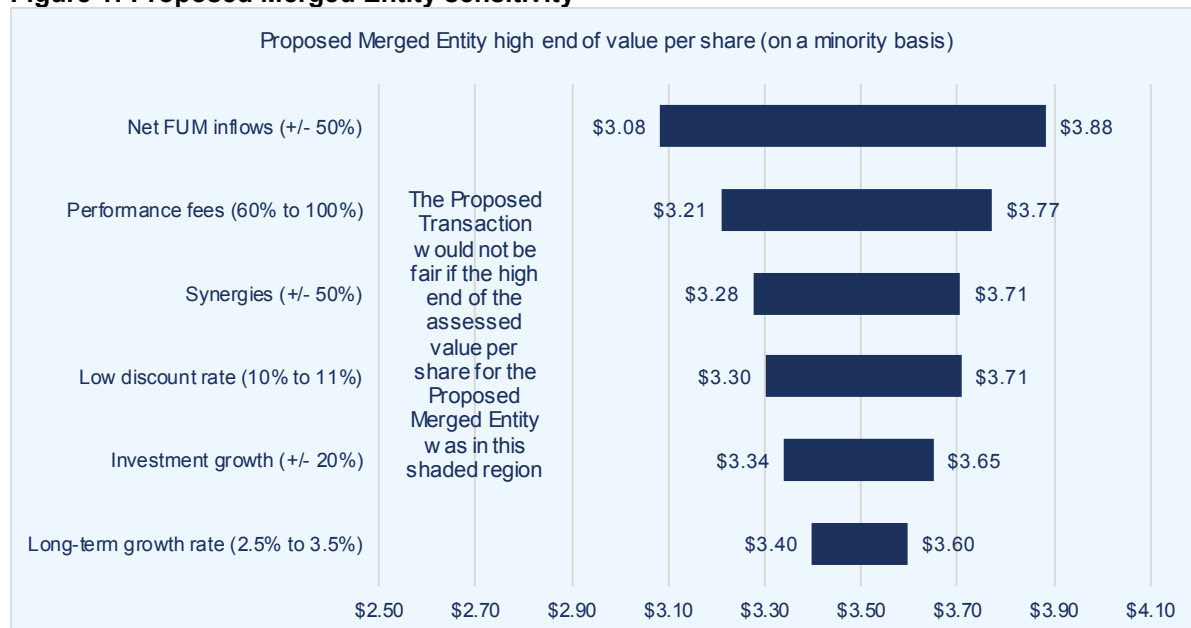
Table 2: Valuation of Proposed Merged Entity (\$'000)

Description	Low	High
Present value of projected cash flows	192,531	209,381
Terminal value	110,230	157,147
Enterprise value on a control basis	302,762	366,528
DLOC at 20%	20%	20%
Enterprise value on a minority basis	242,209	293,222
Surplus assets	52,372	52,372
Non-operating liabilities	(4,200)	(4,200)
Net cash	12,624	12,624
Equity value on a minority basis	303,005	354,018
Number of share on issue	101,477	101,477
Minority equity value per share (\$)	2.99	3.49

Source: Leadenhall analysis

We have also undertaken a sensitivity analysis of key assumptions concerning the Proposed Merged Entity as follows:

Figure 1: Proposed Merged Entity sensitivity



Source: Leadenhall analysis

Note: As our valuation is based on 80% of the average historical performance fees, the sensitivity shown is from 60% to 100% of the average historical level.

Based on the analysis above, we have assessed the value of a Proposed Merged Entity share to be in the range of \$3.00 to \$3.50 on a minority basis.

As the valuation of a Proposed Merged Entity share is in line with the value of a Hunter Hall share on a standalone basis the Proposed Transaction is fair.

5. Analysis of reasonableness

We have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders. We have therefore considered the advantages and disadvantages to Shareholders of the Proposed Transaction.

Advantages

The main advantages of the Proposed Transaction are:

- ◆ **Scale and liquidity** - If the Proposed Transaction is completed, Shareholders will hold shares in the Proposed Merged Entity, which is a considerably larger business than Hunter Hall. This should lead to increased liquidity in Hunter Hall shares as well as a potential market re-rating.
- ◆ **Likely share price** - Hunter Hall's share price responded positively to the announcement of the Proposed Transaction. If the transaction is not approved, it is likely that the price will decrease, at least to the levels prior to the announcement of the Proposed Transaction and potentially further.
- ◆ **Growth potential** - Hunter Hall's funds under management ("**FUM**") is currently declining and is not expected to see rapid growth in the near future on a standalone basis. By comparison, Pengana is currently experiencing significant growth in FUM, which is projected to continue for the medium term. This growth more than outweighs the projected outflows for Hunter Hall in the Proposed Merged Entity. Thus, if the Proposed Transaction is completed, Shareholders will be exposed to a company with significant growth expectations, which may in time lead to share price appreciation.
- ◆ **Stability and succession planning** - Since the resignation of Peter Hall, Hunter Hall has been considering the long-term structure of its investment team. This leads to a degree of uncertainty for investors in both Hunter Hall and its funds. The Proposed Transaction removes this uncertainty by merging Hunter Hall with Pengana, which has adequate resources to manage the Hunter Hall funds as well as its own existing funds.

- ◆ **Potential synergies** - Our valuation of the Proposed Merged Entity does not allow for any revenue synergies from combining Hunter Hall and Pengana. However, Pengana management believes they will be able to achieve revenue synergies, by reducing the outflows from Hunter Hall's funds and potentially attracting inflows to those funds. If these synergies are achieved that will represent upside to Hunter Hall shareholders.

Disadvantages

The main disadvantages of the Proposed Transaction are:

- ◆ **Loss of control** – If the Proposed Transaction is completed Shareholders will lose control of Hunter Hall. However, the Proposed Merged Entity will have two major shareholders, making it less likely that one individual holder can implement decisions in its own favour at the expense of other investors.
- ◆ **Pengana is not paying the full value of synergy benefits** – Pengana and Hunter Hall have identified significant synergy benefits that could be realised by combining the businesses. Based on our analysis of the Proposed Transaction, Pengana does not appear to be paying a material amount related to potential synergies, as the consideration offered is consistent with our assessed value of a Hunter Hall share including only a moderate level of cost synergies that we believe could be realised by alternative acquirers. However, in the absence of a competing proposal, it is common for an acquirer not to pay the full value of potential synergies they may obtain in a business combination.
- ◆ **Risks of achieving FUM growth and synergies** - Our assessed value of the Proposed Merged Entity includes significant projected growth in FUM for Pengana as well as significant projected synergy savings. There is a risk that these expectations will not be realised (or fully valued by the market), in which case the value of the Proposed Merged Entity may decline or fail to trade at levels implied by our assessed value. These risks are not currently faced by Hunter Hall shareholders. However, Hunter Hall on a standalone basis faces risks in relation to continued FUM outflows.
- ◆ **Proportionate share of combined business** - Hunter Hall represents 28% of the combined value of Hunter Hall and Pengana before the Proposed Transaction, and Hunter Hall shareholders will hold 27% of the Proposed Merged Entity if the Proposed Transaction proceeds. Thus Hunter Hall shareholders will receive a slightly lower share of the synergies expected to be realised from the Proposed Transaction than the proportion of pre-transaction value contributed by Hunter Hall.
- ◆ **No longer an ethical investment pure play** – Hunter Hall currently provides ethically screened investments only. By contrast Pengana provides investments that are not ethically screened. Thus, investors that chose to invest in Hunter Hall from an ethical stand-point may not wish to hold an investment in the Proposed Merged Entity.

Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

6. Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Shareholders.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Richard Norris
Director



Dave Pearson
Director

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.

Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$45,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service ("FOS"). The FOS will then be able to advise you as to whether or not they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808
Email: info@fos.org.au

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

27 April 2017

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1 THE PROPOSED TRANSACTION

On 30 December 2016, Hunter Hall announced that Peter Hall (founder and Chief Investment Officer) had sold part of his shareholding, equivalent to 19.9% of the issued capital of Hunter Hall, to WHSP for \$1.00 per share, a substantial discount to market trading in Hunter Hall shares. On the same date WHSP announced that it intended to make a takeover offer for the remaining 80.1% of the equity in Hunter Hall.

Following the WHSP offer, Pinnacle made a competing takeover offer for Hunter Hall at \$1.50, and subsequently increased the offer to \$2.40 if Pinnacle achieved a 24% holding in Hunter Hall. In response to the offer from Pinnacle, WHSP increased its offer to \$2.60. WHSP has acquired a further 27% holding in Hunter Hall (primarily Peter Hall's remaining 24% holding) taking its total holding to 47%.

In response to the uncertainty caused by Peter Hall's departure and the takeover offers from WHSP and Pinnacle, Hunter Hall's board and advisers explored a number of alternative transactions to create value for Hunter Hall's shareholders. The board has assessed the alternative proposals and concluded that the most attractive for shareholders is the proposed acquisition of Pengana by Hunter Hall for the issue of 74.1 million Hunter Hall shares, equivalent to a 73% holding in Hunter Hall post transaction.

If the Proposed Transaction is approved, Hunter Hall and Pengana will merge their operations to create a combined funds management business with \$3.1 billion of FUM. Following the Proposed Transaction, Hunter Hall's ethical screening process will be retained for existing Hunter Hall funds and it is proposed that it will be applied to the Proposed Merged Entity's international fund strategies going forward, although other aspects of the stock selection process may be adapted. Hunter Hall and Pengana have identified \$6 million of annual cost savings from combining the businesses. Section 5 of this report provides a description of Pengana and section 6 includes information concerning the Proposed Merged Entity comprising Hunter Hall and Pengana.

The main conditions which the Proposed Transaction is subject to are:

- ◆ Hunter Hall shareholder approval, noting that WHSP is not entitled to vote on the transaction
- ◆ Acceptance of the offer by all Pengana shareholders

Further details of the terms of the Proposed Transaction are set out in the Explanatory Memorandum.

2 SCOPE

2.1 Purpose of the report

Corporations Act requirement

If the Proposed Transaction is approved, Mr Russel Pillemer (Pengana's founder) would acquire a 26% interest in Hunter Hall. An issue or sale of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("**s606**"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company in accordance with item 7 of Section 611 of the Corporations Act 2001 ("**s611**"). Approval for the Proposed Transaction is therefore being sought at a general meeting of Hunter Hall shareholders in accordance with item 7 of s611.

Item 7 of s611 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by the Australian Securities and Investment Commission ("**ASIC**") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide members with an independent expert's report or a detailed directors' report on the Proposed Transaction.

Regulatory Guide 111: Content of Expert Reports ("**RG111**") issued by ASIC requires an independent expert assessing a transaction that has a similar effect to a takeover bid to assess whether the transaction is fair and reasonable.

Listing Rules requirement

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it acquires a substantial asset from a related party. An asset is substantial if its value, or the consideration being paid for it, is 5% or more of the equity in the listed entity, as set out in its latest accounts lodged with the ASX. As the value of shares to be issued to the vendors of Pengana significantly exceeds 5% of the equity of Hunter Hall as at 31 December 2016, Pengana is a substantial asset for the purposes of Listing Rule 10.1. WHSP currently holds a 46% interest in Hunter Hall and is one of the vendors of Pengana. Accordingly, the Proposed Transaction is with a related party. Thus, the Proposed Transaction must be approved by Hunter Hall's shareholders that are not associated with WHSP (which we have defined as Shareholders).

ASX Listing Rule 10.10 requires that the Notice of Meeting sent to shareholders in respect of such a transaction must include a report on the Proposed Transaction from an independent expert. The independent expert's report must state whether the transaction is fair and reasonable to Shareholders.

Purpose

The directors of Hunter Hall have therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Hunter Hall's shareholders for the purposes of both s611 and Listing Rule 10.10. This report is to be included in the Explanatory Memorandum and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction.

2.2 Basis of evaluation

Introduction

As the vendors of Pengana will hold the majority of the shares outstanding in Hunter Hall should the Proposed Transaction be approved, we have assessed the Proposed Transaction as a control transaction. RG111 requires a separate assessment of whether a transaction is '*fair*' and whether it is '*reasonable*' for both control transactions under s611 and related party transactions under Listing Rule 10. We have therefore considered the concepts of '*fairness*' and '*reasonableness*' separately.

Consistent with RG111.63 we have provided only one analysis of whether the Proposed Transaction is fair and reasonable. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

RG111.25 requires an independent expert to evaluate an issue of securities under s611 that has a similar effect to a takeover offer as if it was a takeover offer. RG 111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer.

Conversely, RG111.57 requires an expert assessing a related party transaction to compare the benefit provided by the entity to the related party (i.e. shares in the Proposed Merged Entity) with the consideration being provided to the entity (i.e. a 100% ownership interest in Pengana).

We assessed whether the Proposed Transaction is fair by treating it as if it was a takeover offer because:

- ◆ The assessment of the Proposed Transaction as if it were a takeover offer is the more onerous of the two tests of fairness described above due to the requirement to allow for a control premium. Thus if the test is met, the alternative test described by RG111.57 would also be met.
- ◆ In substance the Proposed Transaction is effectively a takeover offer, and it is offered as an alternative to shareholders instead of a takeover offer. Thus, we consider the relative value of Hunter Hall shares before and after the transaction to be the most relevant consideration for shareholders, not the details of the related party element of the transaction.

Accordingly, we have assessed whether the Proposed Transaction is fair by comparing the value of a Hunter Hall share before the Proposed Transaction with the consideration offered to Shareholders. As Hunter Hall's shareholders would retain their Hunter Hall shares if the Proposed Transaction proceeds (as opposed to exchanging them for cash or the acquirer's scrip as in a takeover offer) the effective consideration is the continued ownership of a Hunter Hall share, which will become a share in the Proposed Merged Entity.

The value of a Hunter Hall share has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG 111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

After the Proposed Transaction, a Hunter Hall share will effectively be a share in the Proposed Merged Entity (i.e. Hunter Hall and Pengana combined). This has been assessed on a minority interest basis (i.e. excluding a control premium) as Hunter Hall's current shareholders would own a minority stake in the Proposed Merged Entity should the Proposed Transaction occur.

We have assessed the values of a Hunter Hall share and a Proposed Merged Entity share using the concept of fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG 111, this definition of fair market value is consistent with the basis of value described at RG 111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Our valuations of Hunter Hall and the Proposed Merged Entity do not include any special value in accordance with RG 111. However, the valuation of the Proposed Merged Entity does include expected synergies from the Proposed Transaction.

Reasonableness

In accordance with RG 111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to accept the offer. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG 111.13:

- ◆ The shareholder composition of Hunter Hall, including WHSP's existing 46% holding
- ◆ The liquidity of the market in Hunter Hall's shares
- ◆ Taxation losses, cash flow or other benefits through achieving 100% ownership of Hunter Hall
- ◆ Any special value of Hunter Hall to Pengana
- ◆ The likely market price of Hunter Hall shares if the Proposed Transaction does not proceed
- ◆ The value of Hunter Hall to an alternative bidder and the likelihood of an alternative offer

We have also considered the other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

3 FUNDS MANAGEMENT INDUSTRY

3.1 Summary

Fund managers invest money on behalf of clients through collective investment vehicles or separate accounts. These investment services are provided to clients for a fee, the clients bear all credit, market and liquidity risks and share in any losses or gains made. As at 31 December 2016, the managed funds industry in Australia had \$2.84 trillion of FUM according to the Australian Bureau of Statistics. This FUM was split between the following types of institutions:

- ◆ Superannuation funds (78.1% of total FUM)
- ◆ Public offer (retail) unit trusts (11.7% of total FUM)
- ◆ Life insurance corporations (8.3% of total FUM)
- ◆ All other managed funds institutions (1.9% of total FUM)

Industry revenue is forecasted to grow at an annualised 3.1% over the five years through FY22 to reach \$9.0 billion according to IBISWorld. This growth is likely to be driven by strong growth in FUM from the popularity of alternative investment products and rising investor confidence.

Strong industry performance is expected to continue in the future, predominantly supported by ongoing FUM inflows from Australia's compulsory superannuation scheme. However, downward pressure on management fees caused by increasing competition (such as direct investment by larger retail and institutional investors and the increasing prominence of low fee index tracking products), may negatively impact industry profitability.

The industry has seen consolidation over recent years as a result of acquisitions and attrition of smaller funds. This has led to higher margins achieved by the industry, particularly for larger fund managers, due to economies of scale enjoyed from spreading relatively fixed costs over the larger FUM base.

3.2 Industry structure and participants

The industry is made up of large institutional fund managers and smaller boutique investment managers who generally manage anywhere between \$300 million and \$2 billion. Smaller funds often have clear investment strategies, but are disadvantaged due to their relative lack of resources compared with larger fund managers. A summary of the three largest players in the Australian funds management market is provided in the table below:

Table 3: Three largest Australian Fund Managers

Fund Manager	Description	FUM (\$ billion)
Macquarie Group Ltd	Macquarie Group operates in the industry through Macquarie Asset Management (" MAM "). MAM is a full-service asset manager, offering a diverse range of products including infrastructure and real asset management, securities and investment management and tailored investment solutions over funds and listed equities.	\$501.7
Commonwealth Bank of Australia Ltd (" CBA ")	CBA operates in the industry through its subsidiaries Colonial First State Global Asset Management (" CFSGAM ") and Colonial First State (" CFS "). CFSGAM focuses on serving institutional investors and manages a range of asset classes including equity, debt securities, infrastructure and property. CFS focuses on retail investors, providing wealth management & superannuation services.	\$203.2
AMP Limited (" AMP ")	AMP operates in the industry through its AMP Capital division. In addition to managing investments across all major asset classes, AMP Capital provides commercial, industrial and retail property management services.	\$165.4

Source: IBISWorld and company websites

Note: FUM as at 31 December 2016 (latest available)

Large institutional fund managers are often restricted to investing in companies with relatively large market capitalisations, and thus their returns are often closely correlated to market indices. As a result, a large number of boutique fund managers have emerged that seek to differentiate their products without the constraints of a larger operation. The emergence of boutique fund managers has been assisted by the development of specialised distribution businesses that can be engaged by boutique fund managers, allowing the managers to concentrate on investment decision making rather than marketing and distribution.

Whilst there are many boutique fund managers in the Australian market, there are two main players that have an ethically focussed investment policy, as summarised in the table below:

Table 4: Australian fund managers with ethical investment focus

Fund Manager	Description	FUM (\$ billion)
Australian Ethical Investment Ltd	Australian Ethical Investment was established in 1986 and is a funds management and superannuation company that takes an ethical approach to investment decisions to ensure capital is used for the good of people and the planet.	\$1.8
Hunter Hall	Founded in 1993, Hunter Hall is a specialist global and Australian equity investment manager and one of Australia's largest dedicated ethical investment managers.	\$0.9

Source: Company websites

Note: FUM as at 31 December 2016 (latest available)

A number of other large and boutique fund managers have individual products that have an ethical investment mandate, however they do not employ an ethical investment philosophy across all of their products. The Responsible Investment Association of Australia estimates that total funds under management in responsible investment portfolios in Australia totalled \$633.2 billion as at 31 December 2015, compared to just \$13.9 billion in 2002.

Other notable Australian boutique fund managers include Pengana Capital, established in 2003 as an equities focussed, active fund manager with funds under management of approximately \$2.2 billion as at 31 December 2016; Pinnacle Investment Management Group Ltd, established in 1996 as a multi-affiliate investment manager with total funds under management of approximately \$23 billion as at 31 December 2016 and Bennelong Funds Management, established in 2008 as an active fund manager with total funds under management of approximately \$7 billion as at 31 December 2016.

Industry participant numbers have declined by approximately 18% over the past five years, primarily due to consolidation. Despite this, industry employment has increased over the same period, recovering from a low base after the downsizing which occurred during the global financial crisis.

3.3 Key success factors

The key success factors for operators in the funds management industry are summarised below:

- ◆ **Historical returns:** fund managers with strong historical returns are more likely to attract investors.
- ◆ **Investment team:** a highly experienced and qualified investment team with a good track record and suitable retention incentives are hallmarks of successful funds management enterprises.
- ◆ **Ratings:** when choosing a fund manager, investors often consider ratings given to funds and fund managers. Therefore, good relationships with ratings providers, coupled with adequate relative performance and investment team perception, can ensure that ratings agencies have sufficient information available to make their assessments.
- ◆ **Distribution network:** fund managers with extensive distribution networks, generally through relationships with financial advisers, have the ability to grow FUM (particularly retail) more quickly and spend less time and money on marketing.
- ◆ **Size:** the amount of FUM may impact the investment decisions of some larger institutional investors which may be restricted from investing with smaller fund managers.
- ◆ **Access to technology:** industry operators should develop modern communications and analytical solutions to reduce the cost of building/maintaining portfolios and delivering services to clients.

3.4 Products, services and major markets

A brief overview of the products, services and major markets of the funds management industry is provided in the table below.

Products & Services	Major Markets
<p>Australian equities: Australian equities include listed company shares, shares in unlisted companies and units issued in both listed and unlisted unit trusts which hold equities as underlying assets. The proportion of funds invested in equities has increased over the past five years due to the strong performance of the share market and investors' willingness to take on riskier and higher yield investments as market performance improved.</p>	<p>Superannuation funds: Australia has a compulsory superannuation scheme, whereby employers make contributions into employees' nominated superannuation funds. Superannuation funds may then engage fund managers to invest client money on their behalf. FUM from superannuation contributions has continued to grow over the past five years, however this growth will decline in the future as more Australians reach retirement age.</p>
<p>Overseas assets: Overseas asset investments include both debt and equity securities. Following a low base year brought about by the adverse impact of the global financial crisis, the value of overseas assets has generally increased over the past five years as stability has returned to international markets. Improved technology and market transparency have also facilitated cross-border transactions.</p>	<p>Wholesale financial trusts: Wholesale financial trusts are only open to institutional investors and high net-worth individuals. Institutional clients are large sophisticated investors that include insurance companies, financial companies and fund administrators that outsource the management of their investment funds.</p>
<p>Australian real estate: This segment comprises investments in commercial and industrial real estate. Several fund managers specialise in developing real estate portfolios. Over the last five years, the stronger performance of equity markets has resulted in decreased demand for real estate based products.</p>	<p>Government sources: Governments often need to invest excess funds. Over the past five years investment from state governments has been increasing due to the sale of government assets. However, federal government investment has been decreasing as the government attempts to reduce the budget deficit.</p>
<p>Australian debt securities: This segment includes short-term and long-term debt securities. Over the past five years, Australian debt securities have been attractive to investors because of their superior risk adjusted returns relative to global bond markets.</p>	<p>Overseas investors: This market is made up of various overseas investors, including retail, institutional and government clients from outside Australia. The portion of overseas funds managed by Australian fund managers has grown significantly over the past five years. An estimated 65% of the funds from this market are derived from Asia-Pacific based investors.</p>
<p>Deposits: Funds in this segment are held in cash and invested with banks and other institutions in return for interest payments. This class of asset grew in popularity following the global financial crisis when investor confidence was low.</p>	<p>Public unit trusts: Public unit trusts include listed property trusts, listed equity trusts and unlisted equity trusts, while cash management trusts usually limit their investments to securities available in short-term money markets. Investing in public trusts is achieved by purchasing the units of those trusts. A fund manager is then employed to invest those funds on behalf of the trust.</p>
<p>Other assets: Other assets include derivatives, other financial assets and non-financial assets. The proportion of funds invested in this segment has declined over the past five years as investors have tended to shift funds to domestic equities and overseas assets.</p>	<p>Other: Other markets include cash management trusts, individual retail investors and life and general insurance companies where premiums paid by clients are pooled and invested, often through fund managers.</p>

Source: IBISWorld

3.5 Industry outlook

Total FUM in Australia increased by 60% over the five years to December 2016, from \$1.78 trillion to \$2.84 trillion, representing a compound annual growth rate ("CAGR") of 9.79%. This growth in FUM was the main driver of industry revenue growth over this period. Several factors are expected to drive demand for funds management services over the next five years, including an ageing population, increasing superannuation contributions, growing wealth and new and evolving investment products. Strong share market performance and rising investor confidence are also expected to contribute to FUM growth. However, revenue growth is expected to be more modest due to continued fee erosion from increased competition.

Alternative investments (e.g. real estate, hedge funds, private equity and infrastructure) have grown in popularity over the past decade and this trend is expected to continue. Investor confidence in these asset classes is anticipated to rise as pricing methods and the set of historical returns improves. Growing interest in alternative asset classes is likely to provide a boost to industry profitability as management fees in these niche areas are often higher.

As well as new asset class development, client demands are expected to change over the next five years and industry operators will have to accommodate this shift. In particular, as the Australian population ages, more emphasis will likely be placed on portfolios that provide income streams rather than capital growth. More investors are likely to opt for passive investment strategies amid an increasing focus on cost, as many managers of active investment funds will continue to struggle to outperform the benchmark returns.

Industry consolidation is expected to continue, with the growing size of superannuation funds likely to lead to fund management capabilities continuing to be brought in house. Outsourcing has been a growing trend with fund managers increasingly transferring back office operations to specialist third party providers. Economies of scale from industry consolidation and an increased focus on cost savings are expected to allow investment managers to continue lowering fees without significantly affecting their profit margins.

Increased integration of technology is also likely to have an impact on the industry. Fund managers are increasingly integrating their digital wealth management platforms, offering clients greater convenience when using their services. Some industry players have also introduced 'robo-advice' platforms, which offer their clients computer generated financial advice based on their spending behaviour, risk tolerance, asset allocation preferences and expected investment returns.

4 PROFILE OF HUNTER HALL

4.1 Introduction

Founded in 1993, Hunter Hall is a specialist global and Australian equity investment manager and one of Australia's largest dedicated ethical investment managers. Hunter Hall's strategy is to offer a range of responsibly invested equities funds with a value and small-mid caps bias. Hunter Hall's objective is to provide investors with superior returns over the medium to long term by investing in stocks that are in Hunter Hall's opinion undervalued.

Hunter Hall is an active investment manager that employs a team of analysts and investment managers that rely on analytical research, forecasts and their experience to make investment decisions with the aim of constructing a portfolio of securities that outperforms the relevant market index benchmark. This is in contrast to passive investment products, whereby portfolios are constructed to track market indices and returns are therefore reflective of market returns.

Hunter Hall employs a value investment strategy which is based on the view that equity markets are inefficient and opportunities exist to identify securities that are temporarily priced below their intrinsic value. By identifying and investing in these securities, Hunter Hall expects to generate above market returns.

Hunter Hall has a longer-term investment focus with a recommended investment timeframe of more than five years for each of its funds. Whilst short-term returns may fluctuate significantly, the aim of Hunter Hall is to outperform the relevant benchmarks over the longer term. In this respect, each of Hunter Hall's funds, except the Global Deep Green Trust, has outperformed its benchmark since inception (further information regarding individual fund performance is included in Section 4.3 below).

Hunter Hall applies a variety of responsible investment policies across different funds, primarily through their negative screening policy. This policy is used to screen out stocks that are considered to be harmful to people, destructive to the environment or cruel to animals. In addition, the Global Deep Green Trust, employs a positive screening process, whereby investments are identified based on their ability to positively contribute to society and the environment. In addition to their responsible investment policies, Hunter Hall also donates 5% of pre-tax profits to charities or charitable purposes through its charitable giving program.

4.2 History

A brief history of Hunter Hall is set out in the table below:

Year	Event
1993	Founded by Peter Hall
1994	Hunter Hall Value Growth Trust ("VGT") was established
2001	Hunter Hall Global Equities Trust ("GET") and Hunter Hall Australian Value Trust ("AVT") were established and Hunter Hall was listed on the ASX
2004	HHV was listed on the ASX and Hunter Hall Investment Management Limited ("HHIML"), a subsidiary of Hunter Hall, was appointed as the investment manager for HHV
2007	Hunter Hall Global Deep Green Trust ("GDG") was established
2014	Hunter Hall High Conviction Equities Trust ("HCT") was established
2016	Peter Hall resigned as Chief Investment Officer and sold a 19.9% stake in Hunter Hall to WHSP. WHSP subsequently announced a takeover offer for the remaining 80.01% of shares in Hunter Hall
2017	On 14 March 2017, Peter Hall sold his remaining stake in Hunter Hall to WHSP, giving WHSP a total of 44.2% Announcement of proposed merger with Pengana on 9 March 2017

Source: Hunter Hall

4.3 Funds

Hunter Hall manages the following funds:

Table 5: Summary of funds managed by Hunter Hall

Fund	Region	Established	FUM (\$'m)	Benchmark	Mgmt fee	Perf. fee
VGT	Global	May 1994	452.1	All Ords	1.64%	15%
GET	Global	Nov 2001	81.6	MSCI World	1.50%	15%
HCT	Global	Dec 2014	42.9	Cash + 3%	1.80%	15%
AVT	Australia	Nov 2001	31.5	Small Ords	1.00%	15%
GDG	Global	Oct 2007	4.7	MSCI World	1.64%	15%
HHV	Global	Mar 2004	307.9	MSCI World	1.50%	15%

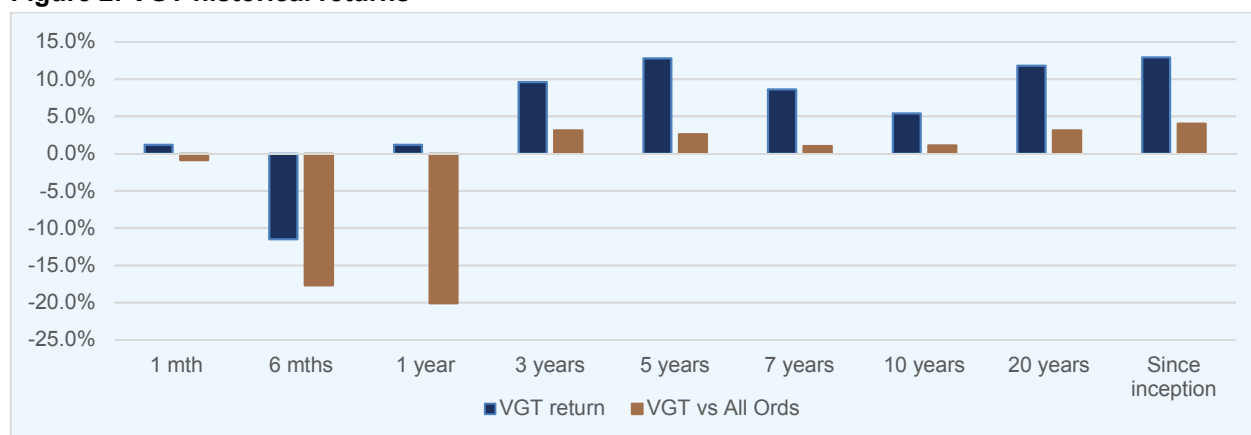
Source: Hunter Hall as at 28 February 2017

All funds managed by Hunter Hall are ethically screened and adopt a value approach to investment. The second half of 2016 saw a decline in short term performance predominantly due to rising bond yields in the United States which caused downward pressure on gold prices as well as other stock-specific factors within the various portfolios. Poor performance in December was not uncommon across the sector, particularly for those managers without exposure to cyclical stocks. The year to date performance of VGT and some of the smaller funds at February 2017 was below benchmark, due to a combination of below expectation interim results and market headwinds from the Federal Reserve rate rise. Further information in respect of each of the funds managed by Hunter Hall is provided below.

Hunter Hall Value Growth Trust ("VGT")

Established on 2 May 1994, the VGT is invested in an ethically screened portfolio of global equities. The objective of the VGT is to substantially outperform global stock markets, benchmarked by the MSCI World Total Return Index, Net Dividends Reinvested, in Australian Dollars ("**MSCI World Index**"), over the medium to long term without incurring significant risk to capital. The VGT has a minimum initial investment of \$5,000 and a management fee of 1.64% per annum (inclusive of GST). Performance fees are based on outperformance of the Australian All Ordinaries Accumulation Index ("**All Ords**") rather than the MSCI World Index as this was the benchmark established upon inception of the fund. However, Hunter Hall believes that due to the VGT's stock composition and its international focus, it would be more appropriate for the investment objective and portfolio performance to be measured against the MSCI World Index. Performance fees of 15% of any return greater than the All Ords are payable half yearly. The historical performance of the VGT as at 28 February 2017 is set out in the figure below.

Figure 2: VGT historical returns



Source: Hunter Hall as at 28 February 2017

As at 28 February 2017, VGT had \$452.1 million of FUM. Since inception, it has generated a return of 12.9% per annum, which rewarded investors with 4.0% per annum above the All Ords. As at 31 January 2017 (latest information available), approximately 22% was derived directly from individual investors and 14% from clients of Commonwealth Securities Limited ("**CommSec**"). The remaining FUM was derived from over 500 financial and wealth advisory practices (collectively known as "**dealer groups**") with no individual dealer group representing more than 5% of total FUM.

The current VGT investment team is led by James McDonald, Hunter Hall's interim Chief Investment Officer. The VGT investment team is managed under a federation/multi-portfolio manager structure where portfolio managers are responsible for managing individual portfolio sleeves in which they deploy their best stock ideas. These portfolio sleeves are then aggregated to establish VGT's final portfolio. Portfolio managers carry direct authority and full accountability for their individual portfolio sleeves. Peter Hall and James McDonald have, on average, each managed 28% and 25% respectively of the VGT since the federation/multi-portfolio manager structure was introduced in 2005. Since Mr Hall's retirement, Mr McDonald has taken overall responsibility for the VGT and Mr's Hall's portfolio sleeve has been re-allocated among the other five VGT portfolio managers. The overall VGT investment team comprises eight experienced investment professionals with an average of 14.5 years' experience in the industry and an average of 7.5 years' tenure at Hunter Hall.

Global Equities Trust ("**GET**")

Established on 29 November 2001, the GET is invested in an ethically screened portfolio of global equities (excluding Australia and New Zealand) with a bias towards small to mid-sized companies. The objective of the GET is to substantially outperform global stock markets, benchmarked by the MSCI World Index, over the medium to long term without incurring significant risk to capital. The GET has a minimum initial investment of \$5,000 and a management fee of 1.5% per annum (inclusive of GST). A performance fee of 15% of any return greater than the MSCI World Index is payable half yearly. The historical performance of the GET as at 28 February 2017 is set out in the figure below:

Figure 3: GET historical returns



Source: Hunter Hall

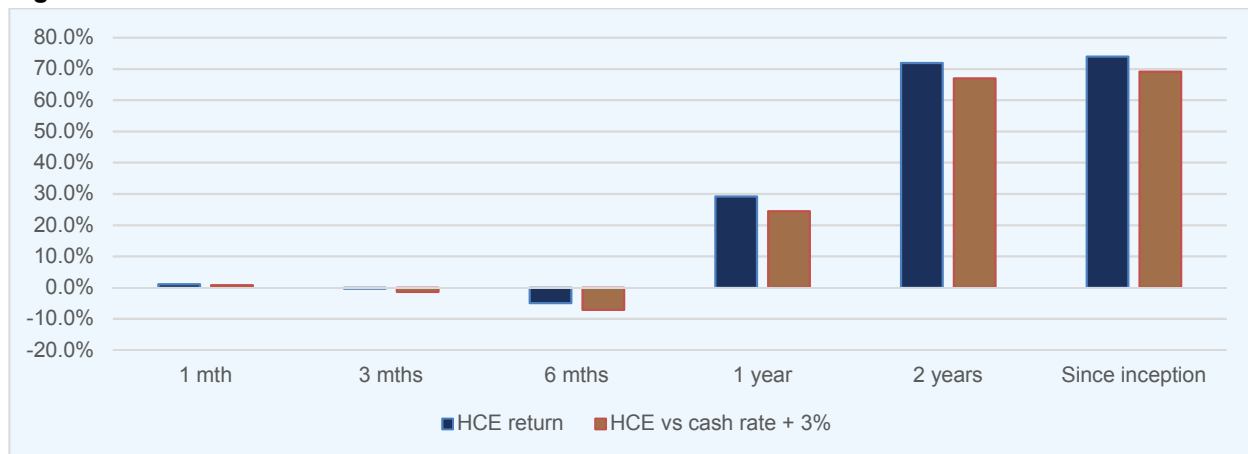
As at 28 February 2017, GET had \$81.6 million of FUM. Since inception, it has generated a return of 5.6% per annum, which rewarded investors with 2.1% per annum above the MSCI World Index. As at 31 January 2017 (latest information available), approximately 18% was derived directly from individual investors. The remaining FUM was derived from over 300 dealer groups. There were no dealer groups which represented more than 5% of total FUM.

The GET investment team is led by James McDonald, who has been the GET fund manager since 2013. James is supported in the management of the portfolio by Jonathon Rabinovitz, Li Zhang, Yizhong Chan, Arden Jennings, Time Blake, Andrew Marvell and Alex Weibin Ge. James continues to manage the GET in line with its investment objectives and philosophy, including the ethical investment policy. The GET investment team has an average of 14.5 years' experience in the industry and an average of more than 7.5 years' tenure at Hunter Hall.

High Conviction Equities Trust ("HCT")

Established on 11 December 2014, the HCT is a higher risk fund that holds a highly concentrated portfolio of typically no more than 20 stocks although a single stock could make up the majority of the portfolio. A majority of the portfolio may be made up of small, illiquid companies that may result in the loss of some or all of the capital invested. The HCT has a minimum investment of \$5,000 and a management fee of 1.8% (including GST). A performance fee of 15% of any return greater than the RBA's Cash Rate target plus 3% is payable half yearly. The historical performance of the HCT as at 28 February 2017 is set out in the figure below:

Figure 4: HCT historical returns



Source: Hunter Hall

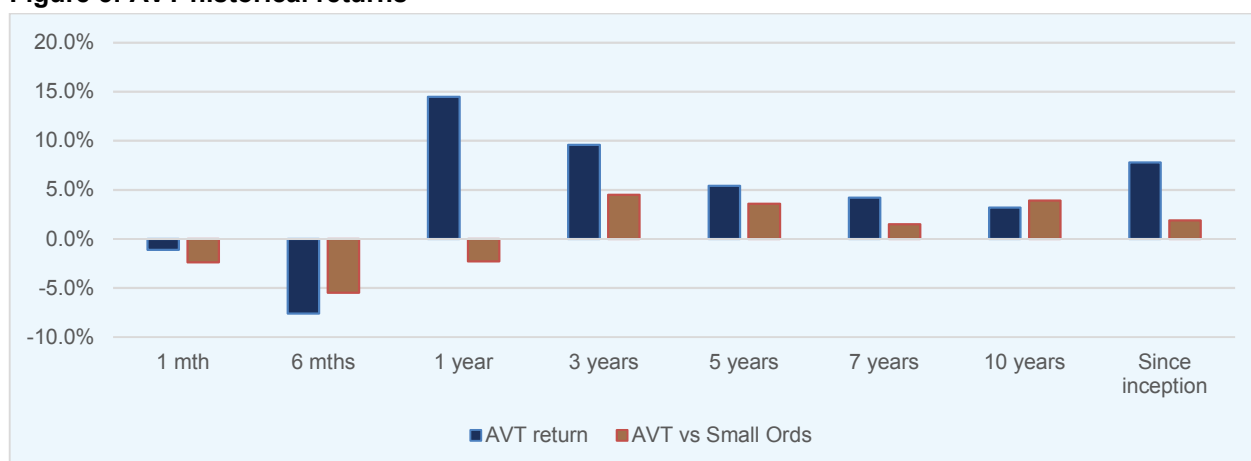
As at 28 February 2017, HCT had \$42.9 million of FUM. Since inception, it has generated a return of 74.0% per annum, which rewarded investors with 69.1% per annum above the RBA Cash Rate target plus 3%. As at 31 January 2017 (latest information available), approximately 72% of FUM was derived directly from individual investors and 8% was derived from investors trading through CommSec. AdviceIQ Partners Pty Ltd was the largest contributing dealer group with approximately 10% of the total FUM. The remaining FUM was derived from approximately 38 dealer groups.

The HCT investment team was led by former Chief Investment Officer Peter Hall prior to his resignation on 27 December 2016. The investment team is now led by James McDonald, the Interim Chief Investment Officer. James is supported by Jonathan Rabinovitz, Li Zhang, Yizhong Chan, Arden Jennings, Tim Blake, Andrew Marvell and Alex Weibin Ge. The HCT investment team has an average of 14.5 years' experience in the industry and an average of more than 7.5 years' tenure at Hunter Hall.

Australian Value Trust ("AVT")

Established on 29 November 2001, the AVT is principally invested in an ethically screened portfolio of Australian small capitalisation equities. The objective of the AVT is to substantially outperform the S&P / ASX Small Ordinaries Accumulation Index ("**Small Ords**") over the medium to long term without incurring significant risk to capital. The AVT has a minimum initial investment of \$5,000 and a management fee of 1% per annum (inclusive of GST). A performance fee of 15% of any return greater than the Small Ords plus 1% is payable half yearly. The historical performance of the AVT as at 28 February 2017 is set out in the figure below:

Figure 5: AVT historical returns



Source: Hunter Hall

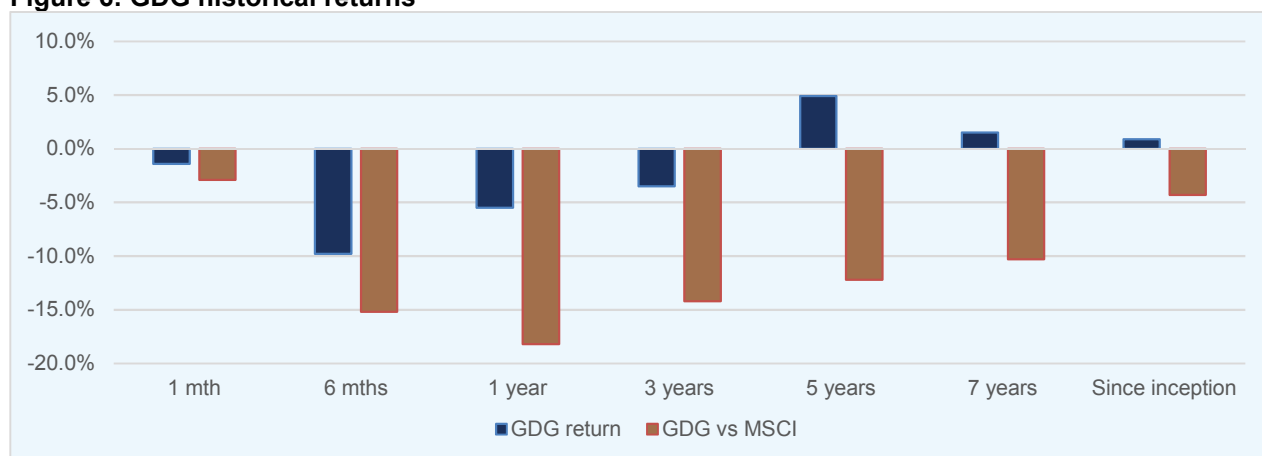
As at 28 February 2017, AVT had \$31.5 million of FUM. Since inception, it has generated a return of 7.8% per annum, which rewarded investors with 1.9% per annum above the Small Ords. As at 31 January 2017 (latest information available), approximately 17% was derived directly from individual investors. The remaining FUM was derived from over 250 dealer groups. Two dealer groups each contributed more than 5% of total FUM with a combined total FUM contribution of \$4.1 million.

The AVT investment team is led by Jonathan Rabinovitz who has had direct responsibility for this fund since 2013. Jonathon is the Hunter Hall Deputy Chief Investment Officer and his considerable experience in the Australian equities market has been gained over 31 years. Jonathan is supported in the management of the AVT portfolio by James McDonald, Arden Jennings, Li Zhang, Yizhong Chan, Time Blake, Andrew Marvell and Alex Weibin Ge. The AVT investment team has an average of 14.5 years' experience in the industry and an average of more than 7.5 years' tenure at Hunter Hall.

Global Deep Green Trust ("GDG")

Established on 31 October 2007, the GDG is invested in an ethically-screened portfolio of global equities with a specific focus on enterprises which are considered to make a positive impact on the wellbeing of humans, animals and the environment. The objective of the GDG is to substantially outperform global stock markets, benchmarked by the MSCI World Index, over the long term. The GDG has a minimum investment of \$5,000 and a management fee of 1.64% per annum (inclusive of GST). A performance fee of 15% of any return greater than the MSCI World Index is payable half yearly. The historical performance of the GDG as at 28 February 2017 is set out in the figure below:

Figure 6: GDG historical returns



Source: Hunter Hall

As at 28 February 2017, GDG had \$4.7 million of FUM. Since inception, it has generated a return of 0.9% per annum, 4.3% per annum short of the return from the MSCI World Index. As at 31 January 2017 (latest information available), approximately 22% was derived directly from individual investors. The remaining FUM was derived from approximately 44 dealer groups with the top five dealer groups by FUM size contributing 45% of the total FUM.

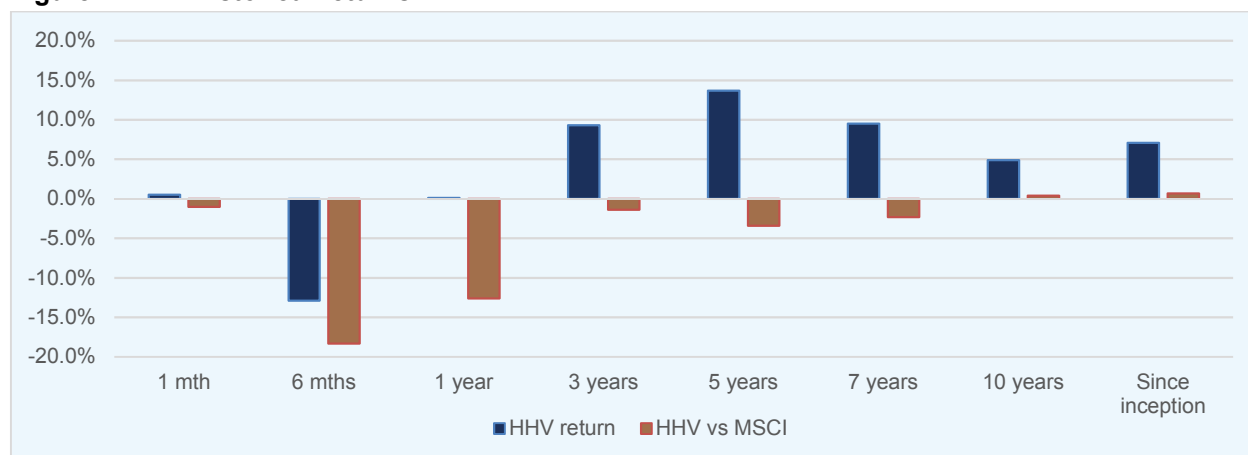
The GDG investment team was led by former Chief Investment Officer Peter Hall prior to his resignation on 27 December 2016. The investment team is now led by James McDonald, the Interim Chief Investment Officer. As the former Deputy Chief Investment Officer, James has worked with Peter in relation to key decisions relating to the GDG including in respect of asset mix, capital allocation, team management and team selection since 2011. James is supported by Jonathan Rabinovitz, Li Zhang, Yizhong Chan, Arden Jennings, Tim Blake, Andrew Marvell and Alex Weibin Ge. The GDG investment team has an average of 14.5 years' experience in the industry and an average of more than 7.5 years' tenure at Hunter Hall.

Hunter Hall Global Value Limited ("HHV")

Hunter Hall, through its subsidiary HHIML is the investment manager for HHV, a listed investment company that has traded on the ASX since 19 March 2004. HHV is managed by Hunter Hall under a 25 year investment management agreement.

HHV gives investors easy access to a diversified portfolio of 40 to 60 global equities, including strategic allocation to Australian equities, with a small to mid-cap bias. Hunter Hall is paid an annual fee of 1.5% of the gross portfolio value and is eligible for a performance fee of 15% of any outperformance, after fees, of the MSCI World Index. The historical performance of HHV as at 28 February 2017 is set out in the figure below:

Figure 7: HHV historical returns



Source: Hunter Hall

As at 18 March 2017, the top ten shareholders in HHV accounted for approximately 24.3% of total shares on issue. Of this, the largest shareholder, Wilson Asset Management ("WAM"), held approximately 31.6 million shares (12.97%). WAM has been increasing its shareholding since January 2017. The HHV share price has been on a declining trend since the announcement of Mr Hall's resignation from \$1.235 on 30 December 2016 to \$1.225 on 31 March 2017. HHV has historically traded at a discount to net tangible assets ("NTA") although this gap has been narrowing recently. As at 31 March 2017, HHV's discount to pre-tax NTA was 4.9%. By comparison the discount was 6.7% at 30 June 2016 and the average over the prior three years was 11.6%.

The HHV investment team is led by James McDonald, who has been the HHV fund manager since 2015. James will maintain leadership of the HHV investment team and is supported in the management of the portfolio by Jonathan Rabinovitz, Li Zhang, Yizhong Chan, Arden Jennings, Tim Blake, Andrew Marvell and Alex Weibin Ge. The HHV investment team has an average of 14.5 years' experience in the industry and an average of more than 7.5 years' tenure at Hunter Hall.

HHV's largest shareholder, WAM, has recently proposed that HHV should conduct a share buyback program. On 24 January 2017, the board of HHV issued a response to the WAM buyback proposal which stated that the board did not believe such a proposal was in the best interest of all shareholders and as such did not intend to put the proposal to a shareholder vote. A requisition notice was then formally issued by WAM on 14 February 2017 for a general meeting to propose resolutions to remove the current directors of HHV. On 6 April 2017, HHV shareholders rejected all resolutions proposed by WAM with the exception of the proposal for the removal of Independent Chairman, Paul Jensen, which was carried.

We are unable to disclose the content of the IMA due to confidentiality considerations. However, we have reviewed the IMA and note that there are limited circumstances under which the IMA can be terminated prior to its expiry in 2029 and we are not aware of any current events that could result in the possible early termination of the IMA. In addition, we consider that it is unlikely that any of the termination events would occur during the remaining life of the IMA. We understand that there are no termination provisions in the IMA in relation to a change of control in Hunter Hall.

4.4 Key personnel

The investment team is comprised of:

Name	Title	Tenure (years)	Industry Experience (years)	Prior Experience
James McDonald	CIO & Senior Portfolio Manager	14	20	BT Funds Management
Jonathan Rabinovitz	Deputy CIO & Senior Portfolio Manager	10	31	Pembroke Securities Ltd, Jardine Fleming Australia Securities Ltd, UBS Warburg Ltd, Credit Suisse First Boston Ltd, Shaw Stockbroking Ltd, Thorney Investments
Li Zhang	Portfolio Manager	7	16	Smartec Capital
Yizhong Chan	Portfolio Manager	9	9	n/a
Arden Jennings	Portfolio Manager	5	5	n/a
Tim Blake	Investment Analyst	2	15	Five Oceans Asset Management, Macquarie Group, Man Investments, Goldman Sachs Asset Management
Alex Weibin Ge	Investment Analyst & Dealer	4	11	BBY Ltd, Bandini Investment Holdings
Andrew Marvell	Investment Analyst & Dealer	10	10	n/a

Source: Hunter Hall

The investment team's remuneration is a mix of fixed remuneration, performance based incentives and tenure based incentives. The objective of fixed remuneration is to provide a base level of remuneration that is appropriate to the executive's responsibilities, experience, role and competitive standing in the market and it is assessed annually with reference to available market data. The investment teams' performance based incentives link the individual's performance to the benchmark associated with the respective Fund and reward the team with cash based incentives. Finally, tenure based incentives have been designed to align the long-term interests of investors with the investment team by introducing retention measures for all investment team members.

As at 31 December 2016 there was an overall net cash weighting of 25% or \$240m. Out of the remaining \$730m, which was invested in equities, Peter Hall managed 42%, James McDonald 28%, Jonathan Rabinovitz 11% and the remaining 19% split across three additional portfolio managers. The experienced investment management team that was working with Peter on his funds remains in place and thus Peter's departure is expected to have limited impact on the performance of Hunter Hall's major funds.

The current senior management team of Hunter Hall (excluding investment team) comprises:

Table 6: Hunter Hall senior management team

Name and title	Experience
<p>Paula Ferrao CFO and Interim CEO</p>	<p>Paula has 19 years' experience in the funds management industry, having been with Hunter Hall since 1998. Most recently Paula has been Deputy CEO and has experience in financial reporting and tax for listed corporate entities, managed investment schemes and public offer superannuation funds in all aspects of fund operations.</p>
<p>Anthony Rule Head of Finance and Operations</p>	<p>Anthony joined Hunter Hall in July 2016 and has 14 years' experience in funds management, holding finance and operations positions in both the listed and unlisted space including at CBA and Centuria Capital. Anthony is a member of CPA Australia.</p>
<p>Asher Lockhart Head of Product and Risk</p>	<p>Asher has been with Hunter Hall for over eight years and over this time has had responsibility for fund administration, custody, investor relations and technology functions. Prior to joining Hunter Hall, Asher had over ten years' experience in technology, project management and management consulting across a range of industries.</p>
<p>Monica Hood Senior Business Development Manager</p>	<p>Monica is a marketing and business development professional with a proven track record in retail funds management and wholesale back office services. Monica focusses on servicing the needs of research houses, financial planning firms, masterfund/wrap providers, asset consultants and superannuation funds. Prior to joining Hunter Hall in 2001, Monica worked for a variety of financial services companies including Austraclear, State Street Australia and Permanent Trustee Company.</p>

Source: Hunter Hall

The Board of Directors of Hunter Hall comprises:

Table 7: Directors of Hunter Hall

Directors	Experience
<p>Kevin Eley Chairman</p>	<p>Mr Eley is a Chartered Accountant, a Fellow of the Financial Services Institute of Australia and a Fellow of the Australian Institute of Company Directors. Mr Eley has over 31 years' experience in management, financing and investment and has worked for a major international accounting firm, two investment banks and was CEO of HGL Limited where he remains as a non-executive director. Other current non-executive directorships include Milton Corporation Limited and Equity Trustees Holdings Limited.</p>
<p>Wayne Hawkins Non-executive director</p>	<p>Mr Hawkins has over four decades' experience in investment management. Previously he was funds manager and investment analyst with City Mutual Life Assurance Society Limited, group investment manager with New Zealand South British Insurance, chief executive of NZI Investment Services Limited, chief investment officer and managing director (funds management) with Oceanic Capital Corporation Group.</p>
<p>David Groves Non-executive director</p>	<p>Mr Groves has 25 years' experience as a company director, including 15 years in financial services. Mr Groves' is a director of Pipers Brook Vineyard Pty Ltd and Tasman Sea Salt Pty Ltd. Mr Groves' is a former director of Equity Trustees Ltd, Tassall Group Ltd, GrainCorp Ltd and Camelot Resources N.L. and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. Mr Groves is a member of the Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.</p>

Source: Hunter Hall

4.5 Financial performance

From time to time, Hunter Hall will seed new funds. By virtue of the timing of these investments, Hunter Hall is often deemed to initially hold a controlling stake in the seeded funds and is therefore required to consolidate the funds' results in its annual report. For the purposes of our analysis we have removed the effect of the any seeded fund consolidation in the statements of financial performance set out below.

Table 8: Hunter Hall's financial performance

	FY15	FY16	6 months to Dec-16
Revenue			
Management fee income	15,909	16,621	8,717
Entry fee income	(0)	0	(5)
Performance fee income	298	1,782	-
Total revenue	16,207	18,403	8,712
Other income			
Realised gains on investments	-	1,503	-
Other income	188	1,934	373
Total other income	188	3,437	373
Total income	16,395	21,840	9,085
Expenses			
Staff costs	(5,975)	(5,816)	(2,992)
Incentives	(1,444)	(1,513)	(234)
Occupancy costs	(581)	(546)	(268)
Marketing	(537)	(743)	(540)
Corporate	(501)	(482)	(305)
Office	(220)	(228)	(153)
Professional fees	(516)	(631)	(312)
Other	(37)	19	(18)
Charitable donations	(374)	(651)	(231)
Non-reimbursable trust expenses	(142)	(132)	(65)
Total expenses	(10,327)	(10,723)	(5,118)
EBITDA	6,068	11,117	3,967
Depreciation and amortisation	(170)	(179)	(86)
EBIT	5,897	10,938	3,881
Interest income	180	219	96
Net profit before tax	6,078	11,157	3,977
Income tax expense	(1,890)	(3,334)	(864)
Net profit after tax	4,188	7,824	3,114
Movement in value of seeded funds	2,781	2,578	(1,735)
Statutory profit	6,969	10,402	1,379
Other financial information			
FUM (average) (\$m)	1,039	1,129	1,086
Operating profit from investment management	5,789	6,370	3,751
EBITDA margin	37%	51%	44%
EBIT margin	36%	50%	43%
Revenue (as a % of FUM)	1.56%	1.63%	1.60%
Expenses (as a % of FUM)	0.99%	0.95%	0.94%

Source: Hunter Hall

In relation to the historical financial performance of Hunter Hall set out above, we note the following:

- ◆ Management fees have been fairly stable over the three years which is consistent with relatively flat FUM.
- ◆ Other income predominantly relates to dividends received from investments.
- ◆ Employee benefits and performance fees paid to employees represent a large proportion of total expenses which is expected in an industry which requires a highly skilled and specialised workforce.
- ◆ Occupancy costs have declined due to a reduction in rent for the Sydney and London offices and the closure of the Singapore office.
- ◆ Hunter Hall donates a portion of operating profit to charities each year. Donations increased in FY16 as a result of an increase in operating profit.
- ◆ The results for the six months 31 December 2016 have deteriorated mainly as a result of a lack of investment income and performance fees due to recent subdued performance. The full-year results for FY17 will also be adversely impacted by the significant loss of FUM over the year.

4.6 Financial position

As with the statements of financial performance, we have removed the effect of the seeded fund consolidation in the audited statements of financial position as at 30 June 2015 and 30 June 2016 and unaudited statement of financial position as at 31 December 2016 set out in the table below.

Table 9: Hunter Hall's financial position

	Jun-15	Jun-16	Dec-16
Current asset			
Cash and cash equivalents	12,734	12,040	10,867
Other current assets	3,005	4,731	2,116
Total current assets	15,740	16,771	12,983
Non-current assets			
Shares in HHV at market value	1,787	6,639	6,206
Units in HCT at market value	7,853	12,034	10,660
Units in Hunter Hall Australian Equities Fund	1,372	-	-
Other investments	23	23	23
Other non-current assets	1,485	1,314	1,032
Total non-current assets	12,520	20,010	17,921
Total assets	28,259	36,781	30,904
Current liabilities			
Employee benefits	(1,819)	(2,514)	(688)
Current tax liabilities	(984)	(1,511)	(259)
Provision for charitable donations	(315)	(340)	(398)
Other current liabilities	(987)	(1,015)	(825)
Total current liabilities	(4,105)	(5,380)	(2,171)
Non-current liabilities			
Employee benefits	(592)	(668)	(674)
Deferred tax liabilities	(965)	(2,465)	(1,892)
Total non-current liabilities	(1,558)	(3,133)	(2,566)
Total liabilities	(5,662)	(8,513)	(4,737)
Net assets	22,597	28,268	26,168

Source: Hunter Hall

In relation to the historical financial position of Hunter Hall set out above, we note the following:

- ◆ Other current assets predominantly relate to trade and other receivables, the majority of which are management fees which are paid monthly in arrears.
- ◆ Hunter Hall carries investments in some of its funds, in particular HHV and HCT which are carried at market values on the respective balance dates.
- ◆ Other non-current assets include plant and equipment, deferred tax assets and intangible assets.
- ◆ The reduction in current liabilities in December 2016 was due to a substantial level of employee benefits and taxation liabilities accrued at financial year end which were subsequently paid.
- ◆ Other current liabilities primarily relate to trade and other payables.
- ◆ Deferred tax liabilities primarily relate to unrealised gains on investments.

4.7 Capital structure and shareholders

As at 28 March 2017 Hunter Hall had a total of 27.3 million ordinary shares on issue. There were no options, convertible notes or other potential shares. The following table sets out details of Hunter Hall's substantial shareholders as at that date:

Table 10: Hunter Hall's substantial shareholders

Shareholder	Shares held	% total shares
Washington H Soul Pattinson and Company Limited	12,651,308	46.3%
John Bridgeman Limited and associates	1,788,405	6.5%
Other shareholder	12,889,930	47.2%
Total	27,329,643	100.0%

Source: Hunter Hall and ASX announcements

4.8 Share price performance

The following chart shows the share market trading of Hunter Hall shares for the past two years:

Figure 8: Hunter Hall's share price performance



Source: FactSet

Note: Actual volume traded on 3 January 2017 was 6,886,383 shares

In relation to the trading of Hunter Hall shares over the last two years we note the following:

- ◆ Shares are thinly traded with an average daily volume of approximately 15,000 shares prior to the announcement of Mr Hall's retirement in December 2016. The spike in share trading on 3 January 2017 predominantly relates to Mr Hall's initial sale of 5,434,653 shares to WHSP.
- ◆ During 2015 the share price remained fairly stable between \$2.00 and \$2.50. Between January 2016 and September 2016 the share price gradually rose to reach a peak of \$4.66 on 8 September 2016. This was likely due to continued increases in FUM as well as positive FY16 performance which included performance fees and significant unrealised gains on investments.
- ◆ In the second quarter of FY17, short term returns on a number of funds declined sharply, as noted in Section 4.3 above, which had a negative impact on Hunter Hall's performance and share price.
- ◆ Upon the announcement of the resignation of Mr Hall and the takeover offer from WHSP the share price fell from \$3.10 on 30 December 2016 to \$2.50 on 3 January 2016. The share price continued to fall to a low of \$2.23 on 24 January 2017.
- ◆ On the back of the announcement of the Proposed Transaction on 9 March 2017, the market reacted positively with a jump in trading volume and price to close at \$2.55. Since that date until 6 April 2017, Hunter Hall shares have traded in the range from \$2.45 to \$2.67 with a volume-weighted average price ("**VWAP**") of \$2.59.

5 PROFILE OF PENGANA

5.1 Introduction

Founded in 2003 by Russel Pillemer (CEO) and Malcolm Turnbull (Ex-Chairman), Pengana is an equities focused, diversified fund manager based in Australia with the aim of providing investors with strong long term absolute investment returns with reduced risks. Pengana currently manages seven funds and one early stage fund as described in section 5.4 below.

Pengana's overall investment philosophy involves aligning the interests of expert fund managers with the interests of investors within a disciplined and risk controlled structure, in order to foster an optimal active funds management environment. Its lead fund managers all hold a significant ownership stake in their respective business units (as described below) and invest their own money into the funds. Many also hold shares in Pengana.

Pengana runs separate profit and loss management accounts for each fund, including the appropriate allocation of overhead costs. Typically, 50% of all profits are distributed to the fund management teams in the form of a "shadow equity" program. The lead investment specialists own "shadow equity" in the division that manages their strategy and invest their own capital in their respective funds. The economics of these profit-sharing arrangements are substantially similar regardless of whether the investment management teams are internally-employed or partnered with through joint ventures with external managers.

Pengana has generated strong profitability over the last five years (largely due to consistently earning performance fees) and is positioned to create higher earnings margins given its scalability and the investment already made in distribution access and a new range of global equity funds. In addition, Pengana's array of products are carefully constructed to deliver investors superior risk adjusted returns and identifiable alpha that is uncorrelated with the market. This provides business stability via uncorrelated performance fees between funds as well as stickiness in FUM over market cycles. Over the last 10 years, Pengana has built a quality retail distribution platform with a diverse client base of approximately 40,000 retail relationships, reaching across both advised and direct non-advised channels.

5.2 History

A brief history of Pengana is set out in the table below:

Year	Event
2003	Founded by Russel Pillemer and Malcolm Turnbull
2004	Inception of Pengana Emerging Companies Fund ("ECF")
2008	Inception of Pengana Australian Equities Fund ("AEF") Turnbull stake sold to the National Australia Bank ("NAB") Inception of Pengana Asia Special Events Fund
2010	Inception of Pengana Absolute Return Asia Pacific Fund ("PARAPF")
2015	Entered into a Joint Venture with Lizard Investors LLC ("Lizard") on the Pengana Global Small Companies Fund ("GSC") Inception of Pengana International Equities Fund ("IEF") Entered into a Joint Venture with PanAgora Asset Management, Inc. ("PanAgora") on the Pengana PanAgora Absolute Return Global Equities Fund ("PanAgora Fund")
2016	Inception of Pengana International Equities Fund Managed Risk ("PIEFMR")
2017	NAB sold its stake to Washington H. Soul Pattinson Announcement of proposed merger with Hunter Hall International Ltd on 9 March 2017

Source: Pengana

5.3 Joint Ventures

An overview of the key terms of the Joint Ventures with PanAgora and Lizard is set out below.

PanAgora

On 5 November 2015, Pengana entered into an IMA appointing PanAgora as the investment manager of the PanAgora Fund. This appointment is part of a broader arrangement entered into by PanAgora and Pengana on 25 June 2015 ("**PanAgora Arrangement**").

Under the terms of the PanAgora Arrangement, Pengana will pay PanAgora 50% of the revenue, less agreed expenses, accruing to the division from retail client investments. The percentage paid to PanAgora may be greater if profits are generated from the investments of certain institutional clients.

If either party terminates the PanAgora Arrangement other than for cause, the terminating party will lose all rights under the PanAgora Arrangement and will be restricted from offering competing products to Australian and New Zealand retail clients for a period of 2 years. If the PanAgora Arrangement is terminated for cause the breaching party loses all rights under the PanAgora Arrangement and will be prohibited from competing for a period of 2 years.

Lizard

Lizard was appointed as the investment manager of GSC under a Binding Sub-Advisory Agreement dated 11 March 2015 ("**SAA**"). Under the terms of the SAA, Pengana will pay Lizard 50% of the revenue, less agreed expenses, accruing to the division.

If Lizard terminates the SAA other than for cause, they are restricted from offering competing products in Australia, New Zealand and Asia for a period of 36 months. If Pengana terminates the SAA other than for cause, Pengana will continue to pay Lizard 50% of any management fees which are received in respect of the fund for 24 months.

5.4 Funds

Pengana manages the following main funds:

Table 11: Summary of funds managed by Pengana

Fund	Region	Established	FUM ¹ (\$'m)	Performance Fee Benchmark	Mgmt Fee	Perf. fee
AEF	Australia	Jul 2008	1,210	Zero	1.025%	10.25%
ECF	Australia	Nov 2004	739	S&P/ASX Small Ordinaries Accumulation	1.334%	20.50%
PanAgora Fund	Global	Dec 2015	116	RBA Cash Rate	1.520%	20.22%
PARAPF	Asia Pacific	Sep 2010	49	RBA Cash Rate	1.500%	20.50%
IEF	Global	Jul 2015	16	n/a ²	1.334%	N.A.
GSC	Global	Apr 2015	10	MSCI ACWI SMID Cap Net AUD unhedged	1.334%	20.50%

Source: Pengana as at 28 February 2017

Note:

1. None of the funds have reached capacity, but have been managed as if they were at full capacity, without size constraints.
2. The IEF does not charge performance fees. As such, a performance hurdle is not applicable to the fund. The IEF investment objective is to outperform the MSCI ACWI Net AUD unhedged.

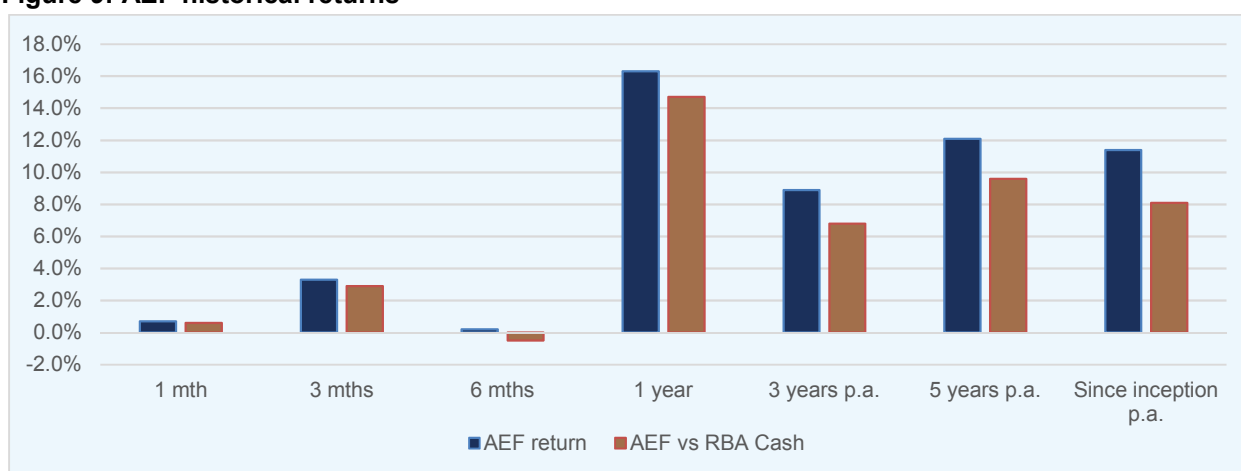
In addition to the above, Pengana also manages the Pengana Asia Special Events (Offshore) Fund and Master Fund ("**PASE**") and an early-stage fund, the Pengana International Equities Fund Managed Risk ("**PIEFMR**"). The PARAPF fully invests into the PASE funds which are managed by the same portfolio manager and employ the same investment strategy as the PARAPF.

Pengana Australian Equities Fund ("AEF")

Established on 1 July 2008, the philosophy of the AEF is based on identifying good quality companies that are reasonably priced by focusing on their operating leverage, balance sheet and an after-tax cash earnings yield of 6% growing to 10% over a 5-year period. Capital preservation is the focus of the fund while achieving a fair return of 6% in excess of the risk-free rate per annum. This philosophy is supported by the ability to hold an unlimited amount of cash when acceptable investments cannot be found and insisting on finding, assessing and owning 'good deals' rather than being underweight or overweight index determined stock weightings.

The AEF has a minimum initial investment of \$20,000 and a management fee of 1.025% per annum, inclusive of GST and net of reduced income tax credit ("RITC"). A performance fee of 10.25% (inclusive of GST net of RITC) of any increase in Net Asset Value ("NAV") of the fund, defined as the market value of all shares held in the portfolio less the liabilities, may be payable semi-annually. The historical performance of the AEF as at 28 February 2017 is set out in the figure below:

Figure 9: AEF historical returns



Source: Pengana

As at 28 February 2017, the AEF had \$1,210 million of FUM with a capacity target of 0.5% of the index market capitalisation of mid and small cap Australian equities with no more than 50% of the AEF invested in mid and small cap Australian equities. Due to the limited available capacity, Pengana are actively managing the availability of the AEF by restricting flows to ensure that inflows do not impact on performance. Since inception, AEF has generated a return of 11.4% per annum, which rewarded investors with 8.1% per annum above the RBA cash rate. The fund has a diverse client base enjoying support from both aligned dealer groups and independent financial advisers with over 400 dealers in total supporting the fund and very little concentration.

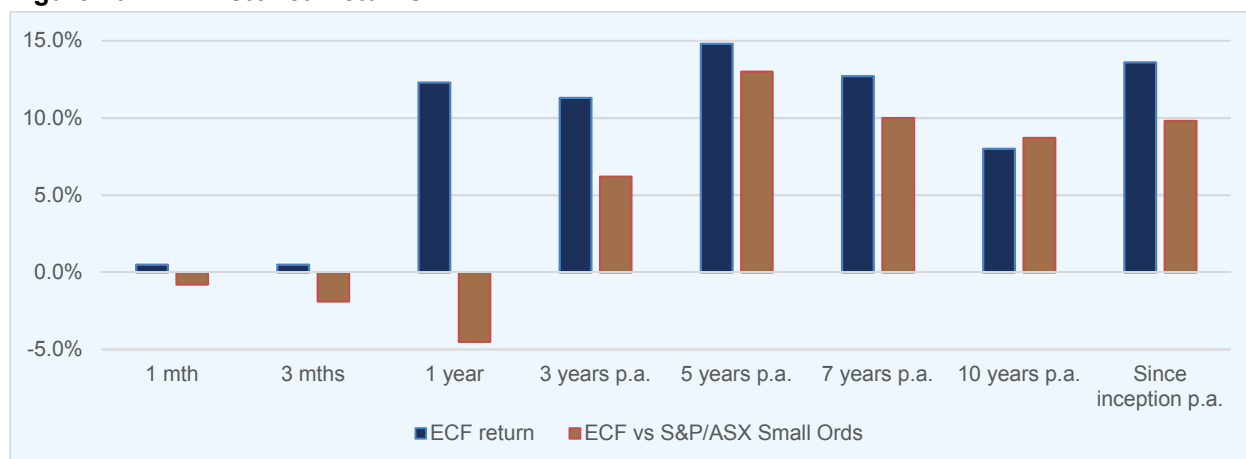
The AEF investment team is led by Rhett Kessler, who has been with Pengana since 2007 and Anton du Preez, who joined Pengana in 2009. They are supported by Mark Christensen and Chris Tan.

Pengana Emerging Companies Fund ("ECF")

Established on 1 November 2004, the philosophy of the ECF is based on an underlying belief that smaller companies' share prices are often incorrectly priced due to a lack of sell-side research coverage. Therefore, it seeks to capitalise on this inefficiency by employing a very active company visitation program to qualitatively assess investments in the sector. Favoured stocks are then fully modelled providing the inputs for a standardised cashflow based valuation. The objective of the ECF is to obtain returns greater than the Small Ords over rolling three year periods after fees.

The ECF has a minimum initial investment of \$25,000 and a management fee of 1.334% per annum (inclusive of GST net of RITC). A performance fee of 20.5% (inclusive of GST net of RITC) of any increase in the NAV above the Small Ords may be payable semi-annually. The historical performance of the ECF as at 28 February 2017 is set out in the figure below:

Figure 10: ECF historical returns



Source: Pengana

As at 28 February 2017, the ECF had \$739 million of FUM and is nearing its current expected capacity (determined as 0.5% of benchmark capitalisation). Due to the limited available capacity, Pengana have soft-closed the fund, restricting flows from new advised investors and not accepting flows from new direct investors. Since inception, it has generated a return of 13.6% per annum, which rewarded investors with 9.8% per annum above the Small Ords. For the twelve months to February, it has generated a return of 12.3% but underperformed by 4.5% relative to the Small Ords. The bulk of the FUM is derived from advised clients from over 500 aligned and non-aligned dealer groups with minimal concentration in any particular dealer group. ECF also enjoys significant support from direct investors.

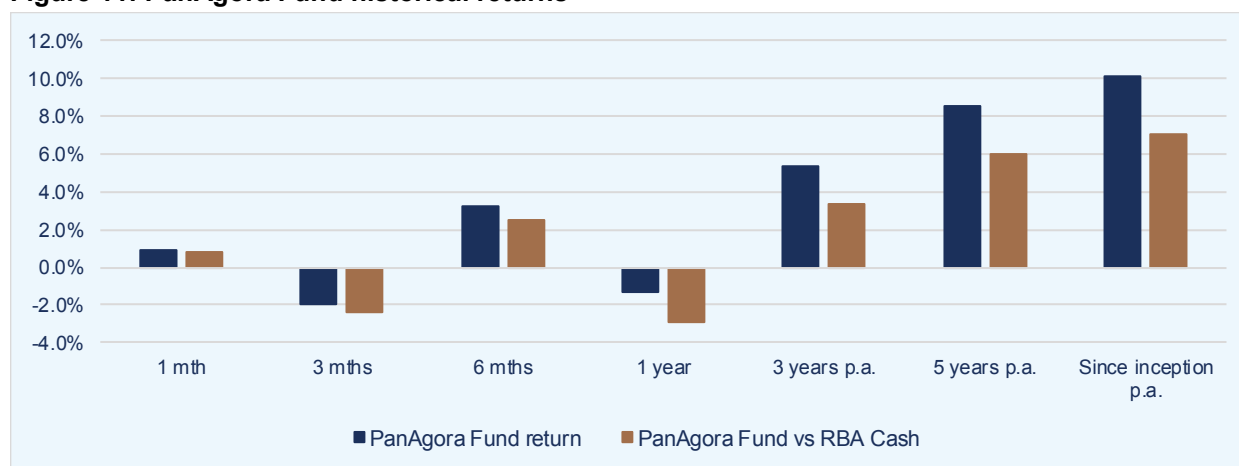
The ECF investment team is led by both Steve Black and Ed Prendergast who co-established the fund in 2004. Both had seven to ten years of experience in the finance industry before joining Pengana.

Pengana PanAgora Absolute Return Global Equities Fund ("PanAgora Fund")

Established via a joint-venture with PanAgora on 9 December 2015, the philosophy of PanAgora is based on the belief that stock prices are largely driven by the fundamental strengths or weaknesses of a company's business prospects and that certain fundamentally based measures are indicative of a company's likely success or failure. As many investors either lack the ability to identify and evaluate these measures with sufficient breadth and speed, or are hampered by institutional rigidities, stocks are mispriced from time to time. Therefore, by combining fundamental analysis with robust quantitative techniques, PanAgora is able to capitalise on these inefficiencies. The objective of the PanAgora Fund is to seek attractive absolute returns by identifying and exploiting multiple inefficiencies that may exist in global equity markets. It aims to generate an annualised return of 8% to 14% with an annualised volatility of 4% to 8% over a suggested investment timeframe of at least three to five years.

The PanAgora Fund has a minimum investment of \$20,000 and a management fee of 1.52% per annum (including GST net of ITCs). A performance fee of 20.22% per annum (including GST net of ITCs) of any increase in the NAV greater than the RBA cash rate may be payable semi-annually. The historical performance of the PanAgora Fund as at 28 February 2017 is set out in the figure below:

Figure 11: PanAgora Fund historical returns



Source: Pengana

Note: From December 2015, performance figures are those of the fund's class A units (including reinvestment of distributions). Between September 2010 and November 2015, AUD performance has been simulated by Pengana from the actual USD Composite gross strategy returns using 3 month rolling forwards to hedge movements in the AUD/USD spot rate.

As at 28 February 2017, the PanAgora Fund had \$116 million of FUM. Since inception, it has generated a return of 10.1% per annum, which rewarded investors with 7.2% per annum above the RBA cash rate. The fund has a significant institutional investor and is well supported by a core group of dealer groups.

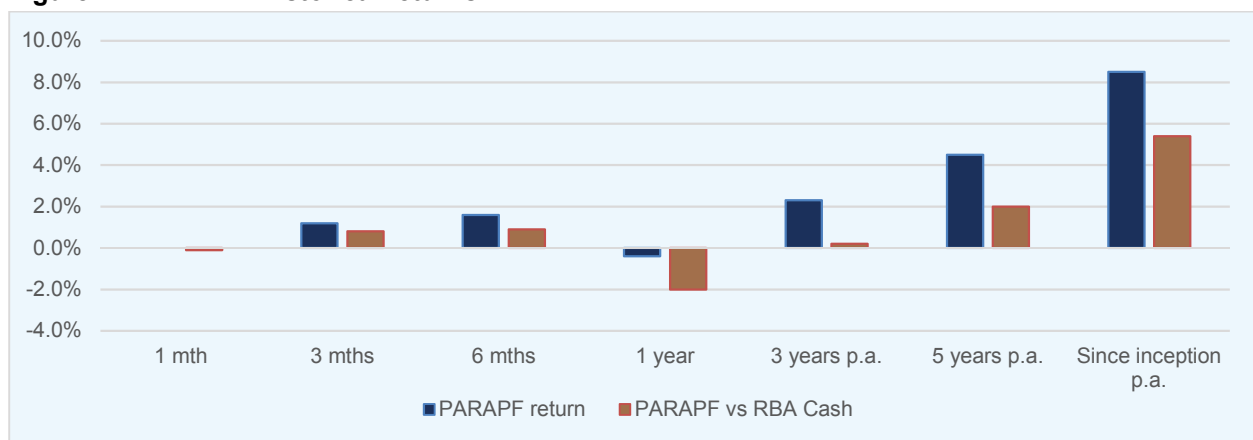
The PanAgora Fund's team is led by George Mussalli who is the Chief Investment Officer and Head of Equity Research of PanAgora. Richard Tan, a director on PanAgora's Diversified Arbitrage and Stock Selector teams, is responsible for the daily management and ongoing research efforts for the PanAgora Fund.

Pengana Absolute Return Asia Pacific Fund ("PARAPF")

Established on 1 September 2010, the philosophy of the PARAPF is based on seeking absolute returns for investors, rather than returns driven by the general direction of equity markets, through exploiting corporate events because of the belief that these events create market inefficiencies. The investment team thoroughly understands the behaviour and sensitivity of companies' share prices before and after an event, using historical data, research and market experience to identify key events. The objective of the PARAPF is to generate a net annualised return greater than 5% above the RBA cash rate with low volatility and low correlation to Asian security markets over a three to five-year period. PARAPF obtains its exposure to this strategy by fully investing in the Pengana Asia Special Events (Offshore) Fund which in turn fully invests into the Pengana Asia Special Events Master Fund (described in further detail below).

The PARAPF has a minimum initial investment of \$20,000 and a management fee of 1.50% per annum (inclusive of GST net of RITC). A performance fee of 20.5% (inclusive of GST net of RITC) of any increase in the NAV greater than the RBA cash rate may be payable annually. The historical performance of the PARAPF as at 28 February 2017 is set out in the figure below:

Figure 12: PARAPF historical returns



Source: Pengana

As at 28 February 2017, the PARAPF had \$49.4 million of FUM. Since inception, it has generated a return of 8.49% per annum, which rewarded investors with 5.35% per annum above the RBA cash rate. The FUM is primarily derived from over 60 dealer groups which represent the majority of the total FUM.

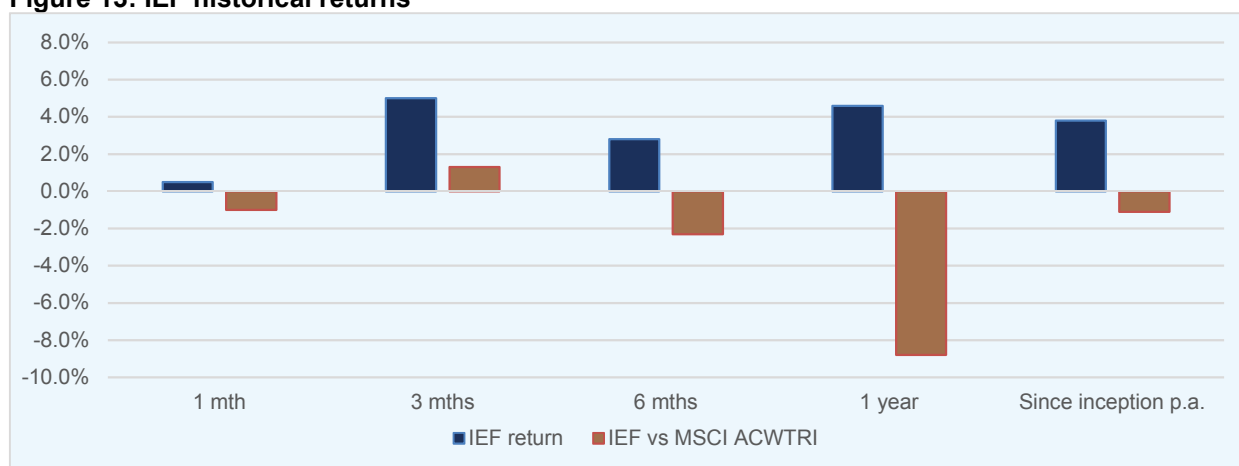
The current PARAPF investment team is led by Antonio Meroni who has over 24 years' experience in financial markets, including 14 years' experience in Asian equities. Antonio is supported in the management of the portfolio by Vikas Kumra, a fund manager with over nine years' experience in the finance industry, as well as, Lee Ann Lee, Jingqing Hong and Vivien Lee who are all based in Pengana's Singapore office.

Pengana International Equities Fund ("IEF")

Established on 1 July 2015, the philosophy of the IEF is based on creating a sufficiently diversified portfolio of highly cash flow generative companies with favourable outlooks that are trading at attractive valuations. After identifying the potential investment candidates, a comprehensive analysis of the company is performed to understand the sustainability of its cash generation. Then, they are divided into three segments in Core, Cyclical or Opportunistic as a guidance on the appropriate weight to be assigned. The objective of the IEF is to obtain returns greater than the MSCI All Country World Total Return Index Net AUD unhedged ("**MSCI ACWI Net AUD unhedged**") and with lower volatility than the index over the medium to long term.

The IEF has a minimum investment of \$25,000 and a management fee of 1.334% per annum (including GST net of RITC). However, unlike the other funds, no performance fees are charged. The historical performance of the IEF as at 28 February 2017 is set out in the figure below:

Figure 13: IEF historical returns



Source: Pengana

As at 28 February 2017, the IEF had \$16 million of FUM. Since inception, it has generated a return of 3.82% per annum. However, this is 1.09% short of the return generated by MSCI ACWI Net AUD unhedged. The minimum suggested timeframe for an investment in the IEF is three years in order to realise the investment objective. The IEF is currently less than two years old. The bulk of the FUM is currently derived from direct high-net-worth investors as the fund has not yet been broadly offered to dealer groups and advisers.

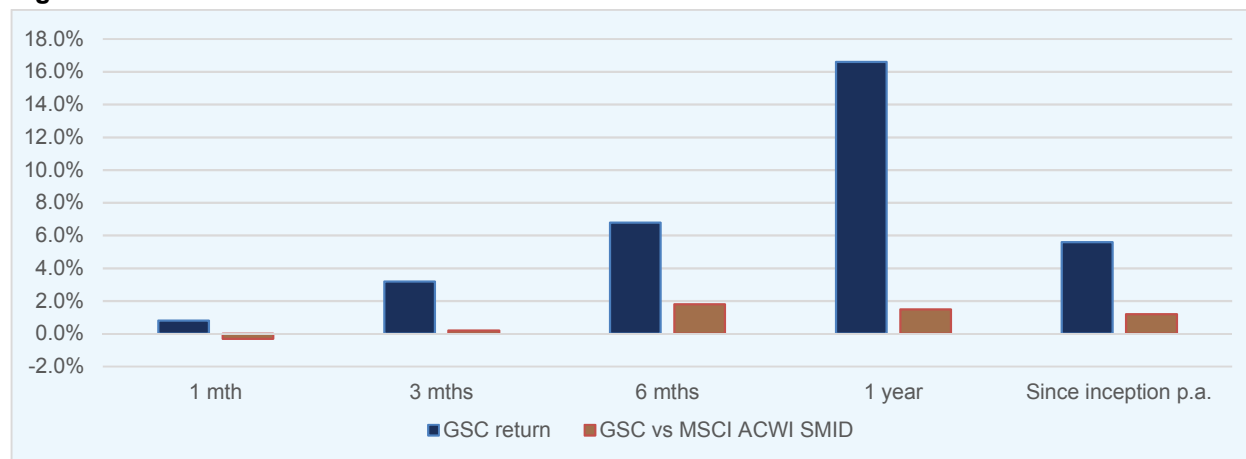
The IEF investment team is led by Jordan Cvetanovski who is also the Chief Investment Officer and has over fourteen years' experience as a portfolio manager and analyst. Jordan is supported in the management of the portfolio by Steven Glass, the Head of Research with over thirteen years' experience as a portfolio manager and equities analyst, Ronald Yu.

Pengana Global Small Companies Fund ("GSC")

Established via a joint-venture with Lizard Investors LLC on 1 April 2015, the philosophy of the GSC is based on the belief that unique investment opportunities and compelling valuations exist in global small to mid-cap stocks due to limited available research, corporate actions or unfavourable investor perception. The objective of the GSC is to obtain returns greater than the MSCI All Country World Index SMID Cap unhedged in Australian dollars ("**MSCI AWI SMID Cap Net AUD unhedged**") over rolling 3 year periods after fees.

The GSC has a minimum investment of \$25,000 and a management fee of 1.334% per annum (inclusive of GST net of RITC). A performance fee of 20.5% (inclusive of GST net of RITC) of any increase in the NAV above the MSCI AWI SMID Cap Net AUD unhedged may be payable half yearly. The historical performance of the GSC as at 28 February 2017 is set out in the figure below:

Figure 14: GSC historical returns



Source: Pengana

As at 28 February 2017, the GSC had \$10 million of FUM. Since inception, it has generated a return of 5.6% per annum, which rewarded investors with 1.2% per annum above the MSCI AWI SMID Cap Net AUD unhedged. The bulk of the total FUM is derived from individuals. However, there are currently 18 dealer groups supporting the fund.

The GSC investment team is led by Leah Zell, who is a recognised expert in international investing, and a pioneer in the international small-cap category. Leah established Lizard in 2008 and is the CIO. Jonathan Moog, David Li and Michael Ryan are responsible for the daily management of the portfolio.

Pengana Asia Special Events (Offshore) Fund and Master Fund ("PASE")

PASE is managed by the same portfolio manager and employs the same investment strategy as the PARAPF. PASE consists of the Pengana Asia Special Events (Offshore) Fund ("**Offshore Fund**") and the Pengana Asia Special Events Master Fund ("**Master Fund**"). The investments for this strategy are held in the Master Fund.

The two funds were incorporated as exempted companies with limited liability under the provisions of the Companies Law (as amended) of the Cayman Islands on 28 May 2008. Each of the Offshore Fund and Master Fund are registered as regulated mutual funds under the Mutual Funds Law. The investment objectives of PASE are as follows:

- ◆ For AUD shares in PASE, the objective is to generate a net annualised return greater than 5% above the RBA Cash Rate Target over a three to five year period with low volatility and low correlation to Asian security markets.
- ◆ For USD shares in PASE, the objective is to generate a net annualised return greater than 5% above the Federal Funds Rate over a three to five year period with low volatility and low correlation to Asian security markets.

The minimum initial subscription amount is US\$250,000 for USD shares and AUD\$250,000 for AUD shares. PASE charges a management fee of 1.5% per annum and a performance fee of 20% of any increase in the NAV.

As at 28 February 2017, PASE had \$20.4 million in FUM with 83% in USD shares.

Pengana International Equities Fund Managed Risk ("PIEFMR")

The fund is a managed risk version of the IEF which was seeded on 22 June 2016. The strategy has been designed for investors who are seeking an investment in global securities but are concerned with the risks and potential events that may cause equity markets to fall. It will be marketed to high-net-worth clients and a select group of boutique dealer groups. An investment in the PIEFMR consists of units in the IEF and a derivative overlay which dynamically reduces the exposure to the market during periods of higher risk and equity market falls. Pengana has appointed Milliman Pty Ltd ("**Milliman**") as a sub-advisor to run the overlay which is effectively comprised of two components:

- ◆ **Volatility management:** Dynamic adjustment of the equity exposure to stabilise portfolio volatility of returns.
- ◆ **Capital protection:** Increase effective cash to reduce losses in severe market declines.

In addition to the investment objective of the IEF, the PIEFMR has an additional objective to stabilise portfolio return volatility, capture growth in up markets and defend against sustained market falls.

The PIEFMR charges a management fee of 1.334% per annum including capped expense recovery amount (including GST net of RITC) and a performance fee of 15.375% (including GST net of RITC) of any percentage increase in the NAV which is greater than the MSCI ACWI Net AUD unhedged after deduction of the capped expense recovery amount and the management fee and adjusted for applications, redemptions and distributions to investors.

As at 28 February 2017, the fund had \$3.5 million of seed capital.

5.5 Key personnel

The investment team is comprised of:

Name	Fund	Title	Tenure (years)	Industry Experience (years)	Prior Experience
Rhett Kessler	AEF	Senior Fund Manager	9	24	IAG Asset Management, UBS Australia, Liberty Asset Management
Anton Du Preez	AEF	Fund Manager	7	20	RMB Fund, PSG Asset Management, ABN Amro
Ed Prendergast	ECF	Senior Fund Manager	12	23	Citigroup, ABN Amro
Steve Black	ECF	Senior Fund Manager	12	21	Goldman Sachs, JBWere
George Mussalli	PanAgora Fund	CIO & Head of Research at PanAgora	17	22	Putnam Investments, John Hancock Funds
Richard Tan	PanAgora Fund	Fund Manager, Director Equity at PanAgora	8	19	Wellington Management, Fidelity Investments, Accenture
Antonio Meroni	PARAPF	Senior Fund Manager	9	26	Rubicon, Antiro Abacus, Credit Suisse, Von Ernst
Vikas Kumra	PARAPF	Fund Manager	8	11	Credit Suisse HOLT division
Jordan Cvetanovski	IEF	CIO & Portfolio Manager	1	16	Carmignac Gestion, Robeco, Platinum, BTIM
Steven Glass	IEF	Head of Research & Portfolio Manager	2	17	Hunter Hall, Tricom, Platinum
Leah Zell, PhD	GSC	CIO at Lizard	8	38	Lehman Brothers, Harris Associates, Columbia Wanger Asset Management, Acorn International Fund, Wanger Asset Management
Jon Moog, CFA	GSC	Portfolio Manager at Lizard	8	14	Brightpoint Capital, Loomis, Sayles & Co

Source: Pengana

The current Senior Management team of Pengana (excluding investment team) comprises of:

Table 12: Pengana Senior Management team

Name and title	Experience
<p>Russel Pillemer Director & CEO</p>	<p>Russel Pillemer co-founded Pengana in 2003 together with Malcolm Turnbull. He has been the company's Chief Executive Officer since inception. Prior to founding Pengana, Russel worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group. Russel was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital.</p>
<p>Damian Crowley Director of Distribution</p>	<p>Damian Crowley is the Director of Distribution for Pengana and has responsibility for all the distribution of Pengana's funds in Australia and offshore across multiple channels and client segments. Damian joined Pengana in July 2011 and has over 25 years' experience in financial services distribution. Prior to joining Pengana, Damian worked at Perpetual Investments for 17 years most recently as General Manager Distribution for the past 12 years.</p>
<p>Nick Griffiths Director & CIO</p>	<p>As Chief Investment Officer, Nick is responsible for manager monitoring, performance analysis and risk management across Pengana's investment strategies. He also chairs the Risk Management Committee and is an Executive Director of Pengana Capital. Nick has more than 20 years' experience in the actuarial and investment industries in the UK and Australia. Prior to his current role, Nick was Head of Investment Research within Aon's Investment Consulting Practice in Sydney.</p>
<p>Katrina Glendinning Director & CFO</p>	<p>Katrina is the Chief Financial Officer of Pengana and has held this role since the inception of the company in 2003. She is an Executive Director of Pengana Capital and is a member of Pengana's Compliance and Risk Committees. Katrina is an experienced financial services executive with over 25 years' experience across a diverse range of products, investors and regulatory regimes. Prior to joining Pengana, Katrina was an Executive Vice President at BT Funds Management (BT) where she held a number of roles and prior to that worked for Price Waterhouse for over nine years specialising in banking and financial services audit.</p>
<p>Adam Myers Executive Director</p>	<p>Adam Myers is an executive director with oversight of strategic initiatives and responsibility for the quantitative and structuring capability within the group. Adam developed an appreciation of market risk during a 15 year career trading equity derivatives, structuring derivative transactions and managing equity derivative traders. Prior to joining Pengana he headed the Equity Derivatives business at Investec Bank in South Africa and the Corporate Equity Structuring function at Investec Bank in Australia.</p>

Source: Pengana

The Board of Directors of Pengana comprises of:

Table 13: Directors of Pengana

Directors	Experience
Robert Barry Chairman	Robert Barry is currently the chairman of Pengana Holdings. He was previously Chairman of Snowy Hydro Limited, Deputy Chairman of AWB Limited and chairman or director of a number of other public and charitable organisations. He has spent 27 years in the investment banking industry. He co-founded the Dominguez & Barry Group and was chief executive of Dominguez Barry Samuel Montagu Limited, a predecessor to UBS Australia. He has had extensive experience in the financial services industry, both in Australia and internationally with three years in London as head of International Capital Markets for the Midland Bank Group.
Warwick Negus Non-executive director	Warwick Negus is a non-executive director at Pengana Holdings. Warwick was previously CEO of Colonial First State Global Asset Management, co-founder of 452 Capital and Managing Director of Goldman Sachs Asset Management.
Jeremy Dunkel Non-executive director	Jeremy Dunkel is a non-executive director at Pengana Holdings, and a director of Taurus Capital, a family office investment consultancy specialising in philanthropy. His accounting and finance experience includes working for Chemical Bank, Chase Manhattan and Price Waterhouse. He is a director of Education Heritage Foundation, and the Moriah College Foundation, as well as the chair of Y2i.
Dean Smorgon Non-executive director	Dean Smorgon is a non-executive director at Pengana Holdings. Dean graduated from Monash University with a Bachelor of Economics degree before commencing his stockbroking career at ANZ McCaughan Securities in 1991. Dean then joined HSBC James Capel in 1996 where he continued to develop his industry knowledge base. Dean later took up the role of senior advisor at ABN AMRO in 1999 and then continued on as Associate Director until 2008 at ABN AMRO Morgans. He has been a Director of Wealth Management at Canaccord Genuity since 2008 and sits on numerous family office boards.
Russel Pillemer Executive director	Refer to Table 12 above.

Source: Pengana

5.6 Financial performance

The audited statements of financial performance for the two years ended 30 June 2015 and 2016, and the reviewed statement of financial performance for the 6 months to 31 December 2016 are set out in the table below.

Table 14: Pengana's financial performance

\$'000	FY15	FY16	6 months to Dec-16
Revenue			
Management fees	16,139	18,846	11,371
Performance fees	27,440	16,505	9,028
Total revenue	43,579	35,351	20,399
Other gains / (losses)			
Share of profits / (losses) of associates accounted for using the equity method	1,599	(746)	426
Net gain / (loss) on financial instruments held at fair value through profit or loss	111	(345)	-
Net changes in fair value of held-for-trading financial assets	(22)	(56)	-
Other revenue / income	428	315	182
Net change in assets attributable to unitholders	-	45	-
Expenses			
Human resources expenses	(9,193)	(9,810)	(4,641)
Team distribution expenses	(17,752)	(13,672)	(8,268)
Fund administration expenses	(2,831)	(2,890)	(1,079)
Distribution expenses	(1,047)	(1,621)	(521)
Occupancy expenses	(1,013)	(953)	(494)
IT and telecommunication expenses	(1,124)	(1,182)	(557)
Marketing, travel and entertainment expenses	(451)	(845)	(392)
Legal, accounting and consulting expenses	(483)	(497)	(199)
Other operating expenses	(406)	(397)	(148)
Loss on disposal of fixed assets	(28)	(4)	-
Total expenses	(34,328)	(31,871)	(16,298)
EBITDA	11,367	2,693	4,709
Depreciation and amortisation	(257)	(203)	(96)
EBIT	11,110	2,490	4,613
Interest income	264	82	43
Finance costs	(921)	(201)	4
Net profit before tax	10,453	2,371	4,660
Income tax expense	(3,206)	(362)	(1,398)
Net profit after tax	7,247	2,009	3,262
Profit for the year attributable to:			
Non-controlling interest	7	23	-
Owners of Pengana Holdings Pty Ltd	7,240	1,986	3,262
	7,247	2,009	3,262
Other financial information			
FUM (average) (\$m)	1,271	1,552	1,942
EBITDA margin	26%	8%	23%
EBIT margin	25%	7%	23%
Revenue (as a % of FUM)	3.43%	2.28%	2.10%
Expenses (as a % of FUM)	2.70%	2.05%	1.68%

Source: Pengana

In relation to the historical financial performance of Pengana set out above, we note the following:

- ◆ Management fees have been experiencing a steady increase over the three years which is consistent with the growth in FUM.
- ◆ Performance fees are dependent on fund performance. The structure of Pengana's fund performance benchmarks results in a higher likelihood of funds achieving those performance hurdles compared to their peers. Pengana is also currently pursuing a strategy of managing non-correlated funds in order to mitigate variations in year-on-year fees. However, the current mix of funds is still heavily concentrated in the two mature Australian Equities and Australian Emerging Companies funds which has resulted in significant fluctuations in performance fees over the period FY15 to December 2016.
- ◆ Share of profits of associates over the period relates to Pengana's equity-accounted investments in PASE, IEF, PIEFMR, PARAPF, GSC, and Pengana Global Resources Fund (now closed). These represent initial investments to provide the funds with a minimum scale.
- ◆ Human resources expenses have increased from FY15 to FY16. This is primarily due to redundancy costs associated with the winding up of the Global Resources Fund.
- ◆ Team distribution expenses represent the profit sharing arrangements with fund managers. Movement in this expense is largely correlated to the profitability of the funds.
- ◆ Fund administration expenses comprise fund direct expenses which are relatively stable and driven by size of FUM and client numbers.
- ◆ Other expenses incurred by Pengana are mainly support and back-office overheads as well as marketing and distribution costs.

In relation to the above, we note that Pengana's statutory profit includes Pengana's share of profits / (losses) in associates, adding to the volatility in statutory profit attributable to fluctuations in performance fees. The following table presents normalised operating results based on unaudited management accounts, excluding profits / (losses) from associates and other minor year-end adjustments.

Table 15: Operating results

\$'000	FY15	FY16	6 months to Dec-16
Revenue			
Management fees	16,353	18,384	11,168
Performance fees	27,604	16,663	9,038
Total revenue	43,957	35,047	20,205
Expenses			
Team distributions and fund-related expenses	(21,085)	(17,114)	(10,159)
Operating expenses	(12,380)	(13,549)	(6,267)
Total expenses	(33,465)	(30,663)	(16,426)
EBITDA	10,492	4,384	3,779
Depreciation and amortisation	(257)	(203)	(96)
EBIT	10,235	4,181	3,683
Other financial information			
FUM (average) (\$m)	1,271	1,552	1,942
EBITDA margin	24%	13%	19%
EBIT margin	23%	12%	18%
Revenue (as a % of FUM)	3.46%	2.26%	2.08%
Expenses (as a % of FUM)	2.63%	1.98%	1.69%

Source: Pengana

5.7 Financial position

The audited statements of financial position as at 30 June 2015 and 2016, and the reviewed statement of financial position as at 31 December 2016 are set out in the table below.

Table 16: Pengana's financial position

\$'000	Jun-15	Jun-16	Dec-16
Current asset			
Cash and cash equivalents	5,958	6,347	6,529
Trade and other receivables	4,977	7,153	2,487
Financial assets at fair value	1,011	3,620	-
Derivative financial instruments	-	29	-
Income tax refund due	-	319	-
Other current assets	365	511	700
Total current assets	12,311	17,979	9,716
Non-current assets			
Other receivables	953	842	842
Investments accounted for using the equity method	22,480	21,726	23,362
Property, plant and equipment	411	314	395
Deferred tax	937	813	810
Loan to shareholders	1,935	1,935	1,882
Total non-current assets	26,716	25,630	27,291
Total assets	39,027	43,609	37,007
Current liabilities			
Trade and other payables	(6,707)	(8,971)	(6,869)
Derivative financial instruments	(2)	(11)	-
Income tax liability	(1,488)	-	(378)
Employee benefits	(451)	(274)	(274)
Total current liabilities	(8,648)	(9,256)	(7,522)
Non-current liabilities			
Security deposits held	(71)	(18)	-
Employee benefits	(303)	(240)	(240)
Total non-current liabilities	(374)	(258)	(240)
Total liabilities	(9,022)	(9,514)	(7,761)
Net assets	30,005	34,095	29,246

Source: Pengana

Note: The audited statement of financial position as at 30 June 2016 recognised "Net assets attributable to unitholders" as a liability. We have restated net assets as at 30 June 2016 by including "Net assets attributable to unitholders" in equity as it is the "minority" interest that non-controlling unitholders have in funds which have been consolidated by Pengana.

In relation to the historical financial position of Pengana set out above, we note the following:

- ◆ Pengana is required to maintain a minimum balance of \$5 million in regulatory capital under the terms of its Australian Financial Services Licence ("AFSL"). Of this, half is to be held in cash or "cash-like" items while the remainder can be held in other forms of liquid assets.
- ◆ Trade and other receivables consist mainly of trade receivables and accrued income which relate to management and performance fees. The increase in receivables in FY16 was largely driven by a redeemed investment in the PanAgora Fund.
- ◆ Financial assets at fair value comprise listed shares held for trading.
- ◆ Pengana's equity-accounted investments consist of initial investments in its own funds.
- ◆ Loans to shareholders are made to assist senior management and fund managers in acquiring equity. These loans do not have a set repayment schedule. Interest on these loans is minimal.
- ◆ Borrowings of \$11.7 million were repaid during FY15. These borrowings mainly related to a bank loan drawn to invest in the Pengana Absolute Return Asia Pacific Fund.

On 1 and 3 March 2017, the CEO and key executives were provided with limited recourse loans totalling \$27.2 million to purchase shares in Pengana under a loan-funded employee share plan. Under this arrangement, the key executives were issued 58,075 new shares which vest after five years of continuous service and the CEO received 132,040 shares with different vesting conditions including listing on the ASX or another exchange. These CEO shares were transferred from other holders.

In the following table, we have presented the unaudited balance sheet as at 28 February 2017 with proforma adjustments for the effects of Pengana's share buyback (as part of the loan-funded employee share plan), repayments of shareholder loans and a dividend payment.

Table 17: Proforma balance sheet (Feb 2017)

\$'000	Actual Feb-17	Proforma adjustments	Proforma Feb-17
Current asset			
Cash and cash equivalents	23,911	(18,469)	5,441
Trade and other receivables	2,191	-	2,191
Income tax refund due	237	-	237
Other current assets	1,147	-	1,147
Total current assets	27,485	(18,469)	9,016
Non-current assets			
Other receivables	442	-	442
Investments	3,479	-	3,479
Property, plant and equipment	378	-	378
Deferred tax	810	-	810
Loan to shareholders	2,282	(466)	1,816
Total non-current assets	7,390	(466)	6,925
Total assets	34,875	(18,935)	15,940
Liabilities			
Trade and other payables	(4,318)	30	(4,288)
Employee benefits	(240)	-	(240)
Total liabilities	(4,557)	30	(4,528)
Net assets	30,318	(18,905)	11,413

Source: Pengana

In relation to the above proforma balance sheet, we note that:

- ◆ The significant reduction in net assets is a result of the issue and transfer of employee shares under the loan-funded employee share plan funded through a redemption of units in two funds.
- ◆ The limited recourse loans are not recognised on the balance sheet for accounting purposes as the loans and their related shares effectively provide employees with an option to purchase shares in Pengana for the loan amount. In substance, these arrangements represent share options and they have been treated as such for accounting.

5.8 Capital structure and shareholders

As at 10 April 2017, Pengana had a total of 616,816 ordinary shares on issue (including the 190,115 shares issued or transferred to executives and the CEO under the employee share plan). There were no other options, convertible notes or other potential shares. The following table sets out details of Pengana's substantial shareholders as at that date:

Table 18: Pengana's substantial shareholders

Shareholder	Shares held	% total shares
Washington H Soul Pattinson and Company Limited	226,076	36.7%
Russel Craig Pillemer	218,140	35.4%
Other shareholders	172,600	28.0%
Total	616,816	100.0%

Source: Pengana

Note: WHSP acquired its stake in Pengana from NAB on 1 March 2017.

6 PROFILE OF PROPOSED MERGED ENTITY

6.1 Introduction

The Proposed Merged Entity will consist of the integrated Hunter Hall and Pengana following the Proposed Transaction. It will remain listed on the ASX and it is proposed that the entity will be renamed Pengana Capital Group. A significant amount of cost synergies, which represent a key part of the strategic rationale for the transaction, are expected to be realised through the merger. These synergies originate from streamlining of front and back office operations, occupancy costs, marketing / distribution and process improvements.

The merger is also expected to be highly complementary with significant economies of scale due to an increase in total FUM to approximately \$3 billion and expansion of existing distribution capabilities. The merged entity will maintain the current Hunter Hall ethical screen for Hunter Hall's funds and it is proposed that the ethical screen will be applied to the Proposed Merged Entity's international fund strategies going forward.

6.2 Funds and ratings

The main funds which will be managed by the Proposed Merged Entity with their current ratings are as follows.

Table 19: Hunter Hall fund ratings

Fund	FUM (\$'m)	Lonsec	Mercer	Morningstar	IIR
VGT	452	Sell	B, ESG2	Negative	n/a
HHV	308	Sell	n/a	Negative	Under Review
GET	82	Sell	B, ESG2	n/a	n/a
HCT	43	n/a	n/a	n/a	n/a
AVT	32	Sell	B, ESG2	n/a	n/a
GDG	5	n/a	n/a	n/a	n/a

Source: Hunter Hall

Table 20: Pengana fund ratings

Fund	FUM (\$'m)	Lonsec	Mercer	Morningstar	SQM	Zenith
AEF	1,210	Recommended	B+	n/a	n/a	Recommended
ECF	739	Highly Recommended	A-	Silver	n/a	Recommended
PanAgora Fund	116	Investment Grade	n/a	n/a	n/a	Recommended
PARAPF	49	Investment Grade	B+	n/a	Superior	Approved
IEF	16	n/a	n/a	n/a	Favourable	n/a
GSC	10	Recommended	n/a	n/a	Superior	Approved

Source: Pengana

Detailed descriptions of these funds are provided in Sections 4 and 5 respectively.

6.3 Key personnel

The proposed Board of Directors of the Proposed Merged Entity will consist of six directors as follows:

Figure 15: Directors of Proposed Merged Entity

Directors	Description
Warwick Negus Chairman	Former CEO of Colonial First State Global Asset Management, co-founder of 452 Capital and Managing Director of Goldman Sachs Asset Management
Russel Pillemer CEO	Founder and Managing Director of Pengana and second largest Pengana shareholder
Kevin Eley	Current Hunter Hall Chairman
David Groves	Current Hunter Hall Board member
Robert Barry	Current Pengana Chairman and co-founder of Dominguez & Barry. Former CEO of Dominguez Barry Samuel Montagu Limited
Jeremy Dunkel	Founding Director of Pengana

6.4 Post-merger capital structure

The following table summarises the major shareholdings in the Proposed Merged Entity after acquisition:

Figure 16: Proposed Merged Entity substantial shareholding

Shareholder	Shares held	% total shares
Washington H Soul Pattinson and Company Limited	39,827,865	39.2%
Russel Craig Pillemer	26,222,572	25.8%
Other shareholders	35,426,551	34.9%
Total	101,476,988	100.0%

Source: Hunter Hall and Pengana

6.5 Proforma financial performance

Proforma statements of financial performance have not been prepared. Thus, we have not presented this information.

6.6 Proforma financial position

The historical statements of financial position for Hunter Hall and Pengana as at 31 December 2016 have been presented on a proforma, combined basis in the following table:

\$'000	Pengana Dec-16	Hunter Hall Dec-16	Proforma adjustments	Proposed Merged Entity
Current assets				
Cash and cash equivalents	6,529	16,809	(4,200)	19,138
Trade and other receivables	2,487	3,716	-	6,203
Financial assets at fair value	-	278	-	278
Other current assets	700	-	-	700
Total current assets	9,716	20,803	(4,200)	26,319
Non-current assets				
Other receivables	842	-	-	842
Investments accounted for using the equity method	23,362	-	(18,900)	4,462
Financial assets	-	42,848	-	42,848
Property, plant and equipment	395	313	-	708
Deferred tax assets	810	573	-	1,383
Loan to shareholders	1,882	-	-	1,882
Intangible assets	-	151	47,556	47,707
Total non-current assets	27,291	43,885	28,656	99,832
Total assets	37,007	64,688	24,456	126,151
Current liabilities				
Trade and other payables	(6,869)	(2,286)	-	(9,155)
Income tax liability	(378)	(296)	-	(674)
Employee benefits	(274)	-	-	(274)
Short term provisions	-	(787)	-	(787)
Total current liabilities	(7,522)	(3,369)	-	(10,891)
Non-current liabilities				
Employee benefits	(240)	-	-	(240)
Long term provisions	-	(325)	-	(325)
Deferred tax liabilities	-	(173)	-	(173)
Total non-current liabilities	(240)	(498)	-	(738)
Total liabilities	(7,761)	(3,867)	-	(11,628)
Net assets	29,246	60,821	24,456	114,523

Source: Hunter Hall and Pengana

Note: The above Hunter Hall statement of financial position as at 31 December 2016 includes the effects of seeded fund consolidation which we have excluded from the statements of financial position presented in Section 4.6.

The above proforma adjustments relate to:

- ◆ Transaction costs of \$4.2 million relating to the Proposed Transaction.
- ◆ Reduction in net assets as a result of the loan-funded employee share plan discussed in Section 5.7 (funded through redemption of units in two funds).
- ◆ Provisional accounting entries relating to the intangible assets acquired as part of the Proposed Transaction.

7 VALUATION METHODOLOGY

7.1 Available valuation methodologies

To estimate the fair market value of Hunter Hall and the Proposed Merged Entity we have considered common market practice and the valuation methodologies recommended in RG111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied, at least as a secondary cross-check to a primary method. The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

7.2 Selected methodology – Hunter Hall

In selecting an appropriate valuation methodology to value Hunter Hall, we have considered the following factors:

- ◆ Hunter Hall is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset approach is not appropriate.
- ◆ Due to the recent departure of Peter Hall and the expectation of FUM outflows for Hunter Hall in the short to medium term, there are a limited number of listed companies with businesses that are directly comparable to Hunter Hall as the earnings of other listed investment management businesses are unlikely to include an expectation of significant FUM outflows. This limits the reliability of the capitalisation of earnings approach.
- ◆ Hunter Hall has experienced a significant change in its business recently with the retirement of founder and Chief Investment Officer, Peter Hall. The potential impact of this change (in the form of potential loss in FUM and consequent impact on revenue and earnings) in the short to medium term can be best estimated using a discounted cash flow analysis.

Accordingly, we are of the opinion that the most appropriate methodology to value Hunter Hall is the discounted cash flow method with a capitalisation of earnings and analysis of share market trading as cross-checks.

7.3 Selected methodology – Proposed Merged Entity

In selecting an appropriate valuation methodology to value the Proposed Merged Entity we have considered the following factors:

- ◆ While it would be possible to assess the value of the Proposed Merged Entity by aggregating an assessed value for Pengana with our assessed value Hunter Hall, this approach would not reliably capture estimated synergies, transaction costs, diversification and scale benefits of the merged business. Thus, we believe it is appropriate to value the Proposed Merged Entity as a single combined business.
- ◆ The Proposed Merged Entity would not be an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset approach is not appropriate.
- ◆ There are a limited number of listed companies with businesses that are directly comparable to the Proposed Merged Entity for the reasons discussed above. This limits the reliability of the capitalisation of earnings approach.
- ◆ The uncertainty surrounding FUM outflows for Hunter Hall and the strong FUM inflows projected for Pengana are both best captured with a discounted cash flow analysis.

- ◆ A detailed financial model has been prepared for Pengana. This can be aggregated with the cash flow model for Hunter Hall, with adjustments made for expected synergies and transaction costs, to derive a cash flow model for the Proposed Merged Entity. This aggregated model provides a reasonable basis for a discounted cash flow analysis.
- ◆ Proposed Merged Entity shares do not currently exist, thus market trading cannot be directly observed. However, to the extent that the market expects the Proposed Transaction to complete, market trading in Hunter Hall shares after the Proposed Transaction was announced may give an indication of the market's assessment of the value per share of the Proposed Merged Entity.

While the recent acquisition of a significant stake in Pengana by WHSP could be used as a cross-check to the reasonableness of the valuation of Pengana as part of the Proposed Merged Entity, there are a number of problems with this approach including:

- ◆ Due to confidentiality restrictions, we are unable to disclose any details of the transaction, thus any analysis we undertook could not be presented in our report.
- ◆ We understand there were certain constraints affecting the transaction, that may have affected the price paid. Thus, the price is unlikely to be representative of a fair market value. We are unable to provide further details of these constraints for confidentiality reasons.
- ◆ The Pengana shares acquired by WHSP were a minority position in an unlisted company. Such holdings generally trade at lower prices than listed company shares due to investors' preference for liquidity. This difference is referred to as a discount for lack of marketability and can typically range from 10% to 40%.

Accordingly, we are of the opinion that the most appropriate methodology to value the Proposed Merged Entity is the discounted cash flow method with a capitalisation of earnings and analysis of share market trading in Hunter Hall shares post announcement of the Proposed Transaction as cross-checks.

8 VALUATION OF HUNTER HALL

8.1 Background

We have assessed the fair market value of Hunter Hall using the discounted cash flow method, with cross-checks by reference to the capitalisation of earnings method and an analysis of recent share marketing trading in Hunter Hall shares. This assessment has been made on a control basis which is consistent with our treatment of the Proposed Transaction as a takeover offer as Pengana's shareholders are seeking to acquire control of Hunter Hall via the Proposed Transaction.

8.2 Discounted cash flow

In order to determine the value of a Hunter Hall share on a control basis using the discounted cash flow method, we have considered the following:

- ◆ An analysis of projected cash flows
- ◆ The determination of an appropriate discount rate
- ◆ The determination of a terminal value beyond the projected cash flow period
- ◆ The value of any surplus assets
- ◆ The value of non-operating liabilities
- ◆ The level of surplus cash held

These are discussed below.

8.2.1 Projected cash flows

We have been provided with a detailed financial forecast for the period from March 2017 to FY19 prepared by Hunter Hall's management. This forecast has been reviewed by the board of Hunter Hall. We have discussed the assumptions behind the forecast with Hunter Hall's management and considered the risks associated with achieving the forecast in order to assess the likelihood of the forecast being achieved. In particular, we have considered the following key drivers of the Hunter Hall business:

- ◆ Likely future FUM flows particularly in light of the recent resignation of Peter Hall and current performance of the funds
- ◆ Fund performance over the forecast period
- ◆ The terms of the IMA for HHV and the likelihood of these management rights being terminated or otherwise impacted prior to the expiry of the IMA in 2029

In our previous report, dated 1 February 2017 in relation to the Takeover Offer from WHSP, we included three potential cash flow scenarios due to the significant uncertainties facing Hunter Hall. As a result of the HHV shareholder meeting rejecting the board appointments proposed by WAM, a significant uncertainty for Hunter Hall has been removed. We have therefore adopted a single scenario representing our best assessment of the future cash flows for Hunter Hall. The key assumptions are set out below.

Revenue

Hunter Hall generates revenue based on FUM multiplied by the relevant management fee for each fund. FUM is calculated based on the following:

	Opening FUM
<i>Plus</i>	Net FUM flows
<i>Less</i>	Distributions
<i>Plus</i>	Net performance growth
<i>Equals</i>	Closing FUM

In respect of management's FUM assumptions we note:

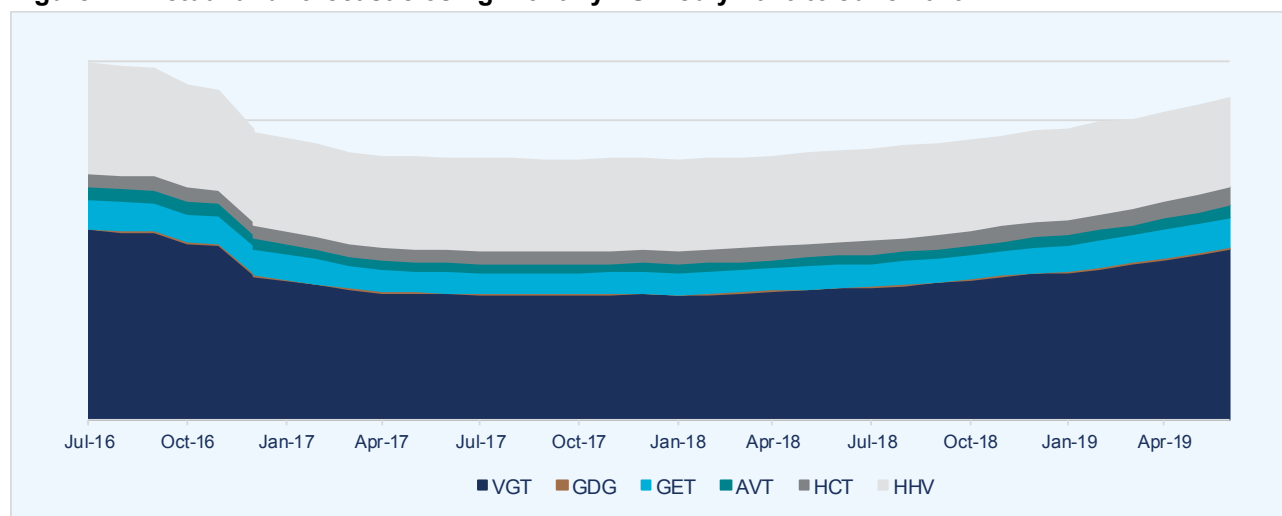
Table 21: FUM Assumptions

Assumption	Leadenhall comment
<p>Inflows / outflows</p> <p>There has been some loss in FUM since Peter Hall announced his resignation and intention to sell his shareholding in Hunter Hall to WHSP.</p> <p>Management have assumed that most investors who would be influenced by the departure of Peter Hall would have acted quickly in redeeming their investments. To date, FUM outflows were the highest in January 2017 with a slight decline in outflows in February 2017. FUM outflows beyond February 2017 are forecast to gradually move to a modest net monthly inflow position after 10 months.</p> <p>We have not presented the precise assumptions adopted due to the commercially sensitive nature of this information.</p>	<p>We do not consider the FUM assumptions adopted by Hunter Hall management beyond February 2017 to be unreasonable due to the following factors:</p> <ul style="list-style-type: none"> While actual FUM outflows to date have been slightly higher than expected, mainly due to higher than anticipated outflows in February 2017, the difference has been small at approximately \$11 million out of total FUM of \$923 million. The experienced investment team remaining at Hunter Hall. The interim Chief Investment Officer, James McDonald has been working with Peter Hall as the Deputy Chief Investment Officer for a number of years and has a deep understanding of the funds managed by Hunter Hall and its investment philosophy. We understand that James is well known by investors and has been heavily involved in marketing and investor presentation activities in the past. This, along with the stability of the rest of the Hunter Hall investment team should provide some reassurance to investors regarding the future of Hunter Hall. A number of the major ratings agencies had hold or sell positions on Hunter Hall funds prior to the resignation of Peter Hall with two subsequent ratings downgrades in January 2017. These downgrades resulted in an increase in outflows in early February but have been on a downward trend since. It is unlikely that any further downgrades would have a significant impact on the investment decisions of dealers with research coverage. None of the funds have any significant individual or institutional investors that would result in a large drop in FUM if they withdrew their investment. Furthermore, the composition of FUM is primarily retail investors that tend to be more sticky relative to larger institutional investors. <p>Overall management assumptions beyond February 2017 do not appear unreasonable.</p>

Assumption	Leadenhall comment
<p>HHV</p> <p>The existing IMA with HHV has approximately 12 years remaining. Upon the expiration of the existing agreement a new agreement would need to be negotiated.</p> <p>Management have assumed that HHIML is retained as the investment manager of HHV indefinitely through continuing renewals of the IMA and that there is no buy-back undertaken by HHV.</p>	<p>We do not consider the assumptions in respect of the IMA for HHV adopted by Hunter Hall management to be unreasonable due to the following factors:</p> <ul style="list-style-type: none"> ◆ We consider it reasonable to assume that HHIML is retained as the investment manager for HHV for the duration of the IMA due to the protection of HHIML's role afforded by the IMA as discussed in Section 4.3. ◆ Given the cost and uncertainty involved with appointing a new investment manager (in particular one with a similar investment strategy), and in the absence of any information to the contrary, we have also assumed the IMA is renewed at the end of its term on similar terms to the current arrangement.
<p>Fund performance</p> <p>Annualised performance of 2.5% is forecast across all funds for FY17, increasing to 5% thereafter.</p> <p>The long-term assumption of 5% per annum is based on Hunter Hall's long term average return on the largest two funds over the past ten years.</p> <p>The assumed performance is lower in FY17 due to relatively high cash weightings and the potential liquidation of the more illiquid positions across the portfolio.</p>	<p>We do not consider the assumptions in respect of fund performance to be unreasonable due to the following factors:</p> <ul style="list-style-type: none"> ◆ The long-term assumption of 5% per annum is consistent with the average return on the largest two funds over the past ten years. ◆ Portfolio composition, in particular the relative high cash weighting at the moment, coupled with the existing low-interest rate environment will continue drag on returns in the short-term. <p>We also note that once gains are realised, they are paid out as distributions, thus this assumption needs to be considered in conjunction with the distribution assumption discussed below. Thus, alternative assumptions for fund performance do not have a significant impact on the valuation conclusion.</p>
<p>Distributions</p> <p>Distributions (dividends in the case of HHV) are paid twice annually and increase over the forecast period as performance is forecast to improve.</p>	<p>We do not consider the assumptions in respect of distributions to be unreasonable due to the following factors:</p> <ul style="list-style-type: none"> ◆ Distributions are projected to exceed market growth, thus overall reducing FUM before the impact of inflows. This is projected in the near term due to a level of unrealised gains in the portfolios managed by Hunter Hall and is therefore not unreasonable.

The figure below sets out forecast closing monthly FUM, based on the assumptions described above.

Figure 17: Actual and forecast closing monthly FUM July 2016 to June 2019



Source: Hunter Hall and Leadenhall analysis

To calculate revenue, the average FUM is multiplied by the management fee for each fund, net of non-rebateable GST. The management fee for each fund is set out in Table 5. We consider that, despite the potential for fee compression over the longer term, it is reasonable to assume flat management fees given Hunter Hall's specialist investment strategy and level of retail investment which is likely to result in less investor fee sensitivity.

We have assumed average semi-annual performance fees of 0.1% of FUM based on an analysis of historical performance fees received. We note there will be periods in which no such fees are earned, but over time there is equal likelihood they will be achieved compared to past performance.

Operating expenses

In respect of the operating expense assumptions we note:

- ◆ FY17 operating expense assumptions are based on the second half of the Hunter Hall FY17 budget. FY17 expenses are largely in line with previous years.
- ◆ January and February 2017 operating expenses are, in large part, tracking against budget with minor positive and negative differences to budget generally offsetting each other.
- ◆ Hunter Hall are in the process of closing their London office and expect that this will be complete by May 2017.
- ◆ FY18 expenses are expected to be in line with FY17 after taking into account cost savings from the closure of the London office and 3.0% growth is assumed on the majority of expenses in FY19.
- ◆ Staff incentives are linked to operating profit and are in line with agreed parameters.
- ◆ Charitable donations have been forecast as a percentage of operating profit in line with historical actuals.

We have excluded projected corporate costs (which include listing costs and directors' fees) of \$0.2 million in FY17 and \$0.4 million in FY18 with these synergies forecast to grow at 3.0% per annum beyond FY18. These costs have been excluded from our analysis as we consider that most potential acquirers could achieve this level of synergies.

Based on our review of the projected expenses and discussions with management nothing has to come to our attention to indicate the expense projections are not reasonable.

Capital expenditure

Hunter Hall is not a capital intensive business and therefore requires a low level of capital expenditure. We have assumed capital expenditure approximates depreciation.

Working Capital

Hunter Hall collects management fees on a monthly basis and has limited accounts payable. As such it operates with a negligible working capital balance. Therefore, projected movements in working capital are insignificant.

Tax

We have applied tax at the Australian corporate tax rate of 30%.

Reasonableness of assumptions

While we have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information, we have undertaken a detailed review of the forecasts prepared by management and have discussed the key assumptions with management. Based on this analysis we consider these assumptions to be reasonable for the purposes of our analysis.

8.2.2 Discount rate

We have applied a discount rate of between 11.5% and 12.5% (nominal, post-tax, WACC) to the projected cash flows. We calculated the discount using the capital asset pricing model based on the assumptions set out in Appendix 3.

8.2.3 Terminal value

The terminal value represents the value of the cash flows beyond the forecast period. Terminal values are commonly calculated based on the expected long-term growth rate of future cash flows. We have used a terminal growth rate of 3.0% which we consider is a reasonable estimate of long term growth in cash flows after considering industry prospects, in particular in relation to superannuation and greater social awareness of investors, and the impact of distribution of capital gains.

8.2.4 Surplus assets

Surplus assets are assets owned by an entity that are not required to generate the earnings of its business. This could be investments, unused plant and equipment held for resale, or any other asset that is not required to run the operating business. It is necessary to ensure that any income from surplus assets (e.g. rent / dividends) is excluded from the business value.

We have identified the following surplus assets owned by Hunter Hall.

Table 22: Surplus assets

Surplus Asset	\$'000
Investment in HCT	12,004
Investment in HHV	7,796
Units in managed funds	23
Total surplus assets	19,823

Source: Hunter Hall and Leadenhall analysis

A brief summary of each of the identified surplus assets is provided below.

Investment in HCT

As at 31 March 2017, Hunter Hall held 4.0 million units in HCT and the redemption price on this date was \$2.988, resulting in a current market value of \$12.0 million.

Investment in HHV

As at 31 March 2017, Hunter Hall held 6.4 million shares in HHV and the closing price on this date was \$1.23, resulting in a current market value of \$7.8 million.

Units in managed Funds

Hunter Hall holds units in a small number of other managed funds. Management have advised that any unrealised gains on this investment would be immaterial and as such we have included these investments at cost in our analysis.

8.2.5 Non-operating liabilities

Non-operating liabilities are liabilities that are not related to the ongoing business operations, although they may relate to previous business activities, for example legal claims against the entity.

Hunter Hall is expected to incur extraordinary expenses of approximately \$3.7 million in relation to the proposed merger with Pengana. Of this, \$1.3 million is contingent on completion of the transaction. We note that a break fee of \$800,000 would likely be payable by Hunter Hall in the event that the Proposed Transaction is not approved by Shareholders. For the purposes of our analysis, we have included the break fee and excluded contingent costs from this estimate of extraordinary expenses which equates to \$3.2 million of non-operating liabilities.

8.2.6 Surplus cash

As at 31 March 2017, Hunter Hall had a cash balance of \$9.1 million and no borrowings. Management have advised that there has been no material change in the cash balance since 31 March 2017.

8.2.7 Discounted cash flow summary

Based on the preceding analysis, the assessed value is as set out in the table below.

Table 23: Discounted cash flow summary (\$'000)

Description	Low	High
Present value of projected cash flows	36,281	38,130
Terminal value	16,736	20,966
Enterprise value on a control basis	53,017	59,096
Surplus assets	19,823	19,823
Non-operating liabilities	(3,200)	(3,200)
Net cash	9,124	9,124
Equity value on a control basis	78,764	84,843
Number of share on issue	27,330	27,330
Equity value per share (\$)	2.88	3.10

Source: Leadenhall analysis

Based on the analysis above, we have assessed the value of a Hunter Hall share to be in the range of \$2.90 to \$3.10 on a control basis.

8.3 Capitalisation of earnings

As a cross-check of our valuation, we have conducted a capitalisation of future maintainable earnings analysis. To do so, we have calculated the EBITDA, EBIT and PE multiples and the enterprise value as a percentage of FUM implied by our assessed valuation range and compared this to the same metrics of comparable listed companies. The metrics implied by our preferred valuation range are set out in the table below.

Table 24: Implied multiples

	Historical		FY17 Forecast		FY18 Forecast	
	Low	High	Low	High	Low	High
Implied EBITDA multiple (adjusted)	6.1x	6.8x	7.3x	8.1x	7.9x	8.9x
Implied EBIT multiple (adjusted)	6.3x	7.0x	7.5x	8.4x	8.2x	9.1x
Implied PE multiple (adjusted)	9.0x	10.0x	10.7x	12.0x	11.7x	13.0x
Implied % of FUM	4.9%	5.4%	5.4%	6.0%	5.2%	5.8%

Source: Leadenhall analysis

Notes:

1. The FY17 forecast multiples are based on actual earnings for the eight months to February 2017 and forecast earnings for four months for the period from March 2017 to June 2017
2. The adjusted multiples are based on earning excluding distributions from investments or interest income and our assessed values excluding surplus assets and cash

The adjusted EBITDA and EBIT multiples exclude realised gains on investments and dividends received in FY16. As these amounts are not included in our forecasts, and may not be included in the earnings of comparable companies, the adjusted multiples provide a better basis for comparison.

To cross-check the assessed multiple, we have identified multiples implied by market trading prices of public companies with similar businesses to Hunter Hall, and compared these implied multiples to those calculated for Hunter Hall in the table above. It should be noted that the multiples set out below are based on market trading and consequently do not include the impact of a control premium.

Table 25: Comparable company market trading multiples

Company	Market Cap (\$'m)	EV/FUM (historical)	EBITDA multiple			EBIT multiple			PE multiple		
			1YH	Current	1YF	1YH	Current	1YF	1YH	Current	1YF
Hunter Hall (assessed value)	70.5	5.7%	6.5x	7.7x	8.4x	6.6x	7.9x	8.7x	9.5x	11.3x	12.4x
Diversified											
Magellan Financial Group	4,093.7	8.1%	14.6x	15.2x	12.8x	14.6x	15.2x	12.6x	20.6x	21.4x	17.8x
BT Investment Management	3,082.8	2.7%	11.2x	11.7x	9.7x	11.8x	11.9x	9.9x	21.7x	20.1x	16.7x
Platinum Asset Management	2,968.6	11.7%	9.7x	10.6x	10.7x	9.7x	10.6x	10.8x	14.9x	16.5x	16.7x
IOOF Holdings	2,500.1	2.3%	8.1x	10.6x	10.0x	9.7x	11.6x	10.8x	12.5x	16.0x	15.1x
Perpetual	2,444.2	6.9%	11.2x	10.4x	9.7x	12.2x	11.6x	10.8x	18.5x	18.5x	17.3x
Average		6.3%	10.9x	11.7x	10.6x	11.6x	12.2x	11.0x	17.6x	18.5x	16.7x
Median		6.9%	11.2x	10.6x	10.0x	11.8x	11.6x	10.8x	18.5x	18.5x	16.7x
Boutique and specialised											
HFA Holdings	327.5	2.3%	7.0x	7.1x	6.5x	8.6x	7.3x	6.6x	17.2x	14.0x	12.5x
Fiducian Group	128.2	n/a	12.4x	10.3x	9.0x	12.5x	11.7x	10.0x	22.0x	17.3x	14.5x
Australian Ethical Investment	104.6	5.0%	19.8x	n/a	n/a	20.6x	n/a	n/a	34.8x	n/a	n/a
K2 Asset Management	84.1	12.0%	13.7x	12.1x	6.5x	13.8x	12.2x	6.5x	22.0x	18.6x	10.2x
Average		6.4%	13.2x	9.8x	7.3x	13.9x	10.4x	7.7x	24.0x	16.6x	12.4x
Median		5.0%	13.0x	10.3x	6.5x	13.2x	11.7x	6.6x	22.0x	17.3x	12.5x

Source: FactSet (as at 20 March 2017), ASX announcements and Leadenhall analysis

Note: We also considered Pacific Current Group as a comparable company, however recent poor performance resulted in trading multiples that were not meaningful for the purposes of our analysis.

The adjusted implied multiples and EV/FUM % for Hunter Hall are significantly lower than the average and median multiples observed for comparable companies. The primary driver of this difference is the assumption of FUM outflows for Hunter Hall which is not reflected in the market multiples of comparable companies. This is to some extent offset by the implied control premium included in our valuation of Hunter Hall.

Of the above companies, the boutique and specialised funds management companies are more similar to Hunter Hall in terms of both market capitalisation and size of FUM. We note that Australian Ethical Investment ("AEI") historical multiples are significantly higher than Hunter Hall and other comparable companies. This can be attributed to recent operational growth as well as an extraordinary downward adjustment to earnings in the June 2016 financial year due to a provision for remediation of superannuation members for errors in unit pricing. These errors do not appear to have affected the company's growth with strong FUM inflows continuing. Excluding these extraordinary costs, the implied historical EBITDA, EBIT and PE multiples for AEI are 16.6x, 17.2x and 26.8x respectively.

In contrast to Hunter Hall's forecast FUM losses, we note that K2 Asset Management ("K2") is expected to grow significantly and AEI has recently had strong earnings performance and growth. This results in a significant disparity between the multiples for Hunter Hall and these companies.

The Fiducian Group, on the other hand, is a more diversified business providing a combination of financial planning, platform administration and funds management services. All things being equal, more diversified businesses tend to attract higher multiples.

Hunter Hall's implied multiples are closer to HFA Holdings. Earnings growth for HFA Holdings is forecast to be more moderate with revenue growth expected to be relatively low. Thus, we consider the relatively low multiples implied by our valuation of Hunter Hall to be reasonable given the forecast FUM losses for Hunter Hall.

We have not identified any control transactions involving suitably comparable businesses for which there is sufficient publicly available information to calculate the relevant multiples for comparison purposes.

8.4 Analysis of share trading

Market trading in Hunter Hall shares since the announcement of Peter Hall's resignation and up to the announcement of the Proposed Transaction provides an indication of the market's assessment of the current value of Hunter Hall on a minority basis. We have presented an analysis of recent trading in Hunter Hall's shares in Section 4.8 above. When assessing market trading it is necessary to consider whether the market is informed and liquid. In this regard we note:

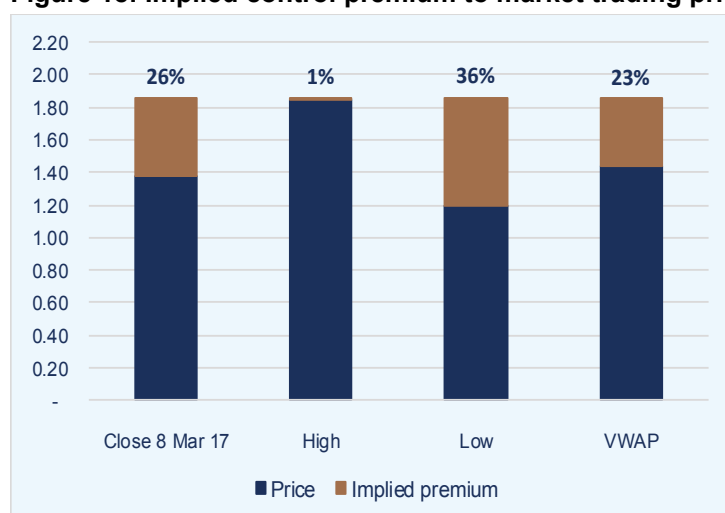
- ◆ As our valuation analysis takes into account the impact of Mr Hall's resignation, in particular in relation to FUM outflows, we do not consider that it is appropriate to include an analysis of Hunter Hall's share price prior to the announcement of Peter Hall's resignation on 30 December 2016.
- ◆ Hunter Hall shares are fairly tightly held reducing the number of shares available for market trading. Daily values traded are often under \$100,000. This level is below the level at which large institutional investors may wish to invest and may be seen as a deterrent for other significant investors.
- ◆ Hunter Hall has continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably well informed about its activities.

As a result of these factors we consider the market trading to be reasonably well informed and moderately liquid. We have therefore undertaken only a high level analysis of share market trading, by assessing the level of control premium implied by our valuation range compared to Hunter Hall's share price since the announcement of Mr Hall's resignation.

In addition, we have excluded the impact of Mr Hall's sale of a 19.9% stake to WHSP on 3 January 2017 from our analysis below.

The figure below sets out the control premium implied by the mid-point of our valuation range. In conducting this analysis we have removed the value of cash, surplus assets and net debt (\$1.04 per share) from the share price and our assessed value as these do not relate to the operating business and as such a purchaser is unlikely to pay a premium for these assets.

Figure 18: Implied control premium to market trading prices



Hunter Hall's closing share price on 8 March 2017 was \$2.42. The volume VWAP over the period 4 January 2017 to 8 March 2017 was \$2.47. Over the same period the highest closing price was \$2.88 on 17 January 2017 and the lowest closing price was \$2.23 on 24 January 2017. After adjusting for the value of cash and surplus assets, this results in an implied control premium over the mid-point of our assessed valuation range of between 1% on the highest observed price, 36% on the lowest observed price, 23% on the VWAP and 26% on 8 March 2017 closing price.

Source: FactSet and Leadenhall analysis

The generally observed range for control premiums is between 20% to 40%. In addition, the average control premium observed for transactions in the finance sector in Australia between 2005 and 2015 was 35%. Further information on observed control premiums is included in Appendix 5.

The control premium implied by our assessed value of a Hunter Hall share appears to be at the lower end of the generally observed range. However, we do not consider this to be unreasonable given the current uncertainty surrounding the business. Furthermore, there have been multiple takeover offers from WHSP and Pinnacle since the announcement of Peter Hall's resignation. Thus, it is possible that the market was pricing in other potential takeover offers and therefore an element of the share price movement between Peter Hall's resignation and the announcement of the Proposed Transaction is likely to be attributed to a control premium.

8.5 Conclusion on value

Based on our discounted cash flow analysis and valuation cross-checks, we have selected a valuation range for a share in Hunter Hall of between \$2.90 and \$3.10, on a control basis.

We note that this valuation is slightly higher than our assessed value disclosed in our previous report dated 1 February 2017. We consider this difference to be reasonable given the reduced uncertainty facing Hunter Hall in respect of the proposed share buyback for HHV and FUM flows more generally.

9 VALUATION OF PROPOSED MERGED ENTITY

9.1 Background

We have assessed the fair market value of the Proposed Merged Entity using the discounted cash flow method, with cross-checks by reference to the capitalisation of earnings method, and an analysis of recent share marketing trading in Hunter Hall shares as a proxy for trading in the Proposed Merged Entity shares. This assessment has been made on a minority basis as the Shareholders will be minority holders in the Proposed Merged Entity if the Proposed Transaction is completed.

9.2 Discounted cash flow

In order to determine the value of a share in the Proposed Merged Entity on a minority basis using the discounted cash flow method, we have considered the following:

- ◆ An analysis of projected cash flows
- ◆ The determination of an appropriate discount rate
- ◆ The determination of a terminal value beyond the projected cash flow period
- ◆ The value of any surplus assets
- ◆ The value of non-operating liabilities
- ◆ The level of surplus cash held
- ◆ A discount for lack of control ("**DLOC**")

These are discussed below.

9.2.1 Projected cash flows

By aggregating the cash flows forecasts for Hunter Hall (as described in Section 8) with Pengana cash flow projections (discussed below), we have developed a set of cash flow forecasts for the Proposed Merged Entity including the expected synergies from the Proposed Transaction and attributable transaction costs.

We have been provided with a detailed forecast model for Pengana for the period FY17 to FY21 prepared by an advisor ("**Advisor**") to WHSP ("**Pengana Model**"). This model was developed to facilitate WHSP's acquisition of a 40.5% stake in Pengana from NAB, which completed in early March 2017. As part of the evaluation of Pengana, an external third-party consultant ("**Consultant**") specialising in the wealth and asset management industry was commissioned by the Advisor to assess the prospects for Pengana's business and funds. The Consultant developed a set of forecast assumptions on a fund-by-fund basis which were utilised as inputs in the Pengana forecast model. In addition, financial due diligence was undertaken on the Pengana model by a separate advisor to substantiate its mathematical accuracy / logic, assess the model assumptions against previous due diligence undertaken on Pengana's historical performance and verify net FUM inflow and performance assumptions to the Consultant's forecast assumptions.

After considering the above, we have prepared a discounted cash flow model for the Proposed Merged Entity based on the aggregated Hunter Hall forecasts and the Pengana Model. The key assumptions for the Hunter Hall forecasts are discussed in Section 8.2.1 and the key assumptions for the Pengana forecasts are set out below.

Revenue

In respect of Pengana's FUM and performance assumptions we note:

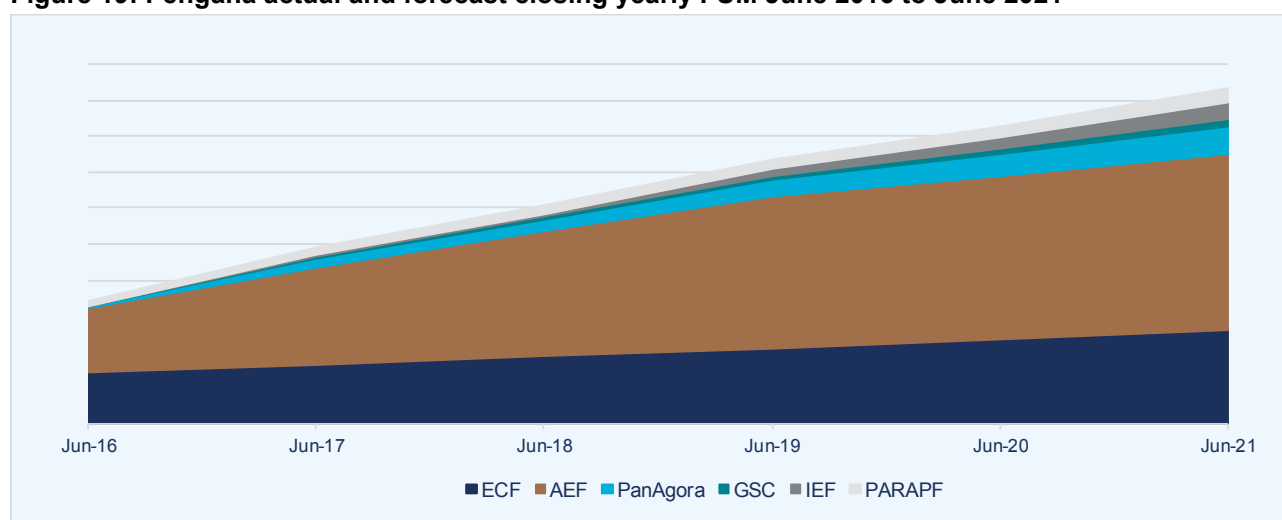
Table 26: FUM and performance assumptions

Assumption	Leadenhall comment
<p>Net inflows</p> <p>Assumptions of Pengana's net FUM inflows are based on independent assessments of likely future growth, on a fund-by-fund basis. These assumptions include considerations of the capacity of each fund, current trends in the funds management industry, capabilities / experience of the investment management teams and the infrastructure in place to support fund growth (such as marketing / distribution networks and back-office infrastructure including governance processes).</p> <p>The forecast FUM flows also include assumptions that Pengana's two well-established funds (AEF and ECF) will be hard-closed in FY19. One of these funds, ECF, is currently in "soft close" as discussed in Section 5.4.</p> <p>FY17 total average FUM is forecast to increase by approximately 32% over FY16 with FUM growth slowing considerably from FY19 due to the abovementioned hard closing of the two main funds. This slowing in growth is mitigated to some extent by the anticipated ramp-up in growth from Pengana's other early-stage funds. These other funds employ investment strategies which are expected to capitalise on Pengana's performance track record and reputation as well as current industry trends of investors moving away from institutionally managed products towards more niche and alternative investment strategies.</p> <p>We have not presented the precise assumptions adopted due to the commercially sensitive nature of this information.</p>	<p>We do not consider the FUM assumptions adopted by Pengana management to be unreasonable due to the following factors:</p> <ul style="list-style-type: none"> ◆ FUM flows were independently assessed by an industry expert for the purpose of WHSP's investment in Pengana. ◆ Year-to-date FUM inflows have been significantly higher than projections. ◆ Each of Pengana's investment teams has a strong performance track record and are well-regarded in the industry. ◆ Pengana's funds currently have favourable ratings from a number of well-known ratings agencies. ◆ Pengana's growth funds appear to be well-aligned to current trends in the funds management industry based on our analysis of available independent research. ◆ From discussion with Pengana management, we understand that Pengana's structure, in terms of both investment team and back-office support, has been designed to support significant growth in the short-term. ◆ The historical track record of Pengana's two largest funds show strong total net FUM inflows over the past two years of approximately \$158 million in FY15 and \$301 million in FY16. ◆ Pengana management have expressed a view that the assumptions are conservative. <p>Overall these assumptions do not appear unreasonable. We note that the risk to Hunter Hall shareholders is for Pengana to be overvalued and that as the Pengana Model was developed for WHSP as a buyer, it is more likely to be conservative.</p>

Assumption	Leadenhall comment
<p>Fund performance</p> <p>Forecast annual investment returns by fund range from 7.0% to 10.6% per annum.</p>	<p>We do not consider the assumptions in respect of fund performance to be unreasonable due to the following factors:</p> <ul style="list-style-type: none"> Forecast returns for the largest two funds are similar to the historical returns generated by those funds over the period since inception to the last three years. Once funds reach capacity, performance growth has minimal effect on FUM levels as any investment growth is returned to investors as distributions.
<p>Distributions</p> <p>We note that the FUM forecasts do not include an assumption for distributions.</p>	<p>We do not consider the lack of distribution assumptions to be unreasonable due to the following factors:</p> <ul style="list-style-type: none"> Based on discussions with Pengana management, distributions are primarily used as a means to manage FUM flows and capacity, especially for Pengana's larger funds. The assumptions of Pengana's FUM flows discussed above are on a net basis and include considerations of fund capacity and likely distributions. <p>Given that FUM flows are forecast on a net basis, we consider it to be reasonable for the model to exclude explicit assumptions around distributions.</p>

The figure below sets out Pengana's forecast closing yearly FUM, based on the assumptions described above.

Figure 19: Pengana actual and forecast closing yearly FUM June 2016 to June 2021



Source: Pengana and Leadenhall analysis

To calculate revenue from management fees, the average FUM is multiplied by the management fee for each fund. We note that the model uses management fee charges which are slightly lower than the management fees for each fund as set out in Table 11 attributable to non-rebateable GST. Similar to Hunter Hall, we consider that, despite the potential for fee compression over the longer term, it is reasonable to assume flat management fees given both Hunter Hall and Pengana utilise specialist investment strategies and the high level of retail investment across their funds is likely to result in less investor fee sensitivity.

Performance fees for Pengana are forecast based on assumed benchmark outperformance rates of between 3% to 9% per annum, multiplied by average FUM and the performance fee percentage for each fund (described in Table 11). Assumed outperformance for the two main funds is largely in line with average historical outperformance over the period since inception to the last three years. The model assumes performance fees are broadly in line with historical performance fees on a percentage basis. While this is not unreasonable, we consider performance fees to be less reliable than management fees and have therefore adopted a lower level of performance fees. In our cash flow projections, we have assumed performance fees of 80% of the level earned historically. We consider these performance fee assumptions to be reasonable given Pengana's demonstrated ability to produce strong performance fee income.

Fund-related expenses

The Pengana fund-related expense assumptions are as follows:

- ◆ Fund-related expenses comprise commissions, rebates, direct fund expenses, research fees and platform fees.
- ◆ Forecast fund-related expenses are expected to decrease in FY17 compared to FY16 due to a reduction in commissions payable. This is a result of the cessation of the NAB distribution agreement in September 2016. We understand that Pengana has now established its own distribution networks including relationships with NAB-aligned dealer groups and platforms.
- ◆ AEF fund-related expenses are expected to remain flat going forward as the fund has reached scale (at approximately \$1.2 billion in FUM) and further FUM increases are unlikely to require significant additional expenditure.
- ◆ With the exception of AEF, fund-related expenses are forecast to grow at a CAGR of approximately 6.9% per annum from FY17 to FY21. From discussions with management, we understand that considerable scale benefits are expected to be achieved through FUM growth due to Pengana's existing infrastructure. As such, these costs are not expected to increase significantly over time.

Team distribution expenses

The Pengana team distribution expense assumptions are as follows:

- ◆ The investment teams for each fund receive profit distributions for management and performance fees earned by the fund. These distributions make up a significant proportion of costs to Pengana and are calculated based on the terms of the profit sharing arrangements with each investment team.
- ◆ Typically, investment teams are entitled to receive 50% of distributable profit (management and performance fees after deducting fund-related expenses).
- ◆ Forecast team distribution expenses as a percentage of fees are in line with agreed distributions and historical actuals.

Operating expenses

In respect of the Pengana operating expense assumptions we note:

- ◆ FY17 operating expense assumptions are based on the Pengana FY17 overhead budget. We also note that FY16 operating expenses were higher than normal due to one-off costs relating to the winding up of the Global Resources Fund. Excluding these non-recurring costs, FY17 forecasts are largely in line with previous years.
- ◆ Overheads are expected to increase at 3% per annum beyond FY17 reflecting the mostly fixed nature of operating expenses.

Capital expenditure

Pengana is not a capital intensive business and therefore requires a low level of capital expenditure. We have assumed capital expenditure approximates depreciation.

Working Capital

Pengana collects management fees on a monthly basis and has limited accounts payable. As such it operates with a negligible working capital balance. Therefore, projected movements in working capital are insignificant.

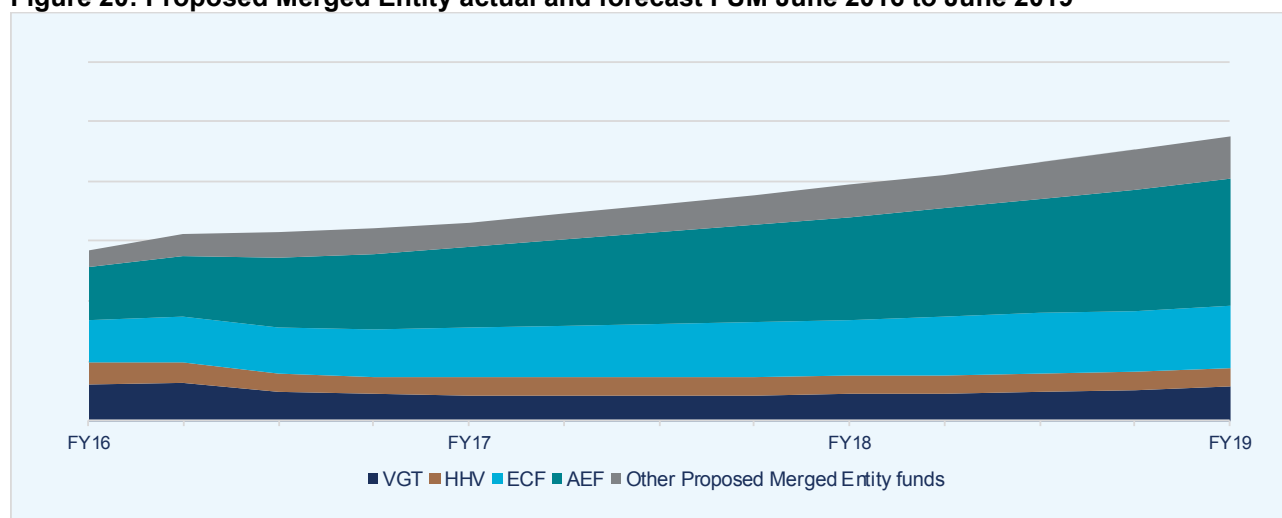
Tax

We have applied tax at the Australian corporate tax rate of 30%.

9.2.2 Proposed Merged Entity cash flow projections

We have aggregated the Hunter Hall and Pengana management forecasts in order to develop a set of cash flow projections for the Proposed Merged Entity. The aggregated forecasts produce the following projected levels of FUM:

Figure 20: Proposed Merged Entity actual and forecast FUM June 2016 to June 2019



Source: Hunter Hall, Pengana and Leadenhall analysis

We have also been provided with analysis of the synergies expected to be realised from the Proposed Transaction by Hunter Hall and Pengana. Our review of these proposed synergies is set out below.

Synergies analysis

Hunter Hall and Pengana have estimated annual synergies from the Proposed Transaction to be approximately \$6 million from FY17 onwards. We have analysed these synergies for reasonableness and consistency with management forecasts and note the following:

- ◆ Estimated synergies relate to cost savings on operating expenses. The bulk of these synergies originate from staff costs (70%), marketing costs (10%) and occupancy costs (7%).
- ◆ Management have not estimated any revenue synergies. We consider this to be reasonable given the expected synergies may be offset by possible dis-synergies which may result from investor dissatisfaction with the change in ownership and strategic direction of the new combined business.
- ◆ Certain cost synergies overlap with cost savings which have already been included in management forecasts. We have adjusted the estimated amount of cost synergies for consistency with the forecasts.
- ◆ Synergies from expenses linked to operating profit have been estimated in line with forecasts of operating profit.
- ◆ The realisation of these synergies requires approximately \$6.0 million of termination costs to be incurred.

Based on our analysis, we have included \$1.8 million of synergies and \$6.0 million of termination costs in FY17 cash flow projections. In FY18, we have included synergies of \$5.7 million. Beyond FY18, the majority of these synergies are forecast to grow at 3% per annum in line with the expenses from which these synergies originate. Exceptions to this are the synergies from expenses linked to operating profit which are forecast in line with operating profit.

Reasonableness of assumptions

While we have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information, we have undertaken a detailed review of the forecasts prepared by both Hunter Hall and Pengana management and have discussed the key assumptions with them. Based on this analysis we consider these assumptions to be reasonable for the purposes of our analysis.

9.2.3 Discount rate

We have applied a discount rate of between 10.5% and 12.0% (nominal, post-tax, WACC) to the projected cash flows. We calculated the discount rate using the capital asset pricing model based on the assumptions set out in Appendix 3.

9.2.4 Terminal value

The terminal value represents the value of the cash flows beyond the forecast period. Terminal values are commonly calculated based on the expected long-term growth rate of future cash flows. We have assumed the projected growth for FY21 tapers down to a long-term growth rate of 3.0% over the four years to FY25. Consistent with our valuation of Hunter Hall, we consider 3.0% to be a reasonable estimate of long term growth in FUM after considering industry prospects, in particular in relation to superannuation and greater social awareness of investors, and the impact of distribution of capital gains.

9.2.5 Surplus Assets

Surplus assets are assets owned by an entity that are not required to generate the earnings of its business. This could be investments, unused plant and equipment held for resale, or any other asset that is not required to run the operating business. It is necessary to ensure that any income from surplus assets (e.g. rent / dividends) is excluded from the business value.

We have identified the following surplus assets owned by the Proposed Merged Entity.

Table 27: Surplus assets

Surplus Assets	\$'000
Investment in HCT	12,004
Investment in HHV	7,796
Units in managed funds	23
Investment in GSC	1,129
Investment in Pengana Asia Special Events	1,487
Investment in PIEFMR / IEF	896
Shareholder loans	1,816
Employee share plan loans	27,220
Total surplus assets	52,372

Source: Hunter Hall, Pengana and Leadenhall analysis

A brief summary of each of the identified surplus assets is provided below.

Investments in HCT, HHV and units in managed funds

Refer to Section 8.2.4 for a description of these investments.

Investment in GSC

As at 31 March 2017, Pengana held 1.0 million units in GSC and the redemption price on this date was \$1.1321, resulting in a current market value of \$1.1 million.

Investment in Pengana Asia Special Events

As at 31 March 2017, Pengana held 377 AUD units and 427 USD units in Pengana Asia Special Events. The redemption price on this date was \$1,861 for the AUD units and US\$1,404 for the USD units, resulting in a current market value of \$1.5 million (USD amounts were converted to AUD at a rate of 0.7644).

Investment in IEF

As at 31 March 2017, Pengana held 0.9 million units in PIEFMR and IEF (over two classes). The redemption price on this date ranged between \$0.9989 and \$1.0832, resulting in a current market value of \$0.9 million.

Shareholder loans

Shareholder loans comprise loans which were made to key management personnel at the time of the NAB investment in Pengana. Minimal interest is charged on these loans. However, the difference between the face value and the market value of these loans is not expected to be material.

Employee share plan loans

As described in Section 5.7, key executives and the CEO of Pengana were provided with limited recourse loans totalling \$27.2 million to assist in the purchase of 190,115 Pengana shares. We have included the loans as surplus assets of the Proposed Merged Entity and recognised the corresponding shares in the total number of shares on issue.

9.2.6 Non-operating liabilities

Non-operating liabilities are liabilities that are not related to the ongoing business operations, although they may relate to previous business activities, for example legal claims against the entity.

The Proposed Merged Entity is expected to incur extraordinary expenses of approximately \$4.2 million in relation to the Proposed Transaction which we have included as a non-operating liability.

9.2.7 Surplus cash

As at 31 March 2017, the Proposed Merged Entity would have a surplus cash balance of \$12.6 million and no borrowings. We understand that Pengana is required to maintain a minimum cash balance of \$2.5 million under the terms of its AFSL which we have excluded from our determination of surplus cash. Management have advised that there have been no other material changes in the cash balance since 31 March 2017.

9.2.8 Discount for lack of control

The value of a controlling interest is not the same as the value of a minority stake, on a per share basis. Controlling interests offer the holder the ability to do many things that the holder of a minority interest cannot. For this reason, the value of a controlling interest is usually higher than the pro-rata value of a non-controlling minority interest. This difference is known as a DLOC and is the inverse of a control premium.

The appropriate level of DLOC can range widely depending on the circumstances, with discounts anywhere in the range of 10% to 30% commonly observed, although DLOC's above and below this range can occur.

In selecting a discount to apply to the Proposed Merged Entity, we have considered the following:

- ◆ The generally observed range of control premiums is between 20% and 40% which equates to a DLOC of 17% to 29%.
- ◆ The average takeover premium in the finance industry in Australia for the period 2005 to 2015 was 35%.
- ◆ The observed minority discounts are measured based on an increase in equity value. Also, the majority of observed discounts are for companies with some degree of net debt. Thus, the level of discount which should apply at the enterprise value level (as in our analysis) is lower than the generally observed range.
- ◆ The Shareholders will have a relatively small holding (27%) in the Proposed Merged Entity should the Proposed Transaction be approved. Smaller stakes generally attract a higher DLOC.
- ◆ There will be two large shareholders in the Proposed Merged Entity. This will help ensure that significant control does not rest entirely with one party to the detriment of other shareholders. A wider dispersion of holdings results in a lower DLOC.
- ◆ The Proposed Merged Entity will have an independent Board which is beneficial to minority holdings thereby reducing the level of DLOC.
- ◆ The Proposed Merged Entity will have an experienced management team focussed on improving performance of the company and therefore generating more value for its shareholders. This would imply a lower level of DLOC.

Based on the above considerations, we have selected a DLOC of 20% which is towards the lower end of the generally observed range. Further information on observed control premiums is included in Appendix 5.

9.2.9 Discounted cash flow summary

Based on the preceding analysis, the assessed value for the Proposed Merged Entity is as set out in the table below.

Table 28: Discounted cash flow summary (\$'000)

Description	Low	High
Present value of projected cash flows	192,531	209,381
Terminal value	110,230	157,147
Enterprise value on a control basis	302,762	366,528
DLOC at 20%	20%	20%
Enterprise value on a minority basis	242,209	293,222
Surplus assets	52,372	52,372
Non-operating liabilities	(4,200)	(4,200)
Net cash	12,624	12,624
Equity value on a minority basis	303,005	354,018
Number of share on issue ¹	101,477	101,477
Minority equity value per share (\$)	2.99	3.49

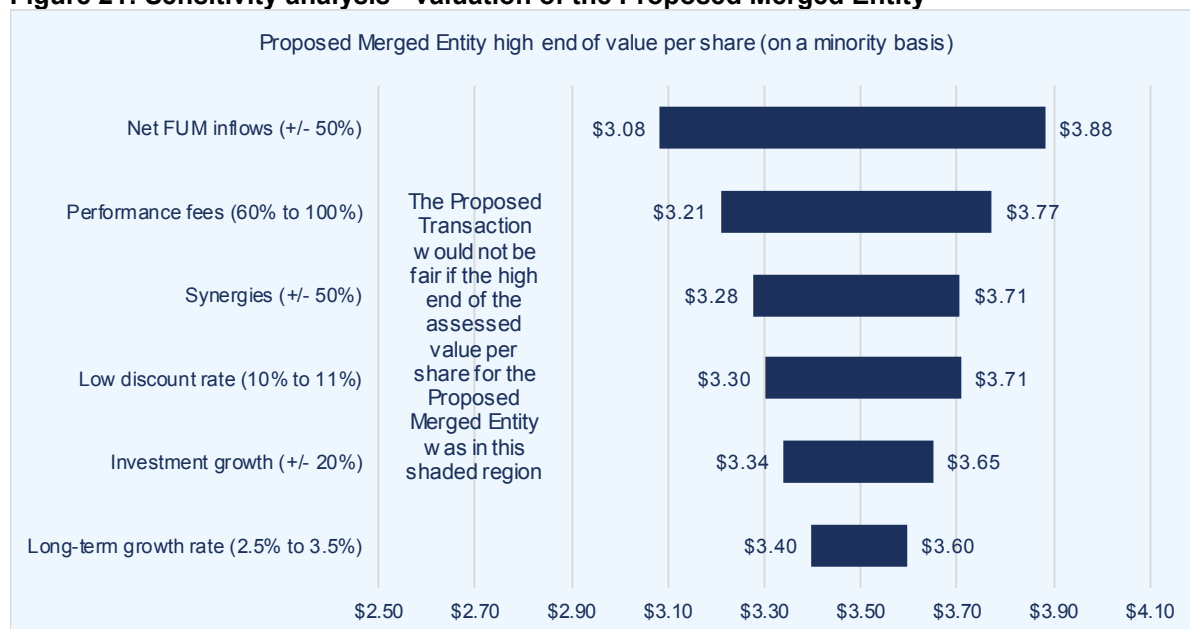
Source: Leadenhall analysis

Note 1: Refer to Section 6.4 for the total number of shares on issue in the Proposed Merged Entity.

9.2.10 Sensitivity

The analysis presented above is highly sensitive to a number of key assumption in the Pengana Model. We have therefore presented a sensitivity analysis of the high end of the assessed values for the Proposed Merged Entity to those assumptions in the following figure:

Figure 21: Sensitivity analysis - valuation of the Proposed Merged Entity



Source: Leadenhall analysis

Note: As our valuation is based on 80% of the average historical performance fees, the sensitivity shown is from 60% to 100% of the level included in the Pengana Model.

9.2.11 Discounted cash flow conclusion

Based on the analysis above, we have assessed the value of a Proposed Merged Entity share to be in the range of \$3.00 to \$3.50 on a minority basis.

9.3 Capitalisation of earnings

As a cross-check of our valuation, we have conducted a capitalisation of future maintainable earnings analysis. To do so, we have calculated the EBITDA, EBIT and PE multiples and the enterprise value as a percentage of FUM implied by our assessed valuation range and compared this to the same metrics of comparable listed companies. The metrics implied by our preferred valuation range are set out in the table below.

Table 29: Implied multiples

	Historical		FY17 Forecast		FY18 Forecast	
	Low	High	Low	High	Low	High
Proposed Merged Entity (minority basis)¹						
Implied EBITDA multiple (adjusted)	19.6x	23.8x	12.8x	15.6x	9.5x	11.6x
Implied EBIT multiple (adjusted)	20.3x	24.6x	13.1x	15.9x	9.6x	11.7x
Implied PE multiple (adjusted)	28.0x	34.0x	18.7x	22.7x	13.7x	16.7x
Implied % of FUM	7.5%	9.2%	7.4%	9.0%	6.0%	7.3%
Pengana standalone (control basis)³						
Implied EBITDA multiple (adjusted)	22.6x	25.0x	18.7x	20.8x	12.1x	13.4x
Implied EBIT multiple (adjusted)	23.3x	25.8x	19.2x	21.2x	12.3x	13.6x
Implied PE multiple (adjusted)	33.3x	36.9x	27.4x	30.3x	17.6x	19.5x
Implied % of FUM	7.7%	8.6%	7.3%	8.1%	5.5%	6.1%

Source: Leadenhall analysis

Notes:

1. The FY17 forecast multiples are based on forecast earnings for the Proposed Merged Entity for FY17 which includes eight months of Hunter Hall's actual earnings to February 2017 and six months of Pengana's actual earnings to December 2016.
2. The adjusted multiples are based on operating earnings excluding distributions from investments or interest income and our assessed values excluding surplus assets and cash
3. Pengana's control value has been assessed using a discount rate for Pengana on a standalone basis. The historical multiples are calculated based on average historical earnings for FY15 and FY16 due to volatility in year-on-year earnings attributable to fluctuations in performance fees.

The adjusted EBITDA and EBIT multiples are based on operating earnings and exclude the impact of realised gains on investments and dividends received in FY16. As these amounts are not included in our forecasts, and may not be included in the earnings of comparable companies, the adjusted multiples provide a better basis for comparison.

To cross-check the assessed multiple, we have identified multiples implied by market trading prices of public companies with similar businesses to the Proposed Merged Entity, and compared these implied multiples to those calculated for the Proposed Merged Entity in the table above. It should be noted that the multiples set out in Table 25 are based on market trading and consequently do not include the impact of a control premium.

Furthermore, we consider FY18 forecast multiples to be the most comparable to the forecast multiples in Table 25 due to the near-term FUM growth expected by Pengana as well as the expectation that synergy benefits will be fully ramped up by that time.

The adjusted implied multiples and EV/FUM % are somewhat higher than the average and median multiples observed for comparable companies which we consider reflects the relative growth, profitability and market position of the Proposed Merged Entity relative to its listed peers (despite its smaller size). We also note that the multiples are significantly higher than Hunter Hall's multiples. This is consistent with Hunter Hall's forecast FUM outflows and the significant earnings growth forecast for the Proposed Merged Entity which is not reflected in growth forecasts of most comparable companies.

Comparable companies with recent strong growth and / or growth forecasts are AEI and K2. However, the aggregated FUM of Hunter Hall and Pengana as at 31 December 2016 was approximately \$3.1 billion; 1.7x higher than AEI's FUM and 4.5x higher than K2's FUM at the same date. Furthermore, AEI does not have earnings forecasts and its historical results include extraordinary downward adjustments to earnings (discussed in Section 8.3). Excluding these costs, the implied historical EBITDA, EBIT and PE multiples for AEI are 16.6x, 17.2x and 26.8x respectively. Given that the Proposed Merged Entity's historical earnings do not include synergy benefits from the Proposed Transaction, we consider the forecast multiples to be the

more relevant indicator of value. Therefore, we do not consider AEI's multiples to be a good comparison for the Proposed Merged Entity's.

The Proposed Merged Entity's forecast multiples are more in line with K2's current multiples. Similar to the Proposed Merged Entity, K2's earnings are also heavily performance fee dependent. Given K2's strong growth forecasts but significantly lower levels of FUM and more volatile performance fees than the Proposed Merged Entity, we consider it reasonable that the Proposed Merged Entity has higher implied forecast multiples than K2.

We have not identified any control transactions involving suitably comparable businesses for which there is sufficient publicly available information to calculate the relevant multiples for comparison purposes.

9.4 Analysis of share trading cross-check

Market trading in Hunter Hall shares since the announcement of Proposed Transaction may provide an indication of the market's assessment of the Proposed Merged Entity. In considering the implications of share trading for the value of the Proposed Merged Entity we note:

- ◆ When assessing market trading it is necessary to consider whether the market is informed and liquid. In this regard, we note that Hunter Hall shares are fairly tightly held reducing the number of shares available for market trading.
- ◆ We also note that the market has, to date, been provided with somewhat limited information concerning both Pengana and the prospects for the Proposed Merged Entity. Thus, market participants are less informed about the Proposed Merged Entity than they would typically be about a listed security. For these reasons, we do not consider an analysis of market trading to provide a particularly reliable assessment of the value of a Proposed Merged Entity share.
- ◆ After the Proposed Transaction was announced, market trading prices have increased to be in the range of \$2.45 to \$2.67, with a VWAP of \$2.59. Until the Proposed Transaction is approved, there is a risk it will not complete. This risk will be reflected in market trading during the period analysed. Thus, it is expected that the market trading price will be below our assessed valuation of the Proposed Merged Entity.
- ◆ The market may not fully reflect our assessed value due to the execution risk associated with the Proposed Transaction, the significant gap between information available to us compared to information available to the market and the low liquidity of Hunter Hall shares.

As a result of these factors, on balance, we consider market trading provides some support to the assessed range for the value of a Proposed Merged Entity share, although it is not conclusive due to the limitations noted above.

9.5 Conclusion on value

Based on our discounted cash flow analysis and valuation cross-checks, we have selected a valuation range for a share in the Proposed Merged Entity of between \$3.00 and \$3.50, on a minority basis. We note that this is a relatively broad range which reflects the wide range of potential outcomes in relation to medium term FUM growth, performance fees and synergies.

10 EVALUATION

10.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Hunter Hall share on a control basis before the Proposed Transaction with our assessed value of the consideration, being a Proposed Merged Entity share on a minority basis. This comparison is set out in the table below.

Table 30: Assessment of fairness

	Low	High
Fair market value of a Hunter Hall share (control basis)	\$2.90	\$3.10
Fair market value of a Proposed Merged Entity share (minority basis)	\$3.00	\$3.50

Source: Leadenhall analysis

Since the consideration offered is in line with our assessed range of values of a Hunter Hall share the Proposed Transaction is fair to Shareholders.

10.2 Reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered the following advantages and disadvantages of the Takeover Offer to Shareholders.

10.2.1 Advantages

Scale and liquidity

If the Proposed Transaction is completed, Shareholders will hold shares in the Proposed Merged Entity, which is a considerably larger business than Hunter Hall. This should lead to increased liquidity in Hunter Hall shares as well as a potential market re-rating.

Likely share price

Hunter Hall's share price responded positively to the announcement of the Proposed Transaction. If the transaction is not approved, it is likely that the price will decrease, at least to the levels prior to the announcement of the Proposed Transaction and potentially further.

Growth potential

Hunter Hall's FUM is currently declining and is not expected to see rapid growth in the near future on a standalone basis. By comparison, Pengana is currently experiencing significant growth in FUM, which is projected to continue for the medium term. This growth more than outweighs the projected outflows for Hunter Hall in the Proposed Merged Entity. Thus, if the Proposed Transaction is completed, Shareholders will be exposed to a company with significant growth expectations, which may in time lead to share price appreciation.

Stability and succession planning

Since the resignation of Peter Hall, Hunter Hall has been considering the long-term structure of its investment team. This leads to a degree of uncertainty for investors in both Hunter Hall and its funds. The Proposed Transaction removes this uncertainty by merging Hunter Hall with Pengana, which has adequate resources to manage the Hunter Hall funds as well as its own existing funds.

Potential synergies

Our valuation of the Proposed Merged Entity does not allow for any revenue synergies from combining Hunter Hall and Pengana. However, Pengana management believes they will be able to achieve revenue synergies, by reducing the outflows from Hunter Halls funds and potentially attracting inflows to those funds. If these synergies are achieved that will represent upside to Hunter Hall shareholders.

10.2.2 Disadvantages

Loss of control

If the Proposed Transaction is completed Shareholders will lose control of Hunter Hall. However, the Proposed Merged Entity will have two major shareholders, making it less likely that one individual holder can implement decisions in its own favour at the expense of other investors.

Pengana is not paying the full value of synergy benefits

Pengana and Hunter Hall have identified significant synergy benefits that could be realised by combining the businesses. Based on our analysis of the Proposed Transaction, Pengana does not appear to be paying a material amount related to potential synergies, as the consideration offered is consistent with our assessed value of a Hunter Hall share including only a moderate level cost synergies that we believe could be realised by alternative acquirers. However, in the absence of a competing proposal, it is common for an acquirer not to pay the full value of potential synergies they may obtain in a business combination.

Risks of achieving FUM growth and synergies

Our assessed value of the Proposed Merged Entity includes significant projected growth in FUM for Pengana as well as significant projected synergy savings. There is a risk that these expectations will not be realised (or fully valued by the market), in which case the value of the Proposed Merged Entity may decline or fail to trade at levels implied by our assessed value. These risks are not currently faced by Hunter Hall shareholders. However, Hunter Hall on a standalone basis faces risks in relation to continued FUM outflows.

Proportionate share of combined business

Hunter Hall represents 28% of the combined value of Hunter Hall and Pengana before the Proposed Transaction, based on our stand-alone valuations of the two entities. If the Proposed Transaction proceeds, Hunter Hall shareholders will hold 27% of the Proposed Merged Entity. Thus Hunter Hall shareholders will receive a slightly lower share of the synergies expected to be realised from the Proposed Transaction than the proportion of pre-transaction value contributed by Hunter Hall.

No longer an ethical investment pure play

Hunter Hall currently provides ethically screened investments only. By contrast Pengana provides investments that are not ethically screened. Thus, investors that chose to invest in Hunter Hall from an ethical stand-point may not wish to hold an investment in the Proposed Merged Entity.

10.2.3 Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

10.3 Opinion

The Proposed Transaction is fair and reasonable to Shareholders.

APPENDIX 1: GLOSSARY

Term	Meaning
Advisor	Advisor to WHSP
All Ords	Australian All Ordinaries Accumulation Index
AEF	Pengana Australian Equities Fund
AEI	Australian Ethical Investment
AMP	AMP Limited
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
AUD	Australian Dollar
AVT	Hunter Hall Australian Value Trust
BT	BT Investment Management
CAGR	Compound annual growth rate
CAPM	Capital Asset Pricing Model
CBA	Commonwealth Bank of Australia Limited
CFS	Colonial First State
CFSGAM	Colonial First State Global Asset Management
CommSec	Commonwealth Securities Limited
Consultant	External consultant commissioned by the Advisor to assess the prospects for Pengana's business and funds
Corporations Act	The Corporations Act 2001
Dealer groups	Financial and wealth advisory practices
DLOC	Discount for lack of control
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECF	Pengana Emerging Companies Fund
Explanatory Memorandum	The explanatory memorandum prepared by the Directors of Hunter Hall in relation to the Proposed Transaction
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FUM	Funds under management
FY	Financial year
GDG	Hunter Hall Global Deep Green Trust
GET	Hunter Hall Global Equities Trust
GSC	Global Small Companies Fund
HCT	Hunter Hall High Conviction Equities Trust
HHIML	Hunter Hall Investment Management Limited
HHV	Hunter Hall Global Value Limited
Hunter Hall	Hunter Hall International Limited
IEF	Pengana International Equities Fund
IMA	Investment Management Agreement
K2	K2 Asset Management
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
Lizard	Lizard Investors LLC
Magellan	Magellan Financial Group
MAM	Macquarie Asset Management

Master Fund	Pengana Asia Special Events Master Fund
Milliman	Milliman Pty Ltd
MSCI ACWI Net AUD unhedged	MSCI All Country World Total Return Index Net unhedged in Australian dollars
MSCI AWI SMID Cap Net AUD unhedged	MSCI All Country World Index SMID Cap unhedged in Australian dollars
MSCI World Index	MSCI World Total Return Index
NAB	National Australia Bank
NAV	Net asset value
NPAT	Net profit after tax
NTA	Net tangible assets
Offshore Fund	Pengana Asia Special Events (Offshore) Fund
PanAgora	PanAgora Asset Management, Inc
PanAgora Arrangement	Arrangement entered into by PanAgora and Pengana on 25 June 2015
PanAgora Fund	PanAgora Absolute Return Global Equities Fund
PARAPF	Pengana Absolute Return Asia Pacific Fund
PASE	Pengana Asia Special Events (Offshore) Fund and Master Fund
PBT	Profit before tax
Pengana	Pengana Holdings Pty Ltd
Pengana Model	Forecast model for Pengana for the period FY17 to FY21 prepared by the Advisor
PIEFMR	Pengana International Equities Fund Managed Risk
Pinnacle	Pinnacle Investment Management Group
RG74	Regulatory Guide 74: Acquisitions Approved by Members
RG111	Regulatory Guide 111: Content of Expert Reports
s606	Section 606 of the Corporations Act 2001
s611	Section 611 of the Corporations Act 2001
SAA	Binding Sub-Advisory Agreement dated 11 March 2015 appointing Lizard as the investment manager of GSC
Shareholders	Hunter Hall shareholders not associated with WHSP
Small Ords	S&P/ASX Small Ordinaries Accumulation Index
Proposed Merged Entity	The integrated Hunter Hall and Pengana following the Proposed Transaction
Proposed Transaction	The proposed acquisition of Pengana by Hunter Hall for the issue of 74.1 million Hunter Hall shares equivalent to a 73% holding in the Hunter Hall post-transaction
RITC	Reduced income tax credit
VGT	Hunter Hall Value Growth Trust
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital
WAM	Wilson Asset Management
WHSP	Washington H Soul Pattinson & Company Limited

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: DISCOUNT RATE

The selected discount rates applied in our DCF analysis for Hunter Hall and the Proposed Merged Entity have been determined using the weighted average cost of capital ("WACC"). We have estimated the cost of equity with the capital asset pricing model ("CAPM").

Post-tax cost of equity (K_e)

The CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk-free investments (such as government bonds). The cost of equity, K_e , is the rate of return that investors require to make an equity investment in a firm.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta \times (R_m - R_f) + \alpha$$

The components of the CAPM formula are:

Table 31: Components of CPAM

Input	Definition
K_e	The required post-tax return on equity
R_f	The risk-free rate of return
R_m	The expected return on the market portfolio
MRP	The market risk premium ($R_m - R_f$)
β	The beta, the systematic risk of a stock (this is an equity or levered beta)
α	The specific company risk premium

Each of the components in the above equation is discussed below.

Risk-free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically over a long-term period. In practice, long dated government bonds are an acceptable benchmark for the risk-free security. We have selected a risk-free rate of 2.70%, being the yield on 10 year Australian Government bonds as at 28 March 2017.

Equity market risk premium (MRP)

The MRP ($R_m - R_f$) represents the additional return that investors expect from an investment in a well-diversified portfolio of assets (such as a market index). It is the excess return above the risk-free rate that investors demand for their increased exposure to risk, when investing in equity securities.

Leadenhall undertakes a review of the MRP at least every six months, taking account of market trading levels and industry practice at the time. Based on this research, we have adopted an MRP of 6.5%.

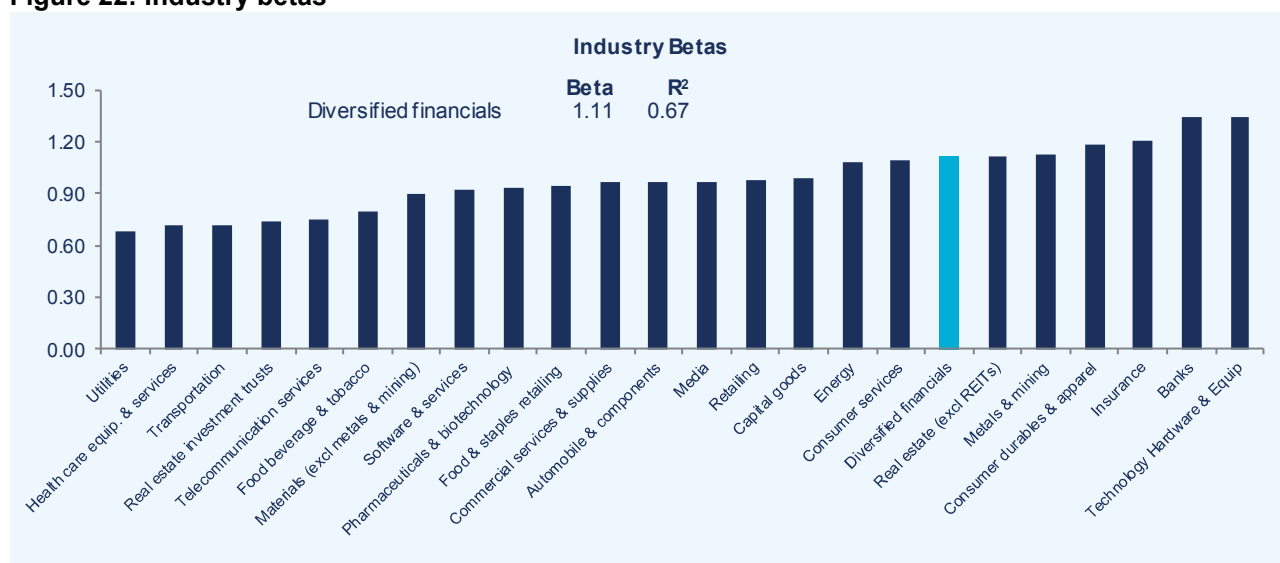
Beta estimate (β)

Description

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of assets. The only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or uninsurable risk.

Beta is a measure of the relative riskiness of an asset in comparison to the market as a whole – by definition the market portfolio has an equity beta of 1.0. The equity beta's of various Australian industries listed on the Australian Stock Exchange are reproduced below.

Figure 22: Industry betas



Source: SIRCA as at 31 December 2016 (latest available)

Betas derived from share market observations represent equity betas, which reflect the degree of financial gearing of the company. In order to eliminate the impact of differing capital structures, analysts often 'unlever' observed betas to calculate an asset beta. The selected asset beta is then 'relevered' with a target level of debt. In this instance the unlevering and relevering process is unnecessary as the comparable companies generally have no debt.

The betas of Hunter Hall and companies with similar business are included in the following table.

Table 32: Comparable company betas

Company	Equity Beta			R²		
	SIRCA	Factset	Leadenhall	SIRCA	Factset	Leadenhall
Australian Ethical Investment Ltd	0.16	0.16	0.16	0.01	0.01	0.01
BT Investment Management Limited	2.05	1.70	1.67	0.43	0.35	0.34
HFA Holdings Limited	0.47	0.37	0.35	0.03	0.02	0.02
Hunter Hall International Limited	1.39	1.33	1.29	0.15	0.14	0.13
IOOF Holdings Ltd	1.58	1.41	1.41	0.58	0.56	0.55
K2 Asset Management Holdings Ltd	1.93	1.33	1.33	0.23	0.19	0.18
Magellan Financial Group Ltd	1.26	0.93	0.92	0.20	0.13	0.14
Perpetual Limited	1.51	1.30	1.29	0.46	0.39	0.38
Platinum Asset Management Ltd	1.33	1.04	1.04	0.26	0.20	0.20
Pacific Current Group Ltd	1.36	1.05	1.06	0.20	0.12	0.13
Fiducian Group Ltd	0.86	0.71	0.75	0.10	0.08	0.09
Average	1.26	1.03	1.03			
Average excluding outliers¹	1.33	1.14	1.14			
Median	1.36	1.05	1.06			

Source: SIRCA, FactSet and Leadenhall analysis as at 20 March 2017

Note:

1. Excluded outliers are presented in grey italics.
2. R² is a measure of how well the regression approximates the underlying data.

Selected beta (β)

In selecting an appropriate beta for Hunter Hall and the Proposed Merged Entity, we have considered the following:

- ◆ The average equity beta of the comparable Australian companies is between 1.03 and 1.26
- ◆ The median equity beta of the comparable Australian companies is between 1.05 and 1.36
- ◆ The most relevant industry beta is 1.11
- ◆ Hunter Hall's observed beta is a single data point with a relatively low R^2 and should thus not be relied upon in isolation
- ◆ We consider the similarities between in the nature of Hunter Hall's business and the Proposed Merged Entity's business to be sufficient to warrant the selection of the same beta for both entities.

As a result of these considerations we have selected an equity beta between 1.1 and 1.2 for both Hunter Hall and the Proposed Merged Entity.

Specific company risk premium (α)

Size premium

The size premium is the additional return that investors require for the risks of investing in small businesses. To date it has not been possible to isolate the specific causes of size premiums (other than simply size), many factors have been suggested including:

- | | |
|---|---|
| ◆ Depth of management | ◆ Lack of geographic diversification |
| ◆ Reliance on key personnel | ◆ Limited access to technology |
| ◆ Weak market position | ◆ Absence of broker analysis |
| ◆ Reliance on key customers | ◆ Supplier concentration |
| ◆ Reduced access to capital | ◆ Investors in large companies often more diversified |
| ◆ Deeper pool of investors for larger companies | |
| ◆ Reliance on key suppliers | |

A number of studies have been undertaken attempting to measure the size premium, in particular in the US. The Valuation Handbook published by Duff & Phelps contains calculations of the size premium for each decile of market capitalisation. As the size premium is most significant for very small companies, the tenth decile is then further divided into four equal segments. The following table summarises the size premium data from the 2015 Valuation Handbook.

Table 33: Evidence of size premium

Size Premium			
Decile	Mkt Cap Range (US\$m)		Size Premium
	Low	High	
1 (Largest)	24,429	591,016	-0.4%
2	10,171	24,273	0.6%
3	5,864	10,106	0.9%
4	3,723	5,845	1.1%
5	2,552	3,724	1.6%
6	1,689	2,543	1.7%
7	1,011	1,687	1.7%
8	549	1,011	2.2%
9	301	549	2.7%
10w	232	301	3.2%
10x	191	232	5.5%
10y	116	191	7.5%
10z (Smallest)	3	116	12.0%

Source: Duff & Phelps 2015 Valuation Handbook

Notes:

1. Measured over the period from January 1926 to December 2013
2. Size premium compared to return predicted by CAPM
3. Market capitalisation as at 31 December 2013

As mentioned above, the existence of the size premium has been well documented. However, there are limited studies setting out the appropriate bands of size premium and the quantum of size premium applicable to each band. For this reason, the above table should be taken as broad support for the size effect and not an exact guide to the extent of any particular discount or premium that should be applied.

Although there is considerable evidence from the US, in the Australian context, the relatively small size of the Australian equity market makes it more difficult to observe the existence of this phenomenon.

Leadenhall and others have conducted a number of high level studies which have confirmed the existence of the size effect in the Australian market. However, we are not aware of any Australian studies that have been performed with the same detail and rigour as the US studies, such as the Duff & Phelps data presented above. Based on the evidence from US studies and our knowledge of prices actually paid in Australian transactions, from which a discount rate can be implied, we believe the size premium ranges in the below table are appropriate. This table should be taken as a guide to the appropriate size premium for a given business and needs to be considered in conjunction with the specific circumstances of a particular business.

Table 34: Leadenhall size premium bandings

Size Premium Guide for Australia				
Size	Mkt Cap Range (AU\$m)		Size Premium	
	Low	High	Low	High
Largest	4,000	Above	-	-
Large	1,000	4,000	-	1.0%
Mid-cap	300	1,000	1.0%	2.0%
Low-cap	100	300	2.0%	3.0%
Small-cap	50	100	3.0%	5.0%
Micro-cap	10	50	5.0%	8.0%
Medium private ¹	5	10	8.0%	11.0%
Small private ¹	2	5	11.0%	15.0%
Smallest ¹	-	2	15.0%	20.0%

Note:

1. We do not generally consider the CAPM model to be reliable for entities of this size as they often do not meet the background assumptions underpinning the CAPM. In particular investors are often not diversified and it is rarely possible to lend or borrow stock of entities this size. These suggested size premiums are therefore presented as an approximate guide only as alternate models, studies and rules of thumb are commonly utilised for these types of companies.

Source: Leadenhall analysis

Based on our assessed valuations, Hunter Hall would be considered a small-cap company and as such a size premium of between 3.5% and 4.0% would generally apply. By contrast, the Proposed Merged Entity would be at the low end of the mid-cap company range and thus a size premium of approximately 2.0% would be appropriate. However, we have also considered how the factors leading to the generally observed size premiums apply to Hunter Hall and the Proposed Merged Entity. In particular, we note that:

- ◆ Hunter Hall has a strong and experienced board of directors supporting a management team which also has reasonable depth and experience for a business of this size, while Pengana has a very strong board and management team for an entity of its size.
- ◆ Hunter Hall has a low level of key client dependence given the wide spread of funds and investors. This will be further reduced by the addition of Pengana in the Proposed Merged Entity.
- ◆ The key person risk common with smaller businesses has effectively been taken into account in the projected cash flows of Hunter Hall which already reflect the impact of Peter Hall's departure. Thus, including an allowance for this risk in the discount rate would be double counting. Pengana has a business model designed to minimise key person risk, for example by:
 - diversifying investment teams across the various funds managed
 - ensuring investment teams have a significant amount of their own money invested in the funds they manage
 - promoting more than one portfolio manager for each fund.

After considering these factors, we have selected a size premium of 1.5% to 2.0% for Hunter Hall and no size premium for the Proposed Merged Entity.

Other company specific risks

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as reliance on key customers, reliance on key suppliers, existence of contingent liabilities etc. We consider that these factors are reflected in either the cash flow forecasts or adjustments to size premium discussed above for Hunter Hall, thus we have not applied an additional company specific risk premium on top of the size premium for Hunter Hall.

By contrast the cash flows for Pengana included in the Proposed Merged Entity include substantial projected growth, as well as relying on the achievement of synergies. Both of these factors increase the level of risk of achieving the forecasts. We have quantified the potential impact of these risks as follows:

- ◆ Including a specific risk premium of approximately 1.0% in the discount rate of the Proposed Merged Entity results in the same assessed value for the Proposed Merged Entity as assuming only 50% of the projected FUM growth is achieved.
- ◆ Allowing for a specific risk premium of approximately 0.5% results in the same assessed value for the Proposed Merged Entity as assuming only 50% of the projected synergy benefits are achieved.

There are also a number of areas where the Pengana cashflow forecasts may be exceeded, for example if revenue synergies are achieved. This potential reduces the level of specific risk premium that should be applied. After considering these factors, we have applied a specific risk premium to the Proposed Merged Entity of 0.5% to 1.5%.

Dividend Imputation

Since July 1987, Australia has had a dividend imputation system in place, which aims to remove the double taxation effect of dividends paid to investors. Under this system, domestic equity investors receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is now not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be added to any analysis of value.

However, in our view, the evidence relating to the value that the market attributes to imputation credits is inconclusive. There are diverse views as to the value of imputation credits and the appropriate method that should be employed to calculate this value. Due to the uncertainty surrounding the extent to which acquirers of assets factor in dividend imputation, we have taken the conservative approach and not factored in dividend imputation.

Conclusion on cost of equity

The following table sets out our cost of equity estimate for Hunter Hall and the Proposed Merged Entity based on the assumptions and inputs discussed above:

Table 35: Estimated cost of equity (post-tax, nominal)

Discount rate	Hunter Hall		Proposed Merged Entity	
	Low	High	Low	High
Risk-free rate	2.70%	2.70%	2.70%	2.70%
Equity beta	1.10	1.20	1.10	1.20
Market risk premium	6.50%	6.50%	6.50%	6.50%
Specific company risk premium	1.50%	2.00%	0.50%	1.50%
Calculated cost of equity	11.35%	12.50%	10.35%	12.00%

Source: Leadenhall analysis

Corporate tax rate (t_c)

The corporate tax rate in Australia is 30%. In calculating the WACC for Hunter Hall and the Proposed Merged Entity we have therefore used this rate of 30%.

Cost of debt capital (K_d)

The cost of borrowing is the expected future borrowing cost of the relevant project and/or business. The cost of debt is not relevant to our analysis as we have assumed there is no debt in an optimal capital structure for Hunter Hall or the Proposed Merged Entity.

Debt and equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity mix that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity mix assumption should reflect what would be the optimal or target capital structure for the relevant asset. For both Hunter Hall and the Proposed Merged Entity we have selected a capital structure with no debt based on the comparable companies' gearing levels, the nature of the businesses and their actual current gearing levels.

Calculation of WACC

The table below summarises the discount rates we have derived for Hunter Hall and the Proposed Merged Entity, based on the assumptions and inputs discussed above.

Table 36: Estimated WACC (post-tax, nominal)

Discount rate	Hunter Hall		Proposed Merged Entity	
	Low	High	Low	High
Calculated cost of equity	11.35%	12.50%	10.35%	12.00%
Debt to enterprise value ratio	0.0%	0.0%	0.0%	0.0%
Tax rate	30.0%	30.0%	30.0%	30.0%
Cost of debt	N/a	N/a	N/a	N/a
Calculated WACC	11.35%	12.50%	10.35%	12.00%
Selected WACC	11.5%	12.5%	10.5%	12.0%

Source: Leadenhall analysis

APPENDIX 4: COMPARABLE COMPANIES

The following company descriptions are extracted from descriptions provided by FactSet.

Company	Description
Australian Ethical Investment Ltd	Australian Ethical Investment Ltd. provides investment management services. The company invests in portfolio of industries, which includes clean energy, Sustainable Products, Medical Solutions, Innovative Technology, Healthcare, Recycling, Energy Efficiency, Education and aged care. Australian Ethical Investment was founded in 1986 and is headquartered in Sydney, Australia.
BT Investment Management Limited	BT Investment Management Ltd. engages in the provision of investment management services. It manages funds across different investments, including equities, fixed income, cash and global macro products. The firm provides investment management services to institutional clients as well as to all of BTIM's registered and unregistered trusts. The company operates through two segments comprise of the investment management business in Australia (BTIM) and outside of Australia (BTIM UK). BT Investment Management was founded on October 19, 2007 and is headquartered in Sydney, Australia.
Fiducian Group Ltd	Fiducian Group Ltd. Is a financial services company, which provides financial services solutions both individuals and organizations. It provides financial planning, funds management, investment platform administration, information technology and accounting/accountancy resourcing services. The company operates through its segments: Platform Administration, Financial Planning, Business Services, Funds Management and Administration. It services include wrap platforms and client portfolio administration, wealth management and financial planning services, information technology solutions for financial planners. Fiducian Group was founded by Inderjit Singh in 1996 and is headquartered in Sydney, Australia.
HFA Holdings Limited	HFA Holdings Ltd. engages in global funds management business, primarily providing absolute return fund products and services to investors. It operates through two business subsidiaries: Lighthouse Investment Partners, LLC; and Certitude Global Investments Ltd. The Lighthouse Investment Partners engages in the business of hedge fund investing. The Certitude Global Investments focuses on providing Australian investors access to global investment opportunities across a variety of asset classes. The company was founded in 1998 and is headquartered in Brisbane, Australia.
Hunter Hall International Limited	Hunter Hall International Ltd. engages in the investment management business. It operates through the following segments: Investment Management Business, Investing Activities, and Consolidation of Seeded Funds. The Investment Management Business segment refers to five retail equity funds managed by the company. The Investing Activities segment comprises the investment services. The Consolidation of Seeded Funds segment includes the new funds seeded by the company. The company was founded by Peter James MacDonald Hall on March 3, 1993 and is headquartered in Sydney, Australia.
IOOF Holdings Ltd	IOOF Holdings Ltd. engages in the provision of financial services. It operates through the following segments: Platform Management and Administration, Investment Management, Financial Advice and Distribution, Trustee Services, and Corporate and Other. The Platform Management and Administration segment involves in providing administration and management services, which offer a single access point to investment products. The Investment Management segment offers management and investment of money on behalf of corporate, superannuation, institutional clients, and private individual investor clients. The Financial Advice and Distribution segment includes financial planning advice and stock broking services supported by services such as investment research, training, compliance support, and access to financial products. The Trustee Services segment consists of estate planning, trustee, custodial, agency and estate administration services. The Corporate and Other segment comprises of strategic, shareholder or governance nature incurred in carrying on business. The company was founded in 1846 and is headquartered in Melbourne, Australia.

Company	Description
K2 Asset Management Holdings Ltd	K2 Asset Management Holdings Ltd. operates as a holding company of K2 Asset Management Ltd. K2 Asset Management specializes in funds management. It has three investment funds focuses on Australian, Asian and international equities markets. K2 Asset Management Holdings was founded on March 27, 2007 and is headquartered in Melbourne, Australia.
Magellan Financial Group Ltd	Magellan Financial Group Ltd. is an Australia based fund management company. It manages global equities and global listed infrastructure strategies for high net worth, retail and institutional investors. It operates through three segments: Funds Management, Principal Investments and Corporate. The company was founded by Hamish Macquarie Douglass and Christopher John Mackay on March 19, 2004 and is headquartered in Sydney, Australia.
Pacific Current Group Ltd	Pacific Current Group Ltd. is an investment and financial services business focused on boutique funds management companies. The company invests in and supports the management of small to medium sized asset management companies. It provides funds management services to institutions, master funds and wraps, retail investors and private clients. The company offering can include Capital investment structured as equity, debt or otherwise for various purposes, distribution and marketing services, responsible entity services and other business support services including risk and compliance, accounting, finance, HR and operations. The company was founded by Lee laFraté in 1998 and is headquartered in Sydney, Australia.
Perpetual Limited	Perpetual Ltd. operates as an independent and diversified financial services group, which provides specialized investment management, wealth advice and corporate fiduciary services to individuals, families, financial advisers and institutions. It operates through the following segments: Perpetual Investments, Perpetual Private and Perpetual Corporate Trust. The Perpetual Investments segment manufactures financial products, management and investment of monies on behalf of private, corporate, superannuation and institutional clients. The Perpetual Private segment provides a range of investment and non-investment products and services, including a comprehensive advisory service, portfolio management, philanthropic, executorial and trustee services to high net worth and emerging high net worth Australians. This segment also provides many of these services to charities, not for profit and other philanthropic organizations. The Perpetual Corporate Trust segment provides fiduciary services incorporating safe-keeping and recording of assets and transactions as custodian, responsible entity services, trustee services for securitization, unit trusts, REITS and debt securities, data warehouse and investor reporting and registrar, or agent for corporate and financial services clients. Perpetual was founded on September 28, 1886 and is headquartered in Sydney, Australia.
Platinum Asset Management Ltd	Platinum Asset Management Ltd. is a non-operating holding company, which engages in the provision of financial services. It operates through the following business segments: Funds Management, Investments and Other segments. The Funds Management segment deals with investment vehicles. The Investments and Other segment include foreign cash holdings, dollar term deposits, and trust funds. The company was founded by Kerr Neilson and Andrew M. Clifford in February 1994 and is headquartered in Sydney, Australia.

APPENDIX 5: CONTROL PREMIUM

Background

The difference between the control value and the liquid minority value is the control premium. The opposite of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including:

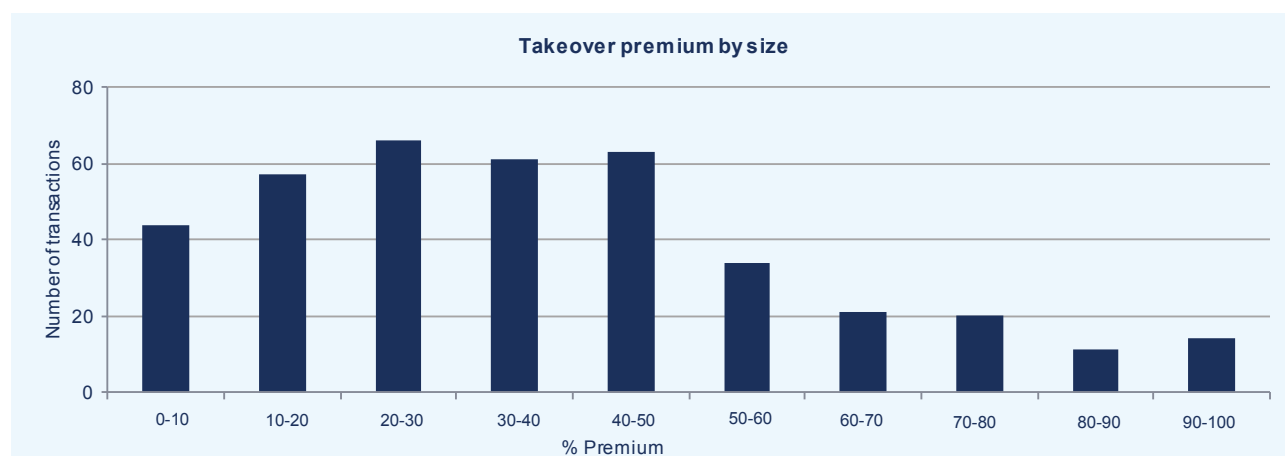
- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner's remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2005 and 2015. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

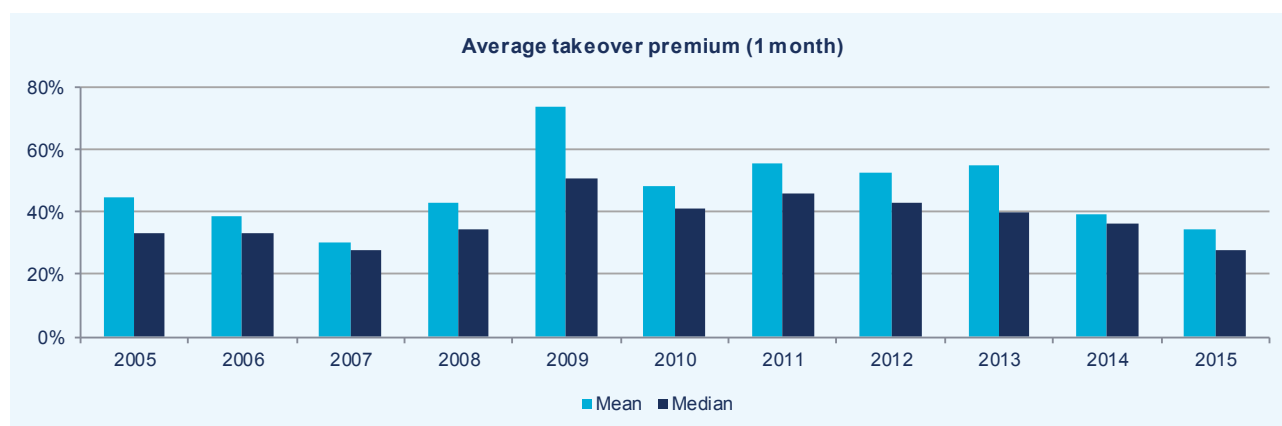


Sources: FactSet, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premium is in the range of 20% to 30%, with approximately 60% of all premiums falling in the range of 0% to 40%.

Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

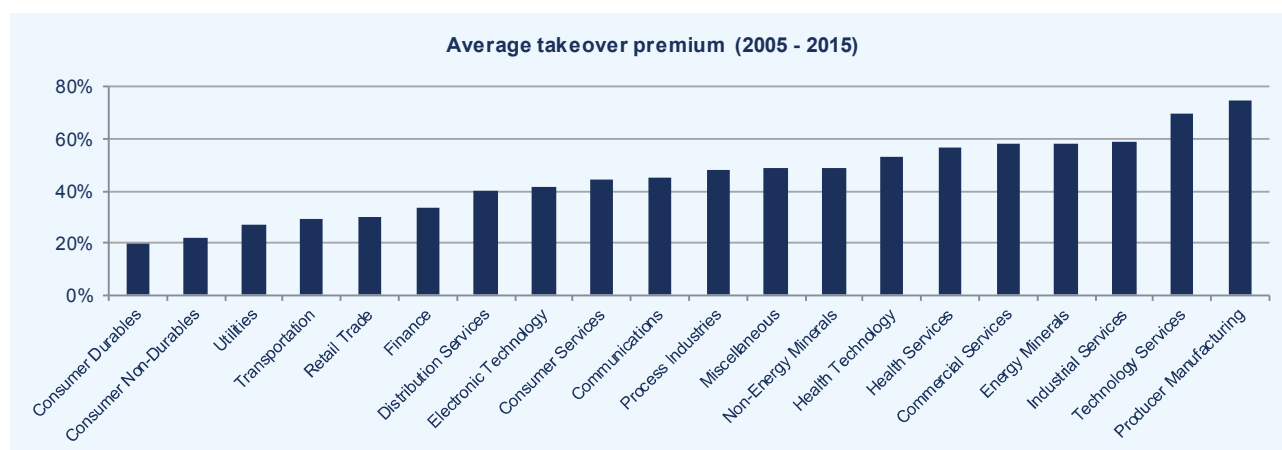


Sources: FactSet, Leadenhall analysis

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 50%.



Sources: FactSet, Leadenhall analysis

A number of industries have fairly high averages which have been impacted by specific transactions as set out below:

- ◆ **Producer Manufacturing:** includes two transactions with control premiums over 100%. The average premium is 25% lower when these transactions are excluded.
- ◆ **Technology Services:** includes four transactions with control premiums in excess of 100%. The average premium is 30% lower when these transactions are excluded.
- ◆ **Industrial Services:** includes two transactions with control premiums in excess of 100%. The average premium is 30% lower when these transactions are excluded.
- ◆ **Energy Minerals:** includes six transactions with control premiums in excess of 100%. The average premium is 20% lower when these transactions are excluded.
- ◆ **Commercial Services:** includes four transactions with control premiums in excess of 100%. The average premium is 20% lower when these transactions are excluded.
- ◆ **Health Services:** includes one transaction with a control premium of 183%. The average premium is 20% lower when this transaction is excluded.

Key factors that generally lead to higher premiums being observed are more than one party presenting a takeover offer, favourable trading conditions in certain industries (e.g. recent mining and tech booms), when the price includes special value and scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 40%
- ◆ Lonergan Edwards - 30 to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature published by leading valuation experts.

Alternative View

Whilst common practice is to accept the existence of a control premium, in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate view point to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. The reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ > 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ > 25% - ability to block a special resolution
- ◆ > 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares are listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

<20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran¹ notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

¹ Aswath Damodaran is a Professor of Finance at the Stern School of Business at New York University, where he teaches corporate finance and equity valuation. He has written several books on equity valuation, as well as corporate finance and investment. He is also widely published in leading finance journals.

Key Factors in Determining a Reasonable Control Premium

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – Generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a high dividend payout generally leads to a low premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders agreement** - the existence and contents of a shareholders agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium

APPENDIX 6: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Hunter Hall's Shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by Hunter Hall and Pengana being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Hunter Hall's and Pengana's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of Hunter Hall's and Pengana's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for Hunter Hall and Pengana, when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of Hunter Hall and Pengana referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range

Indemnities

In recognition that Leadenhall may rely on information provided by Hunter Hall and Pengana and their officers, employees, agents or advisors, Hunter Hall and Pengana have agreed that they will not make any claim against Leadenhall to recover any loss or damage which they may suffer as a result of that reliance and that they will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Hunter Hall and Pengana and their officers, employees, agents or advisors or the failure by Hunter Hall and Pengana and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Dave Pearson, BCom., CA, CFA, CBV, M.App.Fin, Simon Dalgarno, B.Ec, FCA, F.FINSIA and Chern Fung Yee, BCom., CPA.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

Independence

Leadenhall has acted independently of Hunter Hall. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.



The Directors
Pengana Holdings Pty Ltd
Level 12, 167 Macquarie Street
Sydney NSW 2000

The Directors
Hunter Hall International Limited
Level 2, 56 Pitt Street
Sydney NSW 2000

27 April 2017

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Pengana Holdings Pty Ltd's and the Companies' historical and pro forma historical financial information and Financial Services Guide

We have been engaged by Hunter Hall International Limited (**Hunter Hall**) and Pengana Holdings Pty Ltd (**Pengana**) to report on the Historical Financial Information and Pro Forma Historical Financial Information (as defined below) for inclusion in the notice of meeting and explanatory memorandum dated on or about the 7 April 2017 (together, the **Explanatory Memorandum**) and to be issued by Hunter Hall in relation to the proposed merger with Pengana (the **Merger**).

Expressions and terms defined in the Explanatory Memorandum have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

Historical Financial Information

You have requested PricewaterhouseCoopers Securities Ltd to review the following Historical Financial Information of Pengana and Hunter Hall included in the Explanatory Memorandum:

- a. **Pengana Historical Financial Information** being the:
 - i. Statement of Financial Position of Pengana as at 31 December 2016;
 - ii. Statements of Financial Performance of Pengana for the two years ended 30 June 2015 and 30 June 2016 and the six months ended 31 December 2016; and
 - iii. Statements of Cash Flows of Pengana for the two years ended 30 June 2015 and 30 June 2016 and the six months ended 31 December 2016; and

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572

One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000,
GPO BOX 2650 Sydney NSW 2001

T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

- b. **Hunter Hall Historical Financial Information** being the Statement of Financial Position of Hunter Hall as at 31 December 2016.

The Pengana Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Pengana's adopted accounting policies. The Pengana Historical Financial Information has been extracted from the financial report of Pengana for the years ended 30 June 2015 and 30 June 2016 which was audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. The financial information for the six months ended 31 December 2016 which consists of the Statement of Financial Performance, Statement of Cashflows and the Statement of Financial Position (together the **Primary Statements**) was reviewed by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. PricewaterhouseCoopers issued unmodified audit opinions on the financial reports and an unmodified review opinion on the Primary Statements.

The Hunter Hall Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Hunter Hall Historical Financial Information has been extracted from the financial report of the Company for the six months ended 31 December 2016 which was audited by Grant Thornton in accordance with the Australian Auditing Standards. Grant Thornton issued an unmodified review opinion on the financial report.

The Historical Financial Information is presented in the Explanatory Memorandum in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Merged Group Pro Forma Historical Financial Information

You have requested PricewaterhouseCoopers Securities Ltd to review the Merged Group Pro Forma Historical Financial Information included in the Explanatory Memorandum, being the pro forma historical Statement of Financial Position of the combined Pengana/Hunter Hall group, which assumes completion of the Merger.

The Merged Group Pro Forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of pro forma adjustments described in section 7 of the Explanatory Memorandum. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the accounting policies detailed in Section 7 of the Explanatory Memorandum applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 7 of the Explanatory Memorandum, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent Pengana or Hunter Hall's actual or prospective financial position.

Directors' responsibility

The directors of Pengana and Hunter Hall are responsible for the preparation of the Historical Financial Information and Merged Group Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Merged Group Pro Forma Historical Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Merged Group Pro Forma Historical Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of Pengana and Hunter Hall, as described in section 7 of the Explanatory Memorandum, and comprising:

- a. **Pengana Historical Financial Information** being the:
 - i. Statement of Financial Position of Pengana as at 31 December 2016;
 - ii. Statements of Financial Performance of Pengana for the two years ended 30 June 2015 and 30 June 2016 and the six months ended 31 December 2016; and
 - iii. Statements of Cash Flows of Pengana for the two years ended 30 June 2015 and 30 June 2016 and the six months ended 31 December 2016; and
- b. **Hunter Hall Historical Financial Information** being the Statement of Financial Position of Hunter Hall as at 31 December 2016.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7 of the Explanatory Memorandum being the recognition and measurement principles contained in Australian Accounting Standards and Pengana and Hunter Hall's adopted accounting policies.

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information of the Companies as described in section 7 of the Explanatory Memorandum, being the pro forma historical Statement of Financial Position of the combined Pengana/Hunter Hall group, which assumes completion of the Merger, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7 of the Explanatory Memorandum being the recognition and measurement principles contained in Australian Accounting Standards and the Companies' adopted accounting policies applied to the historical financial information and the events or transactions) to which the pro forma adjustments relate, as described in section 7 of the Explanatory Memorandum, as if those events or transactions had occurred as at the date of the Historical Financial Information.



Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 7 of the Explanatory Memorandum, which describes the purpose of the financial information, being for inclusion in the Explanatory Memorandum. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Explanatory Memorandum. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Explanatory Memorandum.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Haberlin'.

Mark Haberlin
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 7 April 2017

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Hunter Hall International Limited (**Hunter Hall**) and Pengana Holdings Pty Limited (**Pengana**) to provide a report in the form of an independent assurance report in relation to the financial information comprising Pengana's Statement of Financial Position as at 31 December 2016, the Statement of Financial Performance for the two years ended 30 June 2015 and 30 June 2016 and the six months ended 31 December 2016, the Hunter Hall Statement of Financial Position at 31 December 2016 and the Companies' pro forma Statement of Financial Position at 31 December 2016 (which assumes completion of the proposed merger of Pengana and Hunter Hall) for inclusion in the notice of meeting and explanatory memorandum (together, the **Explanatory Memorandum**).

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to \$125,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of Pengana.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mark Haberlin
Authorised representative
PricewaterhouseCoopers Securities Ltd
One International Towers
Watermans Quay
Barangaroo NSW 2000



MERGER AGREEMENT

Hunter Hall

Pengana

WHSP

RP

RC Pillemer

Pengana Shareholders who become parties to this agreement

Project Graham

DLA Piper Australia
Level 22
No.1 Martin Place
Sydney NSW 2000
GPO Box 4082
Sydney NSW 2001
Australia
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T +61 2 9286 8000
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DETAILS**Date**

9

March 2017

Parties**Hunter Hall**

Name Hunter Hall International Limited
ACN 059 300 426
Address Level 2, 56 Pitt Street, Sydney NSW 2000
Email eley@bigpond.net.au / PFerrao@hunterhall.com.au
Attention Kevin Eley, Chairman / Paula Ferrao, CFO

Pengana

Name Pengana Holdings Pty Ltd
ACN 103 765 082
Address Level 12, 167 Macquarie Street, Sydney NSW 2000
Email Russel.Pillemer@pengana.com
Attention Russel Craig Pillemer, Chief Executive Officer

WHSP

Name WHSP Pengana Pty Ltd
ACN 616 534 840
Address Level 1, 160 Pitt Street Mall, Sydney NSW 2000
Email TBarlow@whsp.com.au
Attention Todd Barlow, Director

RP

Name Russel Craig Pillemer
Address 6 Black Street, Vacluse, Sydney NSW 2023
Email Russel.Pillemer@pengana.com
Attention Russel Craig Pillemer

RC Pillemer

Name RC Pillemer Pty Limited
ACN 099 911 510
Address Level 12, 167 Macquarie Street, Sydney NSW 2000
Email Russel.Pillemer@pengana.com
Attention Russel Craig Pillemer

Other Pengana Shareholders who have become a party to this agreement pursuant to clause 3.6

BACKGROUND

- A The Pillemer Sellers own the Pillemer Shares and are entitled to sell the Pillemer Shares.
- B WHSP owns the WHSP Shares and is entitled to sell the WHSP Shares.

- C Each Pillemer Seller agrees to sell and Hunter Hall agrees to buy the Pillemer Shares on the terms of this agreement.
- D WHSP agrees to sell and Hunter Hall agrees to buy the WHSP Shares on the terms of this agreement.
- E Each of RP and WHSP agrees to use reasonable endeavours to procure the Other Pengana Shareholders' sale of, and Hunter Hall agrees to buy, the Other Pengana Shares on the terms of this agreement.

AGREED TERMS

1 DEFINITIONS AND INTERPRETATION

Definitions

1.1 In this agreement the following definitions apply:

Accounting Standards means the accounting standards made or in force under the Corporations Act, and if any matter is not covered by those accounting standards, generally accepted Australian accounting principles.

Accounts mean:

- (a) in relation to the Hunter Hall Group, the audit-reviewed half year report of the Hunter Hall Group for the half-year ending on the Accounts Date; and
- (b) in relation to the Pengana Group, the unaudited consolidated balance sheet, cash flow statements and income statements of the Pengana Group for the half-year ending on the Accounts Date.

Accounts Date means 31 December 2016.

Acquisition means the acquisition of the Sale Shares by Hunter Hall through the issue of Hunter Hall Purchase Shares to the Sellers.

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to Hunter Hall or Pengana or any of their respective Related Bodies Corporate.

AFSL means an Australian Financial Services Licence.

Agreed Announcement means the announcement in the form set out in Schedule 9.

ASIC means the Australian Securities & Investments Commission.

ASIC Modifications means a modification to or exemption (including, without limitation, any "no action" letter) required to be obtained by Hunter Hall from ASIC to enable it to conduct the Acquisition in compliance with the Corporations Act.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ABN 98 008 624 691, or the securities market it operates, as the context requires.

ASX Confirmation means a written opinion from ASX that re-compliance by Hunter Hall of Chapters 1 and 2 of the Listing Rules under Listing Rule 11.1.3 is not required for the Acquisition.

ASX Waivers means any waivers, confirmations or approvals required to be obtained by Hunter Hall from ASX to enable Hunter Hall to conduct the Acquisition, in compliance with the Listing Rules.

Authorised Representative Agreements means the agreements pursuant to which Pengana Capital or HHIML appoints authorised representatives to perform financial services on its behalf in accordance with the Corporations Act.

Blackergast Agreement means the Blackergast Agreement dated on or about 12 December 2007 between Steven Black, Ed Prendergast, Blackergast Pty Ltd, Pengana and Pengana Capital Ltd ACN 103 800 568, as amended from time to time.

Business Day means a day other than a Saturday, Sunday or public holiday on which banks are open for business generally in Sydney, Australia.

Claim means a claim arising from or relating to a breach of a Warranty or any other claim by a party under this agreement.

Claims End Date means:

- (a) in relation to Leakage Claims, the date that is 6 months after the Completion Date; and
- (b) in relation to all other Claims, the date that is 18 months after the Completion Date.

Competing Proposal means, in relation to Hunter Hall, any proposal, agreement, arrangement or transaction which, if entered into or completed, would result in a Third Party (either alone or together with any Associate):

- (a) directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the share capital of Hunter Hall;
- (b) directly or indirectly acquiring, becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in all or a substantial part of the business of the Hunter Hall Group;
- (c) acquiring control of Hunter Hall (as determined in accordance with section 50AA of the Corporations Act, disregarding sub-section 50AA(4) of the Corporations Act); or
- (d) otherwise acquiring or merging with Hunter Hall,

whether by takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement.

Completion means completion of the Acquisition in accordance with this agreement.

Completion Date means the date that is 3 Business Days after the day that each Condition has been satisfied or waived in accordance with clause 3.2.

Conditions means the conditions set out in clause 3.1 and **Condition** means any one of them.

Confidentiality Agreement means the confidentiality agreement between Hunter Hall and Pengana dated 27 January 2017.

Corporations Act means the *Corporations Act 2001* (Cth).

Cut Off Date means 1 June 2017, or a later date agreed between Hunter Hall and Pengana in writing.

Defaulting Party has the meaning given in clause 15.1.1.

Demand means a written notice of, or demand for, an amount payable.

Disclosure Letter means a letter dated on or about the date of this agreement, together with the attachments to that letter, addressed by Pengana (on its own behalf and on behalf of each Seller) to Hunter Hall, disclosing facts, matters and circumstances which are, or as may be, inconsistent with the Pengana Warranties.

Disclosure Materials means the Pengana Disclosure Materials or the Hunter Hall Disclosure Materials as is relevant to each party.

Due Diligence Period means the period between the date of the Confidentiality Agreement and the date of this agreement.

Encumbrance means any mortgage, pledge, lien or charge and any other agreement, right or interest having a similar effect.

ESS Restructure means the transaction steps contemplated in Schedule 10.

Explanatory Statement means the explanatory statement (and any supplementary statement or materials) to accompany the notice of meeting for the General Meeting, which is to contain all the information required by law, ASIC policy and the Listing Rules.

FBT Claim means any assessment, notice or demand or any other document issued or action taken by or on behalf of any Government Agency in respect of Fringe Benefits Tax as it relates to the Pengana Loan Plans.

FBT Claim Amount means:

- (a) the amount Pengana is required to pay in respect of FBT to a Government Agency as a result of a FBT Claim; or

- (b) the amount of any credit, rebate or refund of FBT as a result of a FBT Claim plus any associated fines, additional tax, interest or penalties in respect only of the Pengana Loan Plans.

Forward Looking-Information has the meaning given in clause 9.4.7.

Fringe Benefits Tax means the tax imposed under the Fringe Benefits Tax Assessment Act 1986 (Cth).

General Meeting means the general meeting of Hunter Hall Shareholders to be convened by Hunter Hall and held on the General Meeting Date to consider the Shareholder Resolutions.

General Meeting Date means the date on which Hunter Hall holds the General Meeting, which, to the extent reasonably possible, is to be in accordance with the Timetable.

Government Agency means any government or any public, statutory, governmental (including a local government), semi-governmental or judicial body, entity, department or authority and includes any self-regulatory organisation established under statute.

GST has the meaning given to that term in the GST Act.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Historical Loan Deed means each of the loan deeds in respect of the following amounts owing to the Pengana Group:

- (a) Kessler Super Pty Limited ATF the Kessler Superannuation Fund (Kessler) outstanding as at 30 June 2016 in the amount of \$218,040.31;
- (b) Damian and Julie Crowley as trustees for the Damian Charles Crowley Family Fund (Crowley) (two loans) outstanding as at 30 June 2016 in the aggregate amount of \$625,641.704; and
- (c) Christine Griffiths (Griffiths) (two loans) outstanding as at 30 June 2016 in the aggregate amount of \$572,483.04.

Hunter Hall Break Fee has the meaning given in clause 13.5.

Hunter Hall Data Room means the virtual data room established by Hunter Hall for the purpose of the proposed transaction between the parties and operated by Intralinks.

Hunter Hall Director means a director of Hunter Hall from time to time.

Hunter Hall Disclosure Materials means all written information and materials relating to Hunter Hall made available to Pengana, WHSP, the Pillemer Sellers and each Adviser relevant to those parties during the Due Diligence Period in the Hunter Hall Data Room.

Hunter Hall Group means Hunter Hall and its Subsidiaries and **Hunter Hall Group Member** means any one of them.

HHIML means Hunter Hall Investment Management Limited.

Hunter Hall Participant Shares has the meaning given in Schedule 10.

Hunter Hall Purchase Shares means the New Hunter Hall Shares to be issued to the Sellers in their Respective Proportions in consideration for the transfer of the Sale Shares to Hunter Hall, as set out in Schedules 1 and 2.

Hunter Hall Purchase Shares Acquisition Resolution means a resolution to approve the acquisition by the Pillemer Sellers and WHSP of a Relevant Interest in Hunter Hall Purchase Shares under the terms of this agreement under item 7 of section 611 of the Corporations Act substantially in the form of Schedule 8.

Hunter Hall Register means the register of members of Hunter Hall.

Hunter Hall Share means a fully paid ordinary share in the capital of Hunter Hall.

Hunter Hall Shareholder means a person who is registered as a holder of Hunter Hall Shares.

Hunter Hall's Board means the board of directors of Hunter Hall from time to time.

Hunter Hall's Constitution means the constitution of Hunter Hall.

Hunter Hall Warranties means the representations and warranties of Hunter Hall set out in Schedule 4, and **Hunter Hall Warranty** means any one of them.

Insolvency Event means in relation to a person:

- (a) (*insolvency official*) the appointment of a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;
- (b) (*arrangements*) the entry by the person into a compromise or arrangement with its creditors generally;
- (c) (*winding up*) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;
- (d) (*suspends payments*) the person suspends or threatens to suspend payment of its debts as and when they become due;
- (e) (*ceasing business*) the person ceases or threatens to cease to carry on business;

- (f) (*insolvency*) the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (g) (*deregistration*) the person being deregistered as a company or otherwise dissolved;
- (h) (*deed of company arrangement*) the person executing a deed of company arrangement;
- (i) (*person as trustee or partner*) the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:
 - (i) a breach of trust or obligation as partner by the person;
 - (ii) the person acting outside the scope of its powers as trustee or partner;
 - (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability; or
 - (iv) the assets of the trust or partnership being insufficient to discharge the liability; or
- (j) (*analogous events*) anything analogous to those set out in any of paragraphs (a) to (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction.

Independent Expert means the independent expert in respect of the Acquisition appointed by Hunter Hall.

Independent Expert's Report means the independent expert's report (and any supplementary report or materials) to be issued by the Independent Expert to accompany the notice of meeting for the General Meeting, which is to be prepared as required by ASIC policy and the Listing Rules.

Law means:

- (a) principles of law or equity established by decisions of courts;
- (b) statutes, regulations or by-laws of the Commonwealth of Australia, or any State or Territory of the Commonwealth of Australia or a Government Agency; and
- (c) requirements and approvals (including conditions) of the Commonwealth of Australia, or any State or Territory of the Commonwealth of Australia or a Government Agency that have the force of law.

Leakage means:

- (a) any dividend or distribution of profits or assets declared, or any payments in lieu of any dividend or distribution, paid or made or any repurchase, redemption or return of share or loan capital paid or agreed to be paid, in each case by any Hunter Hall Group Member or Pengana Group Member to, or for the direct benefit of, any member of a Restricted Group;
- (b) in respect of the Pengana Group or the Hunter Hall Group, any amount paid or payable by any Pengana Group Member or Hunter Hall Group Member at any time in respect of its Transaction Costs to the extent that such payments result in the aggregate amount of all of its Transaction Costs paid or payable by the Pengana Group or Hunter Hall Group since the Accounts Date exceeding its Target Transaction Costs;
- (c) any payments made by any Pengana Group Member or Hunter Hall Group Member to (or assets transferred to or liabilities assumed or incurred by any Pengana Group Member or Hunter Hall Group Member for the direct benefit of) any member of a Restricted Group;
- (d) the waiver by any Pengana Group Member or Hunter Hall Group Member of any amount owed to it by any member of a Restricted Group;
- (e) any transfer of an asset to or assumption of a Liability by any Pengana Group Member or Hunter Hall Group Member at an overvalue, in each case from any member of a Restricted Group; and/or
- (f) any agreement, arrangement or understanding to do any of the foregoing,

but does not include any Permitted Leakage Payment. **Leakage Claim** means a Claim under clause 7.

Liability means liability or obligation, whether known or unknown, liquidated or unliquidated, present, contingent or prospective.

Listing Rules means the official Listing Rules of the ASX as amended or waived from time to time.

Locked Box Date means 28 February 2017.

Loss means losses, liabilities, damages, costs, charges and expenses.

Management Accounts means the unaudited monthly management accounts of Pengana or Hunter Hall (as applicable) for the period from the Accounts Date to 28 February 2017.

Mandate means the agreement or agreements pursuant to which Pengana Capital manages the Lyxor / Pengana Asia Special Events Fund, a fund domiciled in Jersey.

New Hunter Hall Shares means up to 74,147,449 Hunter Hall Shares, being the maximum number of new Hunter Hall Shares that may be issued under this agreement.

Other Pengana Sellers means each Other Pengana Shareholder who has executed a Pengana Sale Option Deed.

Other Pengana Sale Shares means Shares held by the Other Pengana Sellers.

Other Pengana Shareholders means a person who is registered as a holder of Shares, as set out in Schedule 2.

Other Pengana Shares means Shares held by the Other Pengana Shareholders, as set out in Schedule 2.

Payroll Tax means the tax imposed under the Payroll Tax Act 1997 (NSW).

Payroll Tax Amount means:

- (a) the amount Pengana is required to pay in respect of Payroll Tax to a Government Agency as a result of a Payroll Tax Claim; or
- (b) the amount of any credit, rebate or refund of Payroll Tax as a result of a Payroll Tax Claim;

plus any associated fines, additional tax, interest or penalties as it relates to the Pengana Loan Plans.

Payroll Tax Claim means any assessment, notice or demand or any other document issued or action taken by or on behalf of any Government Agency in respect of Payroll Tax as it relates to the Pengana Loan Plans.

Pengana Acquisition Resolution means a resolution to approve the acquisition by Hunter Hall of the Sale Shares from WHSP under Listing Rule 10.1 substantially in the form of Schedule 8.

Pengana Break Fee has the meaning given in clause 14.5.

Pengana Capital means Pengana Capital Limited (ACN 103 800 568).

Pengana Disclosure Materials means the information disclosed to Hunter Hall and its Advisers by or on behalf of Pengana contained in:

- (a) the Disclosure Letter; and
- (b) the Vendor Due Diligence Report.

Pengana Group means Pengana and its Subsidiaries, PASE Asset Management Pty Ltd ACN 131 126 059 and Pengana European Asset Management Pty Ltd ACN 125 589 228 and **Pengana Group Member** means any one of them.

Pengana Information means the information regarding Pengana to be provided by Pengana to Hunter Hall in writing for inclusion in the Explanatory Statement referred to in clause 4.1.3 and in the Agreed Announcement.

Pengana Loan Deed has the meaning given in Schedule 10.

Pengana Loan Plans mean:

- (a) Pengana Holdings Pty Limited Loan Share Plan adopted by Pengana on or around 27 February 2017;
- (b) Pengana Holdings Pty Limited Loan Share Plan adopted by Pengana on or around 1 March 2017; and
- (c) Pengana Holdings Pty Limited Non-Employee Loan Share Plan adopted by Pengana on or around 1 March 2017,

and a Pengana Loan Plan means any one of them.

Pengana Loan Plan Participant means a Seller who has been granted Shares under a Pengana Loan Plan.

Pengana Loan Plan Shares means the Hunter Hall Shares held by a Pengana Loan Plan Participant, other than the Pillemer Sellers, on the Completion Date and designated as Pengana Loan Plan Shares in Schedule 2.

Pengana Register means the register of members of Pengana.

Pengana Sale Option Deed means a deed substantially in the form of Schedule 7.

Pengana Shareholder means a person who is registered as a holder of Shares.

Pengana Warranties means the representations and warranties of Pengana and the Seller Warrantors set out in Schedule 5, and **Pengana Warranty** means any one of them.

Pengana's Board means the board of directors of Pengana from time to time.

Permitted Leakage Payment means any payment made or agreed to be made (whether in cash or in kind in each case) by a Hunter Hall Group Member or Pengana Group Member to the extent it:

- (a) comprises Transaction Costs, to the extent that such Transaction Costs do not exceed the Target Transaction Costs;
- (b) is included as a specific reserve, allowance, accrual or provision in the Accounts or the Management Accounts;
- (c) comprises ordinary course salary and other remuneration (including director's fees in accordance with past practice (as to quantum and timing) of the relevant party) and staff retention payments committed to by Hunter Hall prior to the date of this agreement;
- (d) the payment by Hunter Hall of the dividend it declared prior to the date of this agreement; or
- (e) is expressly approved in writing by the Pengana or Hunter Hall (whichever is the opposite party) as a "Permitted Leakage Payment".

Pillemer Restricted Shares means the Hunter Hall Shares held by a Pillemer Seller on the Completion Date as set out in Schedule 1.

Pillemer Sellers means RP and RC Pillemer and **Pillemer Seller** means any one of them.

Pillemer Shares means Shares held by the Pillemer Sellers, as set out in Schedule 1.

Prescribed Occurrence means the occurrence of any of the following on or after the date of this agreement:

- (a) Hunter Hall or Pengana (as applicable) converts all or any of its shares into a larger or smaller number of shares;
- (b) Hunter Hall or Pengana (as applicable) reduces or resolves to reduce its share capital in any way;
- (c) Hunter Hall or Pengana (as applicable) buys-back or resolves to buy-back its shares;
- (d) any Hunter Hall Group Member or Pengana Group Member (as applicable) issues securities, or grants a performance right or an option over its securities or to subscribe for its securities, or agrees to make such an issue or grant such a right or an option (other than in accordance with this agreement);
- (e) any Hunter Hall Group Member or Pengana Group Member (as applicable) issues, or agrees to issue, convertible notes or any other security or instrument convertible into shares;
- (f) any Hunter Hall Group Member or Pengana Group Member (as applicable) disposes, or agrees to dispose, of any assets, properties or businesses;
- (g) any Hunter Hall Group Member or Pengana Group Member (as applicable) acquires, or agrees to acquire, any assets, properties or businesses;
- (h) any Hunter Hall Group Member or Pengana Group Member (as applicable) enters into a commitment or a series of commitments for capital expenditure;
- (i) any Hunter Hall Group Member or Pengana Group Member (as applicable) creates or agrees to create, any Encumbrance over the whole, or a substantial part, of its business or property;
- (j) an Insolvency Event occurs in relation to any Hunter Hall Group Member or Pengana Group Member (as applicable);
- (k) Hunter Hall or Pengana (as applicable) pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution;
- (l) any Hunter Hall Group Member or Pengana Group Member (as applicable) makes any change to its constitution or convenes a meeting to consider a

resolution to change a constitution of any Hunter Hall Group Member or Pengana Group Member (as applicable);

- (m) any Hunter Hall Group Member or Pengana Group Member (as applicable) ceases, or threatens to cease to, carry on the business conducted as at the date of this agreement;
- (n) any Hunter Hall Group Member or Pengana Group Member (as applicable) (other than a dormant, non-operating member) being deregistered as a company or being otherwise dissolved;
- (o) any disposal of shares or securities by a Hunter Hall Group Member or Pengana Group Member (as applicable) in any member of that group; or
- (p) any Hunter Hall Group Member or Pengana Group Member (as applicable) authorising, committing or agreeing to take or announcing any of the actions referred to in clause 6.2 insofar as it applies to the Hunter Hall Group Member or Pengana Group Member (as applicable) the subject of such authorisation, commitment, agreement or announcement,

provided that a Prescribed Occurrence will not include:

- (a) any matter required to be done or procured by a Hunter Hall Group Member or Pengana Group Member (as applicable) pursuant to this agreement; or
- (b) any matter the undertaking of which the other party (being either Hunter Hall or Pengana as applicable) has approved in writing.

Registry means the share registry appointed by Hunter Hall from time to time.

Regulatory Approvals mean:

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Regulatory Authority; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Regulatory Authority intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

Regulatory Authority means:

- (a) any governmental or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; or
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation of the listing rules of any recognised stock or securities exchange.

Related Body Corporate means, in relation to a person, a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.

Related Entity has the meaning given to that term in section 9 of the Corporations Act.

Related Party has the meaning given in section 228 of the Corporations Act, other than under section 228(6) of the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Relevant Law means the Law and any one or more or all of the following, as the context requires:

- (c) the Scheme Constitutions;
- (d) the Scheme compliance plans;
- (e) the Product Disclosure Statements of the Schemes (to the extent that they create binding arrangements on Pengana Capital and unitholders); and
- (f) to the extent binding on any party, any regulatory guide, policy statement, class order, declaration, guidelines, policy or procedure pursuant to the provisions of which ASIC is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any Law or any conduct or proposed conduct of any person pursuant to any such Law.

Requisite Majorities means:

- (a) in relation to the Hunter Hall Purchase Shares Acquisition Resolution, by more than 50% of the total number of votes cast at the General Meeting (whether in person, by proxy or representative) with no votes cast in favour of the resolution by any Seller (or their Associates) in accordance with item 7 of section 611 of the Corporations Act;
- (b) in relation to the Pengana Acquisition Resolution, by more than 50% of the total number of votes cast at the General Meeting (whether in person, by proxy or representative) in accordance with Listing Rule 10.1; and
- (c) in relation to any other resolution to be passed by Hunter Hall Shareholders, the majority required to pass such resolutions under the Corporations Act or under the Listing Rules.

Respective Proportion means, in respect of each Seller, the proportion that Seller's Sale Shares bear to all of the Shares, expressed as a percentage and set out in Schedules 1 and 2.

Restricted Group means:

- (a) in respect of a party that is a natural person:
 - (i) that party;

- (ii) a relative (as defined in section 9 of the Corporations Act) of that party; or
 - (iii) an entity controlled by that party (other than a member of the Pengana Group or Hunter Hall Group); and
- (b) in respect of a party that is a body corporate, that party and each of its related entities (as defined in section 9 of the Corporations Act) (other than a member of the Pengana Group or Hunter Hall Group),

and **member of the Restricted Group** means any of them.

Restricted Shares means the Hunter Hall Shares held by the Other Pengana Shareholders and designated as Restricted Shares in Schedule 2 on the Completion Date, other than Pengana Loan Plan Shares.

Sale Shares means the Pillemer Shares, the WHSP Shares and the Other Pengana Sale Shares.

Sale Shares Price means the price of a Sale Share as at the date of this agreement, being \$290.91.

Scale Down Proportion has the meaning given in clause 9.17.

Scheme means each of the following schemes:

- (a) Pengana Absolute Return Asia Pacific Fund;
- (b) Pengana Affinity Equity Fund;
- (c) Pengana Australian Equities Fund;
- (d) Pengana Emerging Companies Fund;
- (e) Pengana Global Small Companies Fund;
- (f) Pengana PanAgora Absolute Return Global Equities Fund;
- (g) Pengana International Equities Fund - Managed Risk; and
- (h) Pengana International Equities Fund.

Scheme Constitution means each constitution of a Scheme.

Scheme Records means the following books and records kept in relation to a Scheme:

- (a) register of unitholders; and
- (b) ledgers, journals and books of account,

that are maintained, available to or held by or on behalf of the responsible entity of a Scheme.

Securities means shares, preference shares, warrants or options to acquire shares or rights or securities convertible, exchangeable or exercisable into, shares, preference shares, warrants or options.

Seller Warranties means the representations and warranties of each Seller set out in Schedule 6, and **Seller Warranty** means any one of them.

Seller Warrantor means the Pillemer Sellers and WHSP.

Sellers means the Pillemer Sellers, WHSP and the Other Pengana Sellers.

Sellers' Representative means RP, on behalf of all Sellers (other than WHSP) or such other persons as are appointed as Sellers' Representative under clause 17.2.

Shareholder Resolutions means the following resolutions to be put to Hunter Hall Shareholders at the General Meeting in a form agreed in writing by Hunter Hall and Pengana, which will not be passed unless approved by the Requisite Majorities:

- (a) Hunter Hall Purchase Shares Acquisition Resolution;
- (b) Pengana Acquisition Resolution; and
- (c) any other resolution that must be passed by Hunter Hall Shareholders in order to implement the transactions contemplated by this agreement.

Share means a fully paid ordinary share in the capital of Pengana.

Share Security Deed has the meaning given in Schedule 10.

Specific Indemnity means the specific indemnities given under clause 8.4, 8.5 and 8.6.

Specific Indemnity Claim means a claim under a Specific Indemnity.

Specified Executive means:

- (a) in relation to Hunter Hall, each of Paula Ferrao, James McDonald, Asher Lockhart, Anthony Rule and Christina Christopherson; and
- (b) in relation to Pengana, each of RP, Katrina Glendinning, Johanna Moore and Nick Griffiths.

Stamp Duty means any stamp, transaction or registration tax or charge imposed by any Government Agency and includes any interest, fine, penalty, charge or other amount in respect of such tax or charge but excludes any GST.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Superior Proposal means, in relation to Hunter Hall, a bona fide Competing Proposal received by Hunter Hall from a Third Party which Hunter Hall's Board, acting in good faith, and after receiving written legal advice from its legal adviser and written advice from its

financial adviser, determines would, if completed substantially in accordance with its terms, likely be more favourable to Hunter Hall Shareholders (as a whole) than the Acquisition, taking into account all terms and conditions and other aspects of the Competing Proposal (including any timing considerations, any conditions precedent or other matters affecting the probability of the Competing Proposal being completed).

Target Transaction Costs means:

- (a) in relation to the Pengana Group, \$518,000; and
- (b) in relation to the Hunter Hall Group, \$3,700,000.

Tax, Taxes or Taxation means all forms of present and future taxes, excise, Stamp Duty or other duties, imposts, deductions, charges, withholdings, rates, levies or other governmental impositions imposed, assessed or charged by any Government Agency, together with all interest, penalties, fines, expenses and other additional statutory charges relating to any of them, imposed or withheld by a Government Agency.

Tax Act means the *Income Tax Assessment Act 1936 (Cth)*, the *Income Tax Assessment Act 1997 (Cth)* or the *Taxation Administration Act 1953 (Cth)* as the case may be.

Tax Law means a law relating to Tax.

Third Party means a person other than Hunter Hall, Pengana, WHSP or their respective Related Bodies Corporate or Associates.

Timetable means the indicative timetable for the implementation of the Acquisition contemplated in this agreement as set out in Schedule 3, subject to any modifications as Hunter Hall and Pengana may agree in writing.

Transaction Costs means any financial, accounting, tax, legal and other advisory fees and costs (including GST and disbursements) incurred (or to be incurred) in connection with the preparation for, negotiation and implementation of the Acquisition.

Vendor Due Diligence Report means the draft Project Graham vendor legal due diligence report dated 6 February 2017 prepared by DLA Piper in respect of the Pengana Group.

Voluntarily Escrowed Shares means:

- (a) the Pengana Loan Plan Shares;
- (b) the Pillemer Restricted Shares; and
- (c) the Restricted Shares.

Voluntary Escrow Deed means a voluntary escrow deed in a form reasonably acceptable to Hunter Hall and substantially similar to a restriction agreement in the form set out in Appendix 9A of the Listing Rules as amended from time to time provided that (in addition to the usual exceptions) Voluntarily Escrowed Shares may be transferred to the extent necessary to satisfy a Claim and to alleviate financial hardship at the discretion of Hunter Hall's Board.

Voluntary Escrow Period means:

- (a) in relation to the Pengana Loan Plan Shares, a period of 5 years from the Completion Date; and
- (b) in relation to the Pillemer Restricted Shares, a percentage of the relevant shares held by each party are to be released from the relevant escrow in accordance with the following schedule:
 - (i) 15 February 2018 – 8.88%;
 - (ii) 15 February 2019 – 8.88%;
 - (iii) 15 February 2020 – 8.90%;
 - (iv) 15 February 2021 – 24.44%;
 - (v) 15 February 2022 – 24.44%; and
 - (vi) 15 February 2023 – 24.46%.
- (c) in relation to the Restricted Shares, a percentage of the relevant shares held by each party are to be released from the relevant escrow in accordance with the following schedule:
 - (i) 15 February 2018 – 33.33%;
 - (ii) 15 February 2019 – 33.33%; and
 - (iii) 15 February 2020 – 33.34%.

Warranties means the Hunter Hall Warranties, the Pengana Warranties and the Seller Warranties and **Warranty** means any Hunter Hall Warranty, Pengana Warranty or Seller Warranty.

WHSP Shares means Shares held by WHSP, as set out in Schedule 1.

Interpretation

- 1.2 In the interpretation of this agreement, the following provisions apply unless the context otherwise requires:
 - 1.2.1 a reference to 'dollars' or '\$' means Australian dollars and all amounts payable under this agreement are payable in Australian dollars;
 - 1.2.2 an expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency;
 - 1.2.3 where a word or phrase is given a defined meaning another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning;

- 1.2.4 a word which indicates the singular also indicates the plural, a word which indicates the plural also indicates the singular, and a reference to any gender also indicates any other gender;
- 1.2.5 a reference to the word 'include' or 'including' is to be interpreted without limitation;
- 1.2.6 a reference to the word 'owing' means actually or contingently owing, and 'owe' and 'owed' have an equivalent meaning;
- 1.2.7 a reference to a party, clause, part, schedule, annexure or attachment is a reference to a party, clause, part, schedule, annexure or attachment of or to this agreement;
- 1.2.8 a reference to any document or agreement is to that document or agreement as amended, novated, supplemented or replaced;
- 1.2.9 the schedules, annexures and attachments form part of this agreement;
- 1.2.10 headings are inserted for convenience only and do not affect the interpretation of this agreement; and
- 1.2.11 a reference to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision, in either case whether before, on or after the date of this agreement; and
- 1.2.12 a reference to a Pillemer Seller is a reference to the Pillemer Sellers jointly and severally and any obligation or liability of a Pillemer Seller is a joint and several obligation or liability of the Pillemer Sellers, notwithstanding any limitation of liability that might otherwise apply, including under clause 10 in respect of any Pillemer Seller.

References to and calculations of time

- 1.3 In this agreement, unless the context otherwise requires:
 - 1.3.1 a reference to a time of day means that time of day in the place whose laws govern the construction of this agreement;
 - 1.3.2 where a period of time is specified and dates from a given day or the day of an act or event it must be calculated exclusive of that day; and
 - 1.3.3 a term of this agreement which has the effect of requiring anything to be done on or by a date which is not a Business Day must be interpreted as if it required it to be done on or by the next Business Day.

2 SALE AND PURCHASE OF THE SALE SHARES

Sale and purchase

- 2.1 Subject to the terms and conditions of this agreement, the Sellers must sell, and Hunter Hall must buy, the Sale Shares in consideration for the issue to the Sellers of the Hunter Hall Purchase Shares on the terms of this agreement.

Transfer of the Sale Shares

- 2.2 Subject to the satisfaction of the Conditions, each Seller irrevocably agrees to:
- 2.2.1 transfer to Hunter Hall all of the Sale Shares free from Encumbrances and together with all rights attaching to them, including all accrued rights to dividends;
 - 2.2.2 (other than WHSP) authorise the Sellers' Representative to give and receive notices on its behalf those notices required to be given under this agreement;
 - 2.2.3 (other than WHSP) appoint the Sellers' Representative as their attorney to complete and sign any documents under hand or seal and do anything on his, her or its behalf which the Sellers' Representative reasonably considers is required to give effect to any matter contemplated by this agreement including to execute all necessary transfer documentation; and
 - 2.2.4 become a member of Hunter Hall and be bound by Hunter Hall's Constitution.

Issue of Hunter Hall Purchase Shares

- 2.3 In consideration for the transfers referred to in clause 2.2, Hunter Hall will issue to the Sellers the Hunter Hall Purchase Shares.

Acquisition completion

- 2.4 On Completion, Pengana will:
- 2.4.1 cancel the existing share certificates in respect of each Seller's Sale Shares;
 - 2.4.2 cause the Pengana Register to be updated to reflect the Acquisition and issue a share certificate for all of the Sale Shares to Hunter Hall;
 - 2.4.3 deliver to Hunter Hall:
 - 2.4.3.1 the statutory books, registers and minute books of Pengana (including its certificate of incorporation and any certificates of registration on change of name) updated in accordance with clause 2.4.2, which will be satisfied by making them available to Hunter Hall at Pengana's registered office;
 - 2.4.3.2 duly executed transfers in favour of Hunter Hall of the Sale Shares and the share certificates for the Sale Shares;

- 2.4.3.3 written resignations of the existing directors and secretary of Pengana, acknowledging that they have no claim for fees, entitlements, salary or compensation for loss of office or otherwise against Pengana;
 - 2.4.3.4 a certified copy of a resolution of directors of Pengana resolving to:
 - (a) cause the Pengana Register to be updated to reflect the Acquisition and issue a share certificate for all of the Sale Shares to Hunter Hall;
 - (b) cancel the existing share certificates in respect of each Seller's Sale Shares; and
 - (c) subject to them consenting to act, the persons nominated by Hunter Hall be appointed as the director(s) and secretary of Pengana; and
 - 2.4.4 provide such notices and documentation to any relevant regulatory authorities as may be required by law.
- 2.5 On Completion, Hunter Hall will:
- 2.5.1 instruct the Registry to issue a holding statement to each Seller for the number of Hunter Hall Purchase Shares held by them;
 - 2.5.2 instruct the Registry to update the Hunter Hall Register accordingly;
 - 2.5.3 provide such notices and documentation to any relevant regulatory authorities as may be required by law; and
 - 2.5.4 deliver executed consents to act as officers of Pengana by the incoming director(s) and incoming secretary.

Undertaking regarding Acquisition

- 2.6 For the purpose of giving effect to the Acquisition, each Seller will promptly do all things reasonably required of him, her or it by Pengana's Board or Hunter Hall's Board.

Power of attorney

- 2.7 Each attorney appointed in accordance with clause 2.2.3 may exercise or concur in exercising its powers even if the attorney has a conflict of duty in exercising powers or has a direct or personal interest in the means or result of that exercise of power.
- 2.8 Each Seller agrees to ratify and confirm whatever the attorney lawfully does or causes to be done under the appointment.

3 CONDITIONS

- 3.1 Subject to this clause 3, the respective obligations of the parties under clauses 2, 4.1.6 and 4.1.7 will not be binding until each of the following conditions precedent have been satisfied or waived in accordance with clause 3.2:

Shareholder Resolutions

- 3.1.1 the Shareholder Resolutions¹ being validly passed by the Requisite Majorities at the General Meeting;

Other Pengana Shareholders

- 3.1.2 each Other Pengana Shareholder executes and delivers a Pengana Sale Option Deed;

Blackergast Agreement

- 3.1.3 Pengana provides to Hunter Hall a validly executed document that amends the Blackergast Agreement in a form and on terms acceptable to Hunter Hall, acting reasonably;

ESS Restructure

- 3.1.4 Pengana provides to Hunter Hall the documents identified in Schedule 10 to implement the ESS Restructure with effect from Completion, in a form to the satisfaction of Hunter Hall, acting reasonably; and

Voluntary escrow

- 3.1.5 Pengana provides to Hunter Hall a Voluntary Escrow Deed for the Voluntary Escrow Period from each Seller that holds Voluntarily Escrowed Shares in respect of all of their shares.

If there is any inconsistency between this clause 3 and clauses 2, 4.1.6 and 4.1.7, prior to the termination of this agreement under clause 3.3, the obligations in clauses 2, 4.1.6 and 4.1.7 will prevail to the extent of that inconsistency.

Benefit of Conditions and waiver

- 3.2 The Conditions set out in clauses 3.1.2, 3.1.3, 3.1.4 and 3.1.5 are for the benefit of Hunter Hall. A party for whose benefit a Condition is included may waive the Condition in whole or in part at any time by written notice to the other party. Any waiver pursuant to this clause must be in writing and will be irrevocable. The Condition set out in clause 3.1.1 has been inserted to meet legal requirements and may not be waived.

¹ Unless ASX waives the requirement for a Pengana Acquisition Resolution, in which case, a Hunter Hall Share Acquisition Resolution only will be required.

Effect of failure to satisfy Conditions

- 3.3 If all of the Conditions are not satisfied or, to the extent they are capable of waiver, waived by the party or parties for whose benefit they are included by 5.00 pm on the Cut Off Date, any party may, at any time after 5.00 pm on the Cut Off Date, but before satisfaction of all of the Conditions, terminate this agreement by written notice to the other parties.

Reasonable endeavours

- 3.4 Each of Hunter Hall and Pengana will use reasonable endeavours to procure that each of the Conditions are satisfied as soon as reasonably practicable after the date of this agreement and continues to be satisfied at all times until the last time they are to be satisfied (as the case may require) and must not do anything which would prevent any applicable Condition from being satisfied.

Notifications

- 3.5 Each of Hunter Hall and Pengana must:
- 3.5.1 keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
 - 3.5.2 promptly notify the others in writing if it becomes aware that any Condition has been satisfied, in which case that party must comply with any reasonable request for evidence of the satisfaction of that Condition made by the other parties; and
 - 3.5.3 promptly notify the others in writing if it becomes aware that any Condition is or has become incapable of being satisfied (having regard to the respective obligations of each party under clause 3.4).

Other Pengana Shareholders

- 3.6 Following the execution and delivery of this agreement, each of WHSP and RP shall use reasonable endeavours to procure the execution and delivery of Pengana Sale Option Deeds from each Other Pengana Shareholder pursuant to which each such holder agrees to be bound by this agreement to the extent applicable to it.

4 IMPLEMENTATION OF ACQUISITION**Hunter Hall obligations**

- 4.1 Hunter Hall must use its best endeavours to implement the Acquisition substantially in accordance with the Timetable, including taking each of the following steps:

ASIC Modifications and ASX Waivers

- 4.1.1 apply for the ASX Confirmation and any ASX Waivers and ASIC Modifications as may be necessary to enable the Acquisition to proceed;

Recommendation

4.1.2 state in the Explanatory Statement and the public announcement contemplated in clause 16.3 that, in the absence of a Superior Proposal and subject to the Independent Expert concluding in the Independent Expert's Report that the Acquisition is fair and reasonable to Hunter Hall Shareholders:

4.1.2.1 Hunter Hall's Board unanimously recommends that the Hunter Hall Shareholders approve the Shareholder Resolutions and not withdraw that recommendation or make any public statement inconsistent with that recommendation; and

4.1.2.2 each member of Hunter Hall's Board intends to cause any Hunter Hall Shares in which they have a Relevant Interest to be voted in favour of the Shareholder Resolutions and not withdraw that statement or make any public statement inconsistent with that statement;

Notice of meeting

4.1.3 before the notice of meeting for the General Meeting is sent to Hunter Hall Shareholders, prepare and lodge with ASIC a copy of the notice of meeting and any document relating to the Shareholder Resolutions that will accompany the notice of meeting to be sent to Hunter Hall Shareholders (including the Explanatory Statement and the Independent Expert's Report to be annexed to it) in accordance with ASIC Regulatory Guide 74 and, to the extent reasonably possible, in accordance with the Timetable;

General Meeting

4.1.4 convene and hold the General Meeting;

Supplementary information

4.1.5 prepare, and procure the preparation of, supplementary information (if circumstances require) and provide such information to Hunter Hall Shareholders prior to the General Meeting in accordance with ASIC Regulatory Guide 74;

Issue of Hunter Hall Purchase Shares

4.1.6 if the Shareholder Resolutions have been properly passed and approved by the Requisite Majorities, issue the Hunter Hall Purchase Shares to the Sellers in accordance with clause 2.3; and

ASIC and ASX

4.1.7 lodge any necessary documents or forms with ASIC or ASX to complete the Acquisition, including by:

4.1.7.1 providing to ASX a written notice that complies with section 708A(6) of the Corporations Act immediately after the issue of Hunter Hall Purchase Shares; and

- 4.1.7.2 lodging an Appendix 3B with ASX reflecting the issue of the Hunter Hall Purchase Shares.

Draft notice of meeting

- 4.2 Hunter Hall must provide Pengana with a draft copy of the notice of meeting referred to in clause 4.1.3, the Explanatory Statement, the Independent Expert's Report and any other explanatory materials which will accompany the notice as well as a draft copy of any supplementary information referred to in clause 4.1.5. Hunter Hall must consult with Pengana in relation to the drafts before producing final versions to be sent to the Hunter Hall Shareholders.

Pengana's obligations

- 4.3 Pengana must take all reasonable and necessary steps to assist Hunter Hall to implement the Acquisition, including taking each of the following steps:

Pengana Information

- 4.3.1 provide to Hunter Hall for inclusion in the Explanatory Statement such information regarding Pengana as Hunter Hall reasonably requires to prepare and issue the Explanatory Statement (including consent to the form and context in which the Pengana Information appears in the Explanatory Statement);

Review of Explanatory Statement

- 4.3.2 review the drafts of the Explanatory Statements and provide comments on those drafts in good faith; and

Approval of Explanatory Statement

- 4.3.3 as soon as practicable when the final draft of the Explanatory Statement is provided by Hunter Hall, procure that a meeting of Pengana's Board is convened to approve those sections of the Explanatory Statement that relate to Pengana as being in a form appropriate for despatch to the Hunter Hall Shareholders.

5 COMPLETION**Date and place for Completion**

- 5.1 Subject to satisfaction (or waiver) of the Conditions, Completion must take place on the Completion Date.

Obligations at Completion

- 5.2 Hunter Hall and each Seller must each fulfil their obligations at Completion as set out in clause 2.

Interdependence

- 5.3 The obligations of the parties at Completion are interdependent. All actions at Completion will be deemed to take place simultaneously and no delivery or payment will be deemed to have been made until all deliveries and payments have been made.

6 CONDUCT OF BUSINESS BEFORE THE COMPLETION DATE

- 6.1 Subject to clauses 6.2 to 6.4, from the date of this agreement up to and including the Completion Date, Hunter Hall and Pengana must each conduct its business in the ordinary and usual course of business and:

- 6.1.1 operate its businesses consistent with past practice, in substantially the same manner as previously conducted;
- 6.1.2 use reasonable endeavours to preserve its relationships with customers, suppliers, landlords, licensors, licensees, fund managers, funds and others having material business dealings with them, and to retain the services of all key employees;
- 6.1.3 use reasonable endeavours to ensure that all assets are maintained in the normal course of business consistent with past practice;
- 6.1.4 use reasonable endeavours to comply in all material respects with all material contracts to which a member of the Hunter Hall Group or Pengana Group (as applicable) is a party;
- 6.1.5 in accordance with all applicable laws, authorisations and licenses; and
- 6.1.6 not take or fail to take any action that constitutes a Prescribed Occurrence or that could reasonably be expected to result in a Prescribed Occurrence.

- 6.2 Without limiting clause 6.1 but subject to clause 6.3, Hunter Hall and Pengana must not, from the date of this agreement up to and including the Completion Date, do any of the following (or agree or offer to do any of the following):

- 6.2.1 incur any additional financial indebtedness or guarantee or indemnify the obligations of any person, other than in the usual and ordinary course of business and consistent with past practice;
- 6.2.2 declare or pay a dividend (other than a dividend that has been declared as at the date of this agreement);
- 6.2.3 (except as required by law or as provided in an existing contract in place as at the date of this agreement) make any material change to the terms of employment of (including increasing the remuneration or compensation of), or grant or pay any bonus, retention, severance or termination payment to, any director, executive or fund manager of a Hunter Hall Group Member or Pengana Group Member (as applicable);
- 6.2.4 (except as pursuant to contractual arrangements in effect on the date of this agreement) enter into any enterprise bargaining agreement or similar collective employment agreement;

- 6.2.5 in respect of any single transaction or series of related or similar transactions, acquire or dispose of any interest in a business, real property, entity or undertaking;
- 6.2.6 incur or enter into any commitment or commitments involving capital expenditure whether in one transaction or a series of related transactions;
- 6.2.7 enter into, vary or terminate any contract (including a management agreement or outsourcing agreement), joint venture, partnership or commitment (or any series of related contracts, joint ventures, partnerships or commitments);
- 6.2.8 enter into any new financing arrangement, agreement or otherwise provide financial accommodation other than with a Hunter Hall Group Member or Pengana Group Member (irrespective of what form that accommodation takes), or amend the terms of any existing financing arrangement, agreement or instrument;
- 6.2.9 enter into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges or interest rate hedges (including basis swaps on interest rates, such that the net period for the floating interest on the swaps is the same period as the net floating interest period on the relevant loan) made in the ordinary course of business consistent with past practice and in accordance with existing policy as at the date of this agreement;
- 6.2.10 give or agree to give any financial benefit to one of its Related Parties;
- 6.2.11 pay any fee to any adviser where such fee is contingent on the implementation of the transactions contemplated under this agreement (other than as disclosed in writing to the other party before the date of this agreement);
- 6.2.12 issue, or agree to issue, or grant an option to subscribe for, debentures (as defined in section 9 of the Corporations Act) other than under an existing financing arrangement which has been disclosed in writing to the other party before the date of this agreement;
- 6.2.13 alter in any material respect any accounting policy of any Hunter Hall Group Member or Pengana Group Member other than any change required by the Accounting Standards; or
- 6.2.14 amend in a material respect or terminate any existing management agreement, shareholders' agreement, joint venture agreement or other similar investor agreements or arrangements, or enter into any management agreement, shareholders agreement, joint venture agreement or other similar investor agreement or arrangement.

- 6.3 The obligations of Hunter Hall and Pengana (as applicable) under clauses 6.1 and 6.2 do not apply in respect of any matter:
- 6.3.1 undertaken by a Hunter Hall Group Member or Pengana Group Member in conducting its businesses in the usual and ordinary course and consistent with past practice;
 - 6.3.2 required to be done or procured by a party pursuant to, or which is otherwise contemplated by, this agreement; or
 - 6.3.3 the undertaking of which the other party has approved in writing (which approval must not be unreasonably withheld or delayed).
- 6.4 Prior to the Completion Date:
- 6.4.1 each of Hunter Hall and Pengana must keep the other party reasonably informed of all material developments relating to the Hunter Hall Group and Pengana Group (as applicable) and provide to the other party monthly management, financial and operational reports provided to its board; and
 - 6.4.2 each of Hunter Hall and Pengana must share such information as is reasonably required to implement the transactions contemplated under this agreement.

7 LEAKAGE

Leakage covenants

- 7.1 Each Seller severally but not jointly represents and warrants to Hunter Hall that no Leakage in favour of that Seller or a member of its Restricted Group has occurred since the Locked Box Date to the date of this agreement and undertakes to ensure until Completion that no Leakage occurs in favour of that Seller or a member of its Restricted Group.
- 7.2 Hunter Hall represents and warrants to each Seller that no Leakage in favour of a member of its Restricted Group has occurred since the Locked Box Date to the date of this agreement and undertakes to ensure until Completion that no Leakage occurs in favour of a member of its Restricted Group.

Leakage indemnity

- 7.3 In the event of any breach of clause 7.1 by a Seller, that Seller shall indemnify Hunter Hall in respect of, and shall be severally liable to pay to Hunter Hall (or such member of the Hunter Hall Group as Hunter Hall directs) on demand an aggregate amount in cash equal to the amount of, any Leakage in favour of that Seller or a member of its Restricted Group.
- 7.4 In the event of any breach of clause 7.2, Hunter Hall indemnifies the Sellers (in their Respective Proportions) in respect of, and shall be liable to pay to the Sellers in their Respective Proportions on demand an aggregate amount in cash equal to the amount of any Leakage received by or given for the direct benefit of a member of its Restricted Group.
- 7.5 All sums payable by any party (**Breaching Party**) pursuant to this clause 7 shall be paid free and clear of all deductions or withholdings (including Tax) unless the deduction or withholding is required by law, in which event or in the event that the other party or any

member of the Pengana Group or Hunter Hall Group as is relevant shall incur any liability for Tax chargeable or assessable in respect of any payment pursuant to this clause, the Breaching Party shall at the same time pay such additional amounts, as relevant, as shall be required to ensure that the net amount received and retained by the other party or member of the Pengana Group or Hunter Hall Group (after Tax) will equal the full amount which would have been received and retained by it had no such deduction or withholding been made and/or no such liability to Tax been incurred.

Notice

- 7.6 Each party undertakes to each other party to notify each party in writing as soon as reasonably practicable after becoming aware of any receipt of the benefit of Leakage by that party or a member of its Restricted Group.

8 REPRESENTATIONS AND WARRANTIES

Hunter Hall Warranties

- 8.1 Hunter Hall represents and warrants to each Seller that each of the Hunter Hall Warranties is true and correct as at the date of this agreement and at the Completion Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).

Seller Warranties

- 8.2 Each Seller Warrantor severally but not jointly represents and warrants to Hunter Hall that each of the Seller Warranties is true and correct as at the date of this agreement and at the Completion Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).

Pengana Warranties

- 8.3 Pengana and each Seller Warrantor severally but not jointly represents and warrants to Hunter Hall that each of the Pengana Warranties is true and correct as at the date of this agreement and at the Completion Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).

Specific Tax Indemnity

- 8.4 Pengana and each Seller Warrantor indemnify Hunter Hall for the amount of increased income tax payable (including primary tax, and any additional tax, penalty amount or interest) by Pengana as a result of an amended assessment or amended assessments being issued to Pengana, to the extent that the increased amount payable results from the Australian Taxation Office treating losses (which were disclosed in tax returns lodged by Pengana as revenue account losses) as capital losses.

Portfolio Manager Bonus Indemnity

- 8.5 Hunter Hall indemnifies the Sellers in their Respective Proportions for an amount equal to any performance bonus paid to an employee of Hunter Hall that is a portfolio manager, in

respect the financial year ending 30 June 2017, provided that no obligation to indemnify arises to the extent that:

- 8.5.1 the bonus is paid to a portfolio manager of a fund managed by a Hunter Hall Group Member as at the date of this agreement as a result of performance fees payable by a fund managed by a Hunter Hall Group Member;
- 8.5.2 the bonus is no more than the amount payable in accordance with the bonus policy of Hunter Hall for portfolio managers in effect at the Completion Date, or in respect of any amount that the Board of Hunter Hall may determine to pay the portfolio manager in its discretion; or
- 8.5.3 the amount in aggregate exceeds \$740,000.

FBT and Payroll Tax Indemnity

- 8.6 The Seller Warrantors must indemnify Hunter Hall for the FBT Claim Amount and the Payroll Tax Claim Amount in respect of any FBT Claim or Payroll Tax Claim, to the extent that it:
 - 8.6.1 relates to any period or part period that ends on or before Completion; and
 - 8.6.2 arises as a result of or in respect of, or by reference to, any event, act or failure to act that occurs, or is deemed to occur, between 1 January 2017 and the Completion Date.

Notifications

- 8.7 Hunter Hall will promptly advise the Seller Warrantors and Pengana and each Seller Warrantor will promptly advise Hunter Hall in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties or the Specific Indemnities given by it under this clause 8.

Survival of representations

- 8.8 Each representation and warranty in clause 8.1, 8.2 and 8.3:
 - 8.8.1 is severable;
 - 8.8.2 will survive the termination of this agreement; and
 - 8.8.3 is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this agreement.

9 QUALIFICATIONS AND LIMITATIONS ON CLAIMS

Disclosure

- 9.1 Each of Hunter Hall, Pengana and each Seller Warrantor acknowledges and agrees that each other party has disclosed or is deemed to have disclosed against the Warranties, and each of

Hunter Hall, Pengana and each Seller Warrantor is aware of and will be treated as having actual knowledge of, all facts, matters and circumstances that:

- 9.1.1 are provided for or described in this agreement;
- 9.1.2 are fairly disclosed in the information contained in the Disclosure Materials; and
- 9.1.3 as at the Business Day immediately prior to the date of this agreement, are or would be disclosed by a search of any public register in Australia capable of being searched, including the Personal Property Securities Register, the public register of ASIC, the High Court, the Federal Court and the Supreme Courts in each State and Territory of Australia and Land and Property Information, New South Wales.

Fair disclosure

- 9.2 For the purposes of the Warranties, a matter is “fairly disclosed” if the matter is disclosed in sufficient detail so as to enable a reasonable purchaser of the Sale Shares, or a reasonable subscriber for the Hunter Hall Purchase Shares (as the case may be), experienced in transactions of the nature of the Acquisition and familiar with the operation of businesses similar to the business carried on by the Hunter Hall Group or the Pengana Group (as applicable), to fairly assess or identify the nature, import and significance of the matter.

Awareness

- 9.3 Where a Warranty is given ‘to the best of a party’s knowledge’, or ‘so far as the party is aware’, or with a similar qualification as to the party’s awareness or knowledge, the party’s awareness is limited to those facts, matters or circumstances of which a Specified Executive is actually aware as at the date of this agreement or would be aware of the fact, matter or circumstance if that Specified Executive had made reasonable enquiries of the persons and records likely to be relevant to the accuracy of the Warranty having regard to the Specified Executive’s position and circumstances.

Acknowledgements

- 9.4 For the purpose of and in relation to or in connection with clause 9.13, each party acknowledges to each other party that:
 - 9.4.1 at no time has any Seller Warrantor, Hunter Hall Group Member or Pengana Group Member (as the case may be) or any person on any of their behalf, made or given and no Seller Warrantor, Hunter Hall Group Member or Pengana Group Member (as the case may be) has relied on, any representation, warranty, promise or undertaking in respect of the future financial performance or prospects of Hunter Hall (in the case of Hunter Hall Group Members) or Pengana (in the case of Pengana Group Members or the Seller Warrantors), except those expressly set out in this agreement (including in the Warranties) and in any event, without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement, the only rights or remedies in relation to any representation, warranty, assurance, covenant, undertaking or commitment given or action taken in connection with this agreement are those pursuant to this agreement and no party has any other right or remedy (whether by way of a claim for contribution

or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, or in, this agreement);

9.4.2 they have not relied on anything other than the warranties given and the statements made in this agreement (including the Warranties) in agreeing to undertake the Acquisition and, in particular, no representations, warranties, promises, undertakings, statements or conduct have:

9.4.2.1 induced or influenced Hunter Hall, Pengana or a Seller Warrantor to enter into, or agree to any terms or conditions of, this agreement;

9.4.2.2 been relied on in any way as being accurate by a Hunter Hall Group Member, a Pengana Group Member or a Seller Warrantor;

9.4.2.3 been warranted to a Hunter Hall Group Member, a Pengana Group Member or a Seller Warrantor as being true; or

9.4.2.4 been taken into account by a Hunter Hall Group Member, a Pengana Group Member or a Seller Warrantor as being important to its decision to enter into, or agree to any or all of the terms of, this agreement,

except those expressly set out in this agreement (including in the Warranties);

9.4.3 they have entered into this agreement after satisfactory inspection and investigation of the affairs of Hunter Hall or Pengana (as the case may be), including (in the case of Hunter Hall and Pengana) a review of the Disclosure Materials;

9.4.4 they have made, and they rely upon, their own searches, investigations, enquiries and evaluations in respect of the Hunter Hall or Pengana (as the case may be) and the business of the Hunter Hall Group or Pengana Group (as the case may be) and (in the case of Hunter Hall and Pengana) their own evaluation of the Disclosure Materials;

9.4.5 they have had the benefit of independent legal, tax and accounting advice relating to the proposed Acquisition and the terms of this agreement;

9.4.6 no Hunter Hall Group Member, Pengana Group Member nor any Seller Warrantor, the Sellers' Representative or any Adviser are under any obligation to provide any other party or its representatives or advisers with any information on the future financial performance or prospects of Hunter Hall or Pengana (as the case may be);

9.4.7 no Hunter Hall Group Member, Pengana Group Member nor any Seller Warrantor has made any warranty (including in the Warranties) as to the accuracy of any forecast, model, budget estimate, projection, business plan, statement of opinion or statement of intention (**Forward-looking Information**) provided to the other parties or their representatives or advisers before the date of this agreement;

- 9.4.8 they are not entering into this agreement in reliance on, and they may not rely on, any Forward-looking Information or any warranty, representation or other statement made or purporting to be made by or on behalf of any of the parties, other than the Warranties; and
- 9.4.9 no Hunter Hall Group Member, Pengana Group Member nor any Seller Warrantor, the Sellers' Representative or any Adviser is liable under any Claim arising out of or relating to any Forward-looking Information.
- 9.5 The acknowledgments in clause 9.4 are not intended and must not be construed as qualifying the subject matter of the Warranties.
- 9.6 Each party acknowledges that each other party has agreed to give effect to the Acquisition and enter into this agreement relying on the representations in clause 9.4 to 9.6 and would not be prepared to give effect to the Acquisition on any other basis.

Minimum thresholds

- 9.7 A party is not liable for any Claim, excluding a Leakage Claim and a Specific Indemnity Claim, unless:
- 9.7.1 the Loss that party would be entitled to recover in relation to any individual Claim is greater than \$200,000; and
- 9.7.2 without limiting clause 9.7.1, the Loss that party would be entitled to recover in relation to all Claims is greater than \$4,000,000,
- in which case liable party will be liable for the full amount of such Claim.
- 9.8 For the purposes of clause 9.7:
- 9.8.1 Claims arising out of the same or similar facts, matters and circumstances will be treated as one Claim where the Claims are of the same or similar nature; and
- 9.8.2 breaches of the same Warranty will not be treated as one Claim where the breaches arise out of separate facts, matters, events or circumstances.

Maximum thresholds

- 9.9 The liability of:
- 9.9.1 Hunter Hall in respect of all Claims, excluding Leakage Claims, cannot exceed the aggregate value of the Hunter Hall Purchase Shares calculated at the closing price of Hunter Hall Shares on the trading day before the date of this agreement; and
- 9.9.2 Pengana and the Seller Warrantors in respect of all Claims, excluding Leakage Claims and Specific Indemnity Claims, cannot exceed the aggregate value of the Sale Shares at the Sale Shares Price.
- 9.10 Notwithstanding any other provision in this agreement:

- 9.10.1 each Seller Warrantor gives the Seller Warranties and the Pengana Warranties only in respect of itself and the Sale Shares owned by it and not in respect of any other Seller Warrantor or the Sale Shares owned by any other Seller Warrantor;
- 9.10.2 WHSP is severally but not jointly liable, and proportionately with each other Seller Warrantor to its shareholding on Completion, for any Claim including a Claim made in relation to Seller Warranties and the Pengana Warranties given by that party up to an amount equal to the aggregate value of its Sale Shares at the Sale Shares Price; and
- 9.10.3 each Pillemer Seller is jointly and severally liable, and proportionately with each other Seller Warrantor to its shareholding on Completion, with each other Pillemer Seller for any Claim including a Claim made in relation to Seller Warranties and the Pengana Warranties given by those parties up to an amount equal to the aggregate value of each of their Sale Shares at the Sale Shares Price.

Time limits

- 9.11 Neither Pengana nor any Seller Warrantor is liable under a Claim in respect of a breach of this agreement by Pengana or a Seller Warrantor, except a Specific Indemnity Claim, if Hunter Hall does not notify Pengana or the Seller Warrantor (as the case may be) of the Claim before the Claims End Date.
- 9.12 Hunter Hall is not liable under a Claim in respect of a breach of this agreement by Hunter Hall if Pengana or any Seller Warrantor does not notify Hunter Hall of the Claim before the Claims End Date.

General limitations

- 9.13 A party is not liable under a Claim for any Loss or amount described below to the extent that that Loss or amount:
 - 9.13.1 (*provisions in Accounts*) has been included as (or otherwise taken account of or reflected in) a provision, allowance, reserve or accrual in the Accounts;
 - 9.13.2 (*pre Completion actions*) arises from an act or omission by or on behalf of a party before Completion that was done or made:
 - 9.13.2.1 with the written consent of the other parties; or
 - 9.13.2.2 at the written direction or instruction of the other parties;
 - 9.13.3 (*post Completion conduct*) arises from, or is increased as a result of, anything done or not done after Completion by or on behalf of a party other than:
 - 9.13.3.1 to satisfy an obligation of another party under this agreement; or
 - 9.13.3.2 to satisfy an obligation under any legislation, regulations or judicial or governmental requirement in force as at Completion;

- 9.13.4 *(breach of law or contract)* could only have been avoided by a party breaching its obligations at law or under this agreement;
- 9.13.5 *(change of law or interpretation)* arises from:
- 9.13.5.1 the enactment or amendment of any legislation or regulations;
 - 9.13.5.2 a change in the judicial or administrative interpretation of the law; or
 - 9.13.5.3 a change in the practice or policy of any Regulatory Authority,
- after the date of this agreement, including legislation, regulations, amendments, interpretation, practice or policy that has a retrospective effect;
- 9.13.6 *(consequential loss)* is punitive damages (whether direct or indirect), special, loss or damage, indirect loss or damage or consequential loss or damage including loss of profits;
- 9.13.7 *(change in accounting policy)* would not have arisen but for a change after Completion in any accounting policy or practice of a Hunter Hall Group Member or a Pengana Group Member (as the case may be) that applied before Completion, except as required to comply with a change in the law or the Accounting Standards after Completion;
- 9.13.8 *(mitigation)* arises from, or to the extent it is increased as a result of, a failure by a party or any of its Related Entities to take reasonable steps to mitigate that Loss; or
- 9.13.9 *(remediable loss)* is remediable, provided it is remedied to the satisfaction of the other parties, acting reasonably, within 10 Business Days after the contravening party receives written notice of the Claim in accordance with clause 11.

Sole remedy

- 9.14 It is the intention of the parties that each party's sole remedies in connection with the Acquisition will be as set out in this agreement.
- 9.15 No party has any liability to another party under a Claim unless the Claim may be made under the terms of this agreement or arises out of a statutory right or other claim that cannot be excluded by contract.

Independent limitations

- 9.16 Each qualification and limitation in this clause 9 is to be construed independently of the others and is not limited by any other qualification or limitation.

Quantum

- 9.17 The Seller Warrantors will be liable to pay in respect of any Claim in respect of any Seller Warranty or Pengana Warranty that proportion of the amount otherwise payable under this

agreement which equals the number of the Pillemer Shares and the WHSP Shares as a proportion of all Sale Shares (**Scale Down Proportion**).

- 9.18 Hunter Hall will be liable to pay in respect of any Claim in respect of any Hunter Hall Warranty the Scale Down Proportion of the amount otherwise payable under this agreement.

10 TRUSTEE LIMITATION OF LIABILITY

Capacity

- 10.1 Notwithstanding any other provision of this agreement, each Seller who is a trustee enters into this agreement in its capacity as trustee of the relevant trust and in no other capacity.

Limitation of liability

- 10.2 The recourse of any party to a Seller who is a trustee in respect of any obligation or liability of that Seller under or in respect of this agreement is limited to the lower of (a) the value of the Sale Shares at the Sale Shares Price received by that Seller under this agreement and (b) that Sellers' ability to be indemnified from the assets of the trust and if as a result of this limitation any party does not receive or recover the full amount due to it in connection with the performance or non-performance by that Seller of any of its obligations, or the payment or non-payment by that Seller of any of its liabilities, under or in respect of this agreement, the party may not seek to recover the shortfall by bringing proceedings against that Seller in their personal capacity.

Limitation not to apply

- 10.3 Clause 10.2 does not apply to any obligation or liability of a Seller who is a trustee to the extent that it is not satisfied because there is for any reason a reduction in the extent of that Sellers' indemnification out of the assets of the trust arising as a result of its fraud, gross negligence or breach of trust.

11 PROCEDURES FOR CLAIMS

Claims

- 11.1 A party must notify the other parties:
- 11.1.1 as soon as reasonably practicable after it decides to make a Claim against another party where that Claim, either alone or together with other Claims, will exceed the applicable thresholds set out in clause 9.7; or
 - 11.1.2 as soon as reasonably practicable if the party becomes aware of any events, matters or circumstances which, whether alone or with any other Claim or circumstances or with the passing of time, are reasonably likely to give rise to a Claim.

Notice of Claims

- 11.2 The party must include in any notice given under clause 11.1 (or at such later date if it becomes available):
- 11.2.1 all relevant details (including the estimated amount) then known to the party of the Claim including the events, matters or circumstances giving rise to the Claim; and
 - 11.2.2 a copy or extract of any part of a Demand identifying the liability or amount, or other evidence of the amount, relating to the Claim, any additional information in respect of the Claim as it becomes available and if available or relevant, the applicable part of any material issued by a Regulatory Authority specifying the basis, or evidence of the basis, for the Demand relating to the Claim.
- 11.3 The recipient of a notice given under clause 11.1 must be provided with a copy of the documents referred to in clause 11.2.2 as soon as practicable by the party who has given the notice. The party who has given the notice must continue to keep the recipient of the notice informed of all developments in relation to a Claim notified under clause 11.1 or clause 11.1.2.

12 APPOINTMENT OF NOMINEE DIRECTORS

- 12.1 The Hunter Hall Directors must appoint each of Warwick Negus (Chairman), Russel Pillemer (Managing Director), Robert Barry and Jeremy Dunkel as a Hunter Hall Director with effect from Completion.

13 HUNTER HALL BREAK FEE**Background**

- 13.1 Hunter Hall acknowledges that, having entered into this agreement, if the Acquisition is not implemented, Pengana will incur significant costs. In these circumstances, Pengana has requested that provision be made for the payment referred to in clause 13.2, without which Pengana would not have entered into this agreement.
- 13.2 Hunter Hall's Board believes that the Acquisition will provide benefit to Hunter Hall and Hunter Hall Shareholders and that it is appropriate for Hunter Hall to agree to the payments referred to in this clause 13 in order to secure Pengana's participation in the Acquisition.

Costs incurred by Pengana

- 13.3 The fee payable under clause 13.5 has been calculated to reimburse Pengana for the following:
- 13.3.1 fees for legal and financial advice in planning and implementing the Acquisition;
 - 13.3.2 reasonable opportunity costs incurred in engaging in the Acquisition or in not engaging in other alternative acquisitions or strategic initiatives;
 - 13.3.3 costs of management and directors' time in planning and implementing the Acquisition;

- 13.3.4 out of pocket expenses incurred in planning and implementing the Acquisition;
- 13.3.5 costs associated with the financing arrangements in respect of the Acquisition; and
- 13.3.6 any damage to Pengana's reputation associated with a failed transaction and the implications of those damages if Pengana seeks to execute alternative acquisitions in the future,

in each case, incurred by Pengana directly or indirectly as a result of having entered into this agreement and pursuing the Acquisition.

13.4 The parties acknowledge and agree that:

- 13.4.1 the amount of fees, costs and losses referred to in clause 13.3 are of such a nature that they cannot be precisely quantified and that, even after termination of this agreement, the costs will not be able to be accurately ascertained; but that
- 13.4.2 the amount of the costs payable under clause 13.5 is a genuine and reasonable pre-estimate of those fees, costs and losses (it being acknowledged and agreed by the parties that the costs would most likely be in excess of this amount).

Payment by Hunter Hall to Pengana

13.5 Hunter Hall agrees to pay to Pengana, for and on behalf of Pengana Shareholders, \$800,000 (exclusive of GST) (**Hunter Hall Break Fee**) if:

- 13.5.1 any member of Hunter Hall's Board withdraws or makes any public statement inconsistent with their recommendation that the Hunter Hall Shareholders approve the Shareholder Resolutions pursuant to clause 4.1.2, unless the Independent Expert does not conclude in the Independent Expert's Report or ceases to conclude or adversely changes its previously given opinion, that the Acquisition is fair and reasonable to Hunter Hall Shareholders;
- 13.5.2 any member of Hunter Hall's Board withdraws or makes any public statement inconsistent with his or her statement that he or she intends to cause any Hunter Hall Shares in which they have a Relevant Interest to be voted in favour of the Shareholder Resolutions pursuant to clause 4.1.2, unless the Independent Expert does not conclude in the Independent Expert's Report or ceases to conclude or adversely changes its previously given opinion, that the Acquisition is fair and reasonable to Hunter Hall Shareholders;
- 13.5.3 the Shareholder Resolutions are not validly passed by the Requisite Majorities at the General Meeting, unless the Independent Expert does not conclude in the Independent Expert's Report or ceases to conclude or adversely changes its previously given opinion, that the Acquisition is fair and reasonable to Hunter Hall Shareholders; or
- 13.5.4 this agreement is terminated by Pengana or a Seller in accordance with clause 15.1.1.

- 13.6 Hunter Hall must pay Pengana the Hunter Hall Break Fee within 5 Business Days of receipt by Hunter Hall of a demand for payment from Pengana made after such termination.

14 PENGANA BREAK FEE

- 14.1 Pengana acknowledges that, having entered into this agreement, if the Acquisition is not implemented, Hunter Hall will incur significant costs. In these circumstances, Hunter Hall has requested that provision be made for the payment referred to in clause 14.2, without which Hunter Hall would not have entered into this agreement.
- 14.2 Pengana's Board believes that the Acquisition will provide benefit to Pengana and Pengana Shareholders and that it is appropriate for Pengana to agree to the payments referred to in this clause 14 in order to secure Hunter Hall's participation in the Acquisition.

Costs incurred by Hunter Hall

- 14.3 The fee payable under clause 14.5 has been calculated to reimburse Hunter Hall for the following:
- 14.3.1 fees for legal and financial advice in planning and implementing the Acquisition;
 - 14.3.2 reasonable opportunity costs incurred in engaging in the Acquisition or in not engaging in other alternative acquisitions or strategic initiatives;
 - 14.3.3 costs of management and directors' time in planning and implementing the Acquisition;
 - 14.3.4 out of pocket expenses incurred in planning and implementing the Acquisition;
 - 14.3.5 costs associated with the financing arrangements in respect of the Acquisition; and
 - 14.3.6 any damage to Hunter Hall's reputation associated with a failed transaction and the implications of those damages if Hunter Hall seeks to execute alternative acquisitions in the future,

in each case, incurred by Hunter Hall directly or indirectly as a result of having entered into this agreement and pursuing the Acquisition.

- 14.4 The parties acknowledge and agree that:
- 14.4.1 the amount of fees, costs and losses referred to in clause 14.3 are of such a nature that they cannot be precisely quantified and that, even after termination of this agreement, the costs will not be able to be accurately ascertained; but that
 - 14.4.2 the amount of the costs payable under clause 14.5 is a genuine and reasonable pre-estimate of those fees, costs and losses (it being acknowledged and agreed by the parties that the costs would most likely be in excess of this amount).

Payment by Pengana to Hunter Hall

- 14.5 Pengana agrees to pay to Hunter Hall, for and on behalf of Hunter Hall Shareholders, \$800,000 (exclusive of GST) (**Pengana Break Fee**) if this agreement is terminated by Hunter Hall in accordance with clause 15.1.1. Pengana must pay Hunter Hall the Pengana Break Fee within 5 Business Days of receipt by Pengana of a demand for payment from Hunter Hall made after such termination.

15 TERMINATION

- 15.1 Without limiting any other provision of this agreement, this agreement may be terminated at any time before Completion by notice in writing to the other parties:

- 15.1.1 by either Hunter Hall or Pengana if Pengana or a Seller, in the case of Hunter Hall, or Hunter Hall, in the case of Pengana, are in breach of any of their obligations (**Defaulting Party**) under this agreement (including a Warranty) such as to deprive the other party of a substantial part of the benefit to which it is entitled under this agreement and the Defaulting Party has failed to remedy that breach within 10 Business Days of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstance and requesting the Defaulting Party to remedy the breach. For the avoidance of doubt, the occurrence of any Leakage will not constitute a breach for the purposes of this clause;
- 15.1.2 by Pengana if any member of Hunter Hall's Board withdraws their recommendation that the Hunter Hall Shareholders approve the Shareholder Resolutions pursuant to clause 4.1.2 or the Shareholder Resolutions are not validly passed by the Requisite Majorities at the General Meeting;
- 15.1.3 by Pengana if any member of Hunter Hall's Board withdraws or makes any public statement inconsistent with his or her statement that he or she intends to cause any Hunter Hall Shares in which they have a Relevant Interest to be voted in favour of the Shareholder Resolutions pursuant to clause 4.1.2; or
- 15.1.4 in accordance with clause 3.3.

Effect of termination

- 15.2 In the event of termination of this agreement under this clause 12, then:
- 15.2.1 each party is released from its obligations to further perform its obligations under this agreement, except those expressed to survive termination;
- 15.2.2 each party retains its rights it has against the other in respect of any breach of this agreement occurring before termination; and
- 15.2.3 this agreement will become void and have no effect, except that the provisions of clauses 8.8, 10, 12, 16 and 18 survive termination.

No other right to terminate or rescind

- 15.3 No party may terminate or rescind this agreement except as permitted under clause 15.1.

16 CONFIDENTIALITY AND PUBLIC ANNOUNCEMENTS**Confidentiality**

- 16.1 Each of Pengana and Hunter Hall acknowledge and agree that they continue to be bound by the Confidentiality Agreement after the date of this agreement.
- 16.2 Each Seller acknowledges and agrees that all information and material disclosed or provided or obtained by it is strictly confidential and may not be disclosed to any third party unless such disclosure is required by law.

Public announcement on execution

- 16.3 Hunter Hall will issue a public announcement of the proposed Acquisition in writing in the form of the Agreed Announcement immediately after the execution of this agreement.

Further public announcements

- 16.4 Subject to clause 16.5, any further public announcements by Pengana or Hunter Hall in relation to, or in connection with, the proposed Acquisition or any other transaction the subject of this agreement may only be made in a form approved by both Pengana and Hunter Hall in writing (acting reasonably) subject to where a party is required by law to make any announcement or to make any disclosure in relation to, or in connection with a transaction the subject of this agreement.

Required announcement

- 16.5 Where a party is required by law or any other financial market regulation to make any announcement or to make any disclosure in connection with a transaction the subject of this agreement, it may do so but must use reasonable endeavours, to the extent practicable and lawful, to consult with the other party before making the relevant disclosure and must give the other party as much notice as reasonably practicable.

Statements on termination

- 16.6 The parties must use all reasonable endeavours to issue agreed statements in respect of any termination of this agreement and to that end clauses 16.4 and 16.5 apply to any of these statements or disclosures.

17 SELLERS' REPRESENTATIVE**Authority**

- 17.1 Each of the Sellers (other than WHSP):

- 17.1.1 despite any other provision of this agreement, irrevocably authorises the Sellers' Representative (subject only to clause 17.2) to act on its behalf in relation to any act, matter or thing required or permitted by the terms of this agreement to be done by the Sellers or any of them, including:
- 17.1.1.1 to give and receive notices;
 - 17.1.1.2 to give any approval or exercise of discretion;
 - 17.1.1.3 to amend, vary or waive any provision of this agreement or any matter relating to this agreement;
 - 17.1.1.4 to carry out any act or execute any document necessary or desirable in connection with effecting Completion in accordance with clause 5 of this agreement for and on behalf of and as attorney for any of the Sellers;
 - 17.1.1.5 to carry out any act or execute any document necessary or desirable in relation to any Claim or potential Claim under or in respect of any transaction or matter contemplated by this agreement, including to pursue, settle or compromise any such Claim on such terms as the Seller's Representative may in its absolute discretion determine;
- 17.1.2 acknowledges that Hunter Hall is entitled to treat any act, matter or thing done by the Sellers' Representative as binding on all Sellers (other than WHSP) and is not required to enquire further in respect of such act, matter or thing; and
- 17.1.3 acknowledges that Hunter Hall may discharge any obligation under this agreement to give any payment, document, notice or other thing to one or more of the Sellers (other than WHSP) (including any document served to initiate or as part of legal proceedings against any one or more of the Sellers) by giving it to the Sellers' Representative.

Replacement

- 17.2 The Sellers' Representative may by notice to the parties replace the Sellers' Representative with such persons as are specified in the notice.

18 GOODS AND SERVICES TAX

Interpretation

- 18.1 For the purposes of this clause 18:
- 18.1.1 unless otherwise stated, words or expressions that are not otherwise defined in this agreement have the same meaning as in the GST Act; and
 - 18.1.2 if a supply is treated as a periodic or progressive supply under the GST Act, each periodic or progressive component of the supply will be treated as if it is a separate supply.

Consideration excludes GST

- 18.2 Unless otherwise stated, all consideration to be paid or provided under this agreement is exclusive of GST.

Payment of GST

- 18.3 If GST applies to a supply made under this agreement, for consideration that is not stated to include GST, the recipient must pay to the supplier an additional amount equal to the GST payable on the supply (**GST Amount**). The GST Amount is payable at the same time that the first part of the consideration for the supply is to be provided.

Tax invoices and adjustment notes

- 18.4 Notwithstanding any other provision, the recipient need not pay the GST Amount until it has received from the supplier a tax invoice or adjustment note (as the case may be).

Adjustment events

- 18.5 If an adjustment event arises in respect of a supply to which clause 18.3 applies, the GST Amount must be adjusted to reflect the adjustment event and a payment must be made by the supplier to the recipient, or by the recipient to the supplier, as the case may be.

Reimbursement

- 18.6 If a party is entitled to be reimbursed for a cost or expense under this agreement the amount to be reimbursed must be reduced to the extent that the party (or the representative member for a GST group of which that party is a member) is entitled to an input tax credit for the cost or expense.

GST excluded from calculations

- 18.7 Subject to an express provision in this agreement to the contrary, any payment, or amount required to be made under this agreement which is calculated by reference to sales, revenue, income or other amounts received or receivable from a third party (**Revenue**) will be calculated by reference to that Revenue exclusive of GST.

Survival on termination

- 18.8 This clause 18 will not merge on Completion and will survive the termination of this agreement by any party.

19 NOTICES

- 19.1 Any communication under or in connection with this agreement:

19.1.1 must be in writing and in English;

19.1.2 must be sent to the address for service of the addressee specified in the Details section of this agreement or as set out in a Pengana Sale Option Deed;

- 19.1.3 must be signed by the party making the communication or by a person duly authorised by that party;
- 19.1.4 must be delivered or posted by prepaid post to the address or sent by email to the email address of the addressee, in accordance with the Details section of this agreement or as set out in a Pengana Sale Option Deed; and
- 19.1.5 will be deemed to be received by the addressee:
 - 19.1.5.1 in the case of prepaid post, on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - 19.1.5.2 in the case of delivery by hand, on delivery at the address of the addressee as provided in the Details section of this agreement or as set out in a Pengana Sale Option Deed, unless that delivery is not made on a Business Day, or
 - 19.1.5.3 after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and
 - 19.1.5.4 in the case of email, immediately after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered.

20 MISCELLANEOUS

Approvals and consents

- 20.1 Unless this agreement expressly provides otherwise, a party may give or withhold an approval or consent in that party's absolute discretion and subject to any conditions determined by the party. A party is not obliged to give its reasons for giving or withholding a consent or approval or for giving a consent or approval subject to conditions. Where this agreement refers to a matter being to the 'satisfaction' of a party, this means to the satisfaction of that party in its absolute discretion.

Assignment

- 20.2 A party must not assign, novate or transfer any of its rights or obligations under this agreement or attempt to do so without the prior written consent of each other party.

Costs

- 20.3 Except as otherwise set out in this agreement, each party must pay its own costs and expenses in relation to preparing, negotiating, executing and completing this agreement and any document related to this agreement.

Duty

- 20.4 Hunter Hall must pay all duty payable in connection with this agreement and any document, agreement or transaction contemplated by or incidental to this agreement. If a party other

than Hunter Hall pays any duty on or relating to this agreement or any document, agreement or transaction contemplated by or incidental to this agreement, Hunter Hall must pay that amount to the other party on demand.

No merger

- 20.5 The rights and obligations of the parties will not merge on completion of any transaction under this agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

Entire agreement

- 20.6 This agreement contains everything the parties have agreed on in relation to the subject matter with which it deals. No party can rely on an earlier written document or anything said or done by or on behalf of another party before this agreement was executed.

Execution of separate documents

- 20.7 This agreement is properly executed if each party executes either this document or an identical document. In the latter case, this agreement takes effect when the separately executed documents are exchanged between the parties.

Exercise of rights

- 20.8 A party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a party does not prevent a further exercise of that or of any other right, power or remedy and failure by a party to exercise, or delay by a party in exercising, a right, power or remedy does not prevent its exercise. Except where expressly stated to the contrary in this agreement, the rights of a party under this agreement are cumulative and are in addition to any other rights available to that party whether those rights are provided for under this agreement or by law.

Further acts

- 20.9 Each party must at its own expense promptly execute all documents and do or use reasonable endeavours to cause a third party to do all things that another party from time to time may reasonably request in order to give effect to, perfect or complete this agreement and all transactions incidental to it.

Governing law and jurisdiction

- 20.10 This agreement is governed by the law of New South Wales, Australia. The parties submit to the non-exclusive jurisdiction of its courts and courts of appeal from them. The parties will not object to the exercise of jurisdiction by those courts on any basis.

No adverse construction

- 20.11 No term or condition of this agreement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this agreement or that provision.

Severability

- 20.12 Each provision of this agreement is individually severable. If any provision is or becomes illegal, unenforceable or invalid in any jurisdiction, it is to be treated as being severed from this agreement in the relevant jurisdiction, but the rest of this agreement will not be affected. The legality, validity and enforceability of the provision in any other jurisdiction will not be affected.

Variation

- 20.13 No variation of this agreement will be of any force or effect unless it is in writing and signed by each party to this agreement.

Waiver

- 20.14 A waiver of any right, power or remedy under this agreement must be in writing signed by the party granting it. A waiver only affects the particular obligation or breach for which it is given. It is not an implied waiver of any other obligation or breach or an implied waiver of that obligation or breach on any other occasion. The fact that a party fails to do, or delays in doing, something the party is entitled to do under this agreement does not amount to a waiver.

SCHEDULE 1: WHSP AND PILLEMER SELLERS
WHSP

Seller	WHSP Shares	Respective Proportion	Hunter Hall Purchase Shares
WHSP	226,076 fully paid ordinary shares	36.65%	27,176,596

Pillemer Sellers

Pillemer Seller	Pillemer Shares	Respective Proportion	Hunter Hall Purchase Shares	Voluntarily Escrowed Shares
Russel Craig Pillemer	10,500 fully paid ordinary shares	1.70%	1,262,205	1,262,205
RC Pillemer Pty Limited	207,640 fully paid ordinary shares	33.66%	24,960,404	24,960,404

SCHEDULE 2: OTHER PENGANA SHAREHOLDERS

Other Pengana Shareholder	Other Pengana Shares	Respective Proportion	Hunter Hall Purchase Shares	Voluntarily Escrowed Shares
Ed Prendergast	8,100 fully paid ordinary shares	1.31%	973,701	NIL
DJG Services Pty. Limited atf DKI Trust	17,303 fully paid ordinary shares	2.81%	2,079,994	422,899 (Pengana Loan Plan Shares) 1,657,095 (Restricted Shares)
Kessler Super Pty Limited atf The Kessler Superannuation Fund	1,659 fully paid ordinary shares	0.27%	199,428	NIL
Christine Denise Griffiths	3,872 fully paid ordinary shares	0.63%	465,453	465,453 (Restricted Shares)
Roxtrus Pty. Limited	15,000 fully paid ordinary shares	2.43%	1,803,150	NIL
DBR Corporation Pty. Ltd.	19,331 fully paid ordinary shares	3.13%	2,323,780	NIL
Steve Black	8,100 fully paid ordinary shares	1.31%	973,701	NIL
Katrina Elizabeth Glendinning	4,405 fully paid ordinary shares	0.71%	529,525	529,525 (Restricted Shares)
Nicholas Charles Griffiths	3,741 fully paid ordinary shares	0.61%	449,706	449,706 (Restricted Shares)
Mirjana Crnjak	1,354 fully paid ordinary shares	0.22%	162,764	141,006 (Pengana Loan Plan Shares)
Michelle Kwok	181 fully paid ordinary shares	0.03%	21,758	NIL
Johanna Caroline Moore	1,281 fully paid ordinary shares	0.21%	153,989	141,006 (Pengana Loan Plan Shares)

Other Pengana Shareholder	Other Pengana Shares	Respective Proportion	Hunter Hall Purchase Shares	Voluntarily Escrowed Shares
Elan Miller	543 fully paid ordinary shares	0.09%	65,274	NIL
Damian and Julie Crowley atf the Damian Charles Crowley Family Fund	14,885 fully paid ordinary shares	2.41%	1,789,325	1,210,394 (Pengana Loan Plan Shares) 578,931 (Restricted Shares)
Farnworth House Pty Ltd	27,937 fully paid ordinary shares	4.53%	3,358,307	NIL
Radd Holdings Pty Limited (ACN 617 719 598) ATF Myers Family Trust	11,163 fully paid ordinary shares	1.81%	1,341,904	1,341,904 (Pengana Loan Plan Shares)
Fisher Place Pty Ltd ATF Fisher Place Trust	3,553 fully paid ordinary shares	0.58%	427,106	427,106 (Pengana Loan Plan Shares)
Leisa McNamara	1,173 fully paid ordinary shares	0.19%	141,006	141,006 (Pengana Loan Plan Shares)
Keith McLachlan	1,173 fully paid ordinary shares	0.19%	141,006	141,006 (Pengana Loan Plan Shares)
Bernard William Wen-Yuan Lo	1,173 fully paid ordinary shares	0.19%	141,006	141,006 (Pengana Loan Plan Shares)
Gloria Khine San Win	782 fully paid ordinary shares	0.13%	94,004	94,004 (Pengana Loan Plan Shares)
Daniel Fine	782 fully paid ordinary shares	0.13%	94,004	94,004 (Pengana Loan Plan Shares)
Alexander Lloyd Keen	782 fully paid ordinary shares	0.13%	94,004	94,004 (Pengana Loan Plan Shares)
Rachel Maree Elfverson	782 fully paid ordinary shares	0.13%	94,004	94,004 (Pengana Loan Plan Shares)

Other Pengana Shareholder	Other Pengana Shares	Respective Proportion	Hunter Hall Purchase Shares	Voluntarily Escrowed Shares
Daniel O'Keefe	391 fully paid ordinary shares	0.06%	47,002	47,002 (Pengana Loan Plan Shares)
Angie Baran	391 fully paid ordinary shares	0.06%	47,002	47,002 (Pengana Loan Plan Shares)
Stephanie Doran	391 fully paid ordinary shares	0.06%	47,002	47,002 (Pengana Loan Plan Shares)
Steve Black as trustee for the Black Family Trust	5,593 fully paid ordinary shares	0.91%	672,335	672,335 (Pengana Loan Plan Shares)
Meg O'Hanlon as trustee for the O'Hanlon Family Trust	5,593 fully paid ordinary shares	0.91%	672,335	672,335 (Pengana Loan Plan Shares)
TARK Family Holdings Pty Limited as trustee for the Tark Family Trust	9,152 fully paid ordinary shares	1.48%	1,100,162	1,100,162 (Pengana Loan Plan Shares)
Samuel Anton Du Preez	2,034 fully paid ordinary shares	0.33%	244,507	244,507 (Pengana Loan Plan Shares)

SCHEDULE 3: INDICATIVE TIMETABLE

Event	Date (2017)
Lodgement of draft notice of meeting with ASIC	30 March 2017
ASIC review period for notice of meeting	30 March 2017 – 13 April 2017
Notice of meeting sent to Hunter Hall Shareholders	18 April 2017
General Meeting Date	18 May 2017
Completion Date	3 Business Days after satisfaction of Conditions

SCHEDULE 4: HUNTER HALL WARRANTIES

Hunter Hall represents and warrants that:

1 General Warranties

- 1.1 Each Hunter Hall Group Member is a validly existing corporation registered under the laws of its place of incorporation.
- 1.2 The execution and delivery of this agreement by it has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement.
- 1.3 This agreement constitutes legal, valid and binding obligations on it and the execution of this agreement of itself does not result in a breach of or default under any agreement, deed or any writ, order or injunction, rule or regulation to which it or any of its Subsidiaries is a party or to which they are bound, where such breach or default would have a material adverse effect on the Hunter Hall Group.
- 1.4 Other than expressly contemplated in this agreement, as far as it is aware, no Regulatory Approvals are required to be obtained by it in order for it to implement the transactions contemplated under this agreement.
- 1.5 It is not in breach of its continuous disclosure obligations under the Corporations Act or the Listing Rules and, as at the date of this agreement, it is not relying on the exception to Listing Rule 3.1 in Listing Rule 3.1A to withhold any information from ASX (other than the fact of its discussions with Pengana, WHSP and the Pillemer Sellers in relation to the transactions contemplated in this agreement).
- 1.6 As at the date of this agreement:
 - 1.6.1 there are 27,309,816 Hunter Hall Shares on issue and those Hunter Hall Shares have been validly issued and are fully paid up;
 - 1.6.2 other than under this agreement, no person has any option or other right of any nature to require the issue of any shares or other securities in any member of the Hunter Hall Group (or may, by virtue of an option vesting or otherwise, ever have that right) and no member of the Hunter Hall Group has made any offer that may result in any person having such a right;
 - 1.6.3 all of the shares in the Subsidiaries of Hunter Hall are legally and beneficially owned by Hunter Hall and those shares have been validly issued and are fully paid up; and
 - 1.6.4 there is no Encumbrance, option, right of pre-emption, right of first or last refusal or other third party right over any of the shares in the Subsidiaries of Hunter Hall.

- 1.7 As at the time the Explanatory Statement or supplementary disclosure is dispatched to Hunter Hall Shareholders, the information contained in the Explanatory Statement or supplementary disclosure (other than the Pengana Information and the Independent Expert's Report) will:
- 1.7.1 be prepared in good faith;
 - 1.7.2 be true and correct in all material respects;
 - 1.7.3 comply in all material respects with the requirements of the Corporations Act, the Listing Rules and regulatory guidance issued by ASIC;
 - 1.7.4 as far as it is aware, not contain any statement which is misleading or deceptive in any material respect (whether by omission or otherwise).
- 1.8 As far as it is aware, the Hunter Hall Group holds, and complies with the material terms and conditions of, all material licences and material authorisations required to conduct its business in the manner it is conducted as at the date of this agreement.
- 1.9 It is not aware of any facts, matters or circumstances that would render a Seller Warranty or a Pengana Warranty untrue or incorrect.

2 New Hunter Hall Shares

- 2.1 The New Hunter Hall Shares to be issued in accordance with this agreement will be duly authorised and validly issued, fully paid and free of all security interests and third party rights and will rank equally with all other Hunter Hall Shares then on issue.

3 Hunter Hall Group Warranties

- 3.1 Each Hunter Hall Group Member has full corporate power to own its properties, assets and business and to carry on its business including in connection with the Schemes and the operation of the Schemes as now conducted.
- 3.2 Each Hunter Hall Group Member has good and marketable title to all of the assets included in the Accounts for each Hunter Hall Group Member material to the conduct of its business as at the date of this agreement.
- 3.3 Except for its subsidiaries, Hunter Hall does not hold or beneficially own shares or other Securities in the capital of any another corporation.
- 3.4 Other than in the ordinary course of its business, no Hunter Hall Group Member has agreed to buy any Securities in another corporation.
- 3.5 No Hunter Hall Group Member is, and has not agreed to become, a member of any partnership, unincorporated association, joint venture or consortium.

- 3.6 No meeting has been convened, resolution proposed in writing, petition presented or order made for the winding up of a Hunter Hall Group Member and no receiver, receiver and manager, provisional liquidator, liquidator, administrator or other officer of the court has been appointed or threatened in writing to be appointed in relation to a Hunter Hall Group Member or any part of a Hunter Hall Group Member's undertaking or assets.

4 Information

- 4.1 As far as Hunter Hall is aware, the Hunter Hall Disclosure Material is true and correct in all material respects and is not misleading or deceptive in any material respect (whether by omission or otherwise).

5 Financial statements

- 5.1 The Accounts were prepared:
- 5.1.1 in accordance with the Accounting Standards, the requirements of the Corporations Act and all other applicable Law; and
 - 5.1.2 on a basis consistent with the financial statements of each Hunter Hall Group Member for the financial year preceding the financial year ended on the Accounts Date.
- 5.2 All financial arrangements of or relating to each Hunter Hall Group Member and the business of the Hunter Hall Group are fully and accurately reflected in the Accounts.
- 5.3 The Accounts are not affected by any undisclosed unusual, abnormal, extraordinary, exceptional or non-recurring items.
- 5.4 The Accounts and Management Accounts:
- 5.4.1 have been prepared with due care and attention; and
 - 5.4.2 disclose all revenue and operating expenses of the Hunter Hall Group for the period for which they were prepared, and accurately disclose the financial position of the Hunter Hall Group for the purpose for which the Management Accounts were prepared.

6 No changes since Accounts Date

As far as Hunter Hall is aware, since the Accounts Date:

- 6.1 there has been no material adverse change in the assets, liabilities, turnover, earnings, financial condition, trading position or affairs of the Hunter Hall Group;
- 6.2 the Hunter Hall Group has carried on its business in all material respects in the ordinary course, in a manner comparable to that in which it was conducted for the 12 month period before the date of this agreement and with all reasonable care

and in accordance with normal and prudent practice (having regard to the nature of its business and past practice and so as to comply with all applicable laws);

- 6.3 no Hunter Hall Group Member has entered into any material contracts or arrangements, or terminated or altered any term of any material contracts or arrangements, other than in the ordinary course of its business or in accordance with this agreement;
- 6.4 no Hunter Hall Group Member has incurred or undertaken any material liabilities or obligations (actual or contingent), including Taxation, except in the ordinary course of its business;
- 6.5 other than as provided for in this agreement, no Hunter Hall Group Member has acquired or disposed of or dealt with any assets nor has it entered into any agreement or option to acquire or dispose of any assets other than in the ordinary course of its business for full market value;
- 6.6 other than in the ordinary course of business, no Hunter Hall Group Member has paid or agreed to pay any retiring allowance, superannuation or benefit to any of its officers or employees except where the law requires it;
- 6.7 other than the new employees employed in the ordinary course of business and as otherwise fairly disclosed, no Hunter Hall Group Member has entered into or altered any contract of service with any officers, employees, contractors or agents, or increased or agreed to increase the rate of remuneration or compensation payable to any of its officers, employees, contractors or agents, except in the ordinary course of its business;
- 6.8 no Hunter Hall Group Member has implemented any new accounting or valuation method for its business, assets, property or rights;
- 6.9 other than as fairly disclosed, no loans have been made by Hunter Hall Group to its employees and no advances or loan money has been accepted from any of its employees; and
- 6.10 no debt shown in the Accounts has been released or settled for an amount less than that reflected for that debt in the Accounts.

7 Liabilities and commitments

- 7.1 As far as Hunter Hall is aware, every material contract, instrument or other commitment to which a Hunter Hall Group Member is a party and which is material to the Hunter Hall Group's business as at the date of this agreement is valid and binding according to its terms and no party to the contract, instrument or commitment is in material default under its terms.
- 7.2 No Hunter Hall Group Member is party to any material agreement or arrangement under the terms of which any other party, by reason of the issue of Hunter Hall Purchase Shares or in the change in the management or control of the Hunter Hall Group, becomes entitled to:

- 7.2.1 terminate the agreement or arrangement earlier than would otherwise be the case if the change did not occur; or
 - 7.2.2 require the adoption of terms less favourable to a Hunter Hall Group Member than those subsisting in the absence of the change.
- 7.3 The issue of Hunter Hall Purchase Shares in accordance with this agreement does not and will not constitute a material breach of any obligation (including any statutory, contractual or fiduciary obligation), or default under any agreement or undertaking, by which a Hunter Hall Group Member is or may become bound.

8 Taxation

In this provision, except where the context otherwise requires, a reference to Hunter Hall includes each Hunter Hall Group Member and Hunter Hall in its own capacity, any managed fund or other trust of which a Hunter Hall Group Member is or was the responsible entity or trustee (**Hunter Hall Managed Fund**), and the Hunter Hall Group Member in its capacity as trustee or responsible entity of such a fund or trust.

- 8.1 As far as Hunter Hall is aware, all Tax and other revenue returns and business activity statements (**Returns**) lodged by Hunter Hall:
 - 8.1.1 have been lodged by the due date for filing those Returns; and
 - 8.1.2 have been made taking reasonable care, with full and true disclosure and otherwise in accordance with the relevant Tax Law.
- 8.2 No claim has ever been made with respect to any Hunter Hall Group Member in a jurisdiction where such a company does not file Returns that such company is or may be subject to Tax by that jurisdiction, and Hunter Hall is not aware of any basis for any such claim to be made.
- 8.3 As far as Hunter Hall is aware, all assessments, whether original or amended, made by a Government Agency in respect of Hunter Hall and all Returns of Hunter Hall accurately reflect any Liability for Tax of Hunter Hall and of the beneficiaries of a Hunter Hall Managed Fund for the period to which the assessment or Return relates.
- 8.4 All notices and elections required to be given or made by Hunter Hall have been given or made by Hunter Hall and support the position taken in the Returns.
- 8.5 Hunter Hall has maintained proper and adequate records to enable it to comply in all material respects with its obligations under any Tax Law and all such records are held by Hunter Hall at Completion.
- 8.6 As far as Hunter Hall is aware it has paid all Taxes which it is liable to pay prior to Completion and Hunter Hall has not waived any statute of limitation in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

- 8.7 As far as each Hunter Hall is aware, the Accounts fully provide for all Taxes which Hunter Hall is or may become liable to pay for the period up to and including the Accounts Date.
- 8.8 Hunter Hall is not the subject of any audit or review by a Government Agency of any of its Returns and as far as it is aware there are no outstanding disputes, questions or demands as between Hunter Hall and any Government Agency relating to a Tax matter and it is not aware of:
- 8.8.1 any pending or threatened audit or review relating to Hunter Hall; or
- 8.8.2 any reason why any Returns or assessments related to Tax payable by Hunter Hall in respect of any period before Completion would be disputed or examined or any benefit relating to Tax would be denied or limited.
- 8.9 Hunter Hall has not applied for or received any advance opinion or private binding ruling issued to it by any Government Agency and has taken "reasonable care" and adopted "reasonably arguable positions" (within the meaning of those terms in the Tax Act) in relation to its liability to pay Tax imposed under the Tax Act, has taken reasonable care in relation to its liability to pay Tax imposed under any other Tax Law, and in all cases has made full and true disclosure in relation to its liability to pay Tax.
- 8.10 As far as Hunter Hall is aware all amounts of Tax required by Law to be deducted by Hunter Hall from the salary or wages of employees, directors and other service providers have been deducted and remitted to the relevant Government Agency within the time allowed by the relevant Tax Law.
- 8.11 As far as Hunter Hall is aware any amount (including withholding tax) that is required to be withheld from any payment made by Hunter Hall has been duly withheld and remitted to the relevant Government Agency and Hunter Hall has not been a party to a scheme to avoid withholding tax.
- 8.12 Hunter Hall is and will at Completion be an Australian resident (as defined in the Tax Act).
- 8.13 Hunter Hall and any Australian resident subsidiary does not have and has never had a permanent establishment or other taxable presence in any jurisdiction outside Australia.
- 8.14 As far as Hunter Hall is aware there are no provisions in any sale or other agreement which limit the right of Hunter Hall to recover any Tax pursuant to a warranty or indemnity given by a third party as a result of a change of control of Hunter Hall.
- 8.15 There is no difference between the amounts incurred for acquisition, improvements and incidental costs of acquisition of assets by Hunter Hall or by a Hunter Hall Managed Fund and their cost base for Tax purposes.

- 8.16 The costs bases of the assets of Hunter Hall and Hunter Hall Managed Funds have not been reduced from the amounts of money actually incurred for acquisition, improvements and incidental costs of acquisition on account of:
- 8.16.1 any transfers of assets;
 - 8.16.2 any transfers of losses;
 - 8.16.3 any forgiveness of debt; or
 - 8.16.4 any transactions which shift value.
- 8.17 Hunter Hall has not participated in schemes or transactions or made any payments to which Part IVA, section 82KK or section 82KL of the Tax Act applies or might apply.
- 8.18 Hunter Hall has not participated in:
- 8.18.1 any dividend stripping or dividend or capital streaming or franking credit trading schemes (or schemes of substantially the same effect) within the meaning of the Tax Act or which are subject to the operation of sections 45 to 45D, former sections 46B, and 160AQCBA and section 177E or 177EA of the Tax Act; or
 - 8.18.2 any scheme or arrangement within the meaning of Division 204 of Part 3 6 of the Tax Act to exploit the benchmark franking percentage of another entity, stream franked distributions or tax exempt bonus shares or stream distributions to shareholders or former shareholders of Hunter Hall or beneficiaries or former beneficiaries of a Hunter Hall Managed Fund that derive greater benefit from franking credits than other shareholders or former shareholders of the Company or beneficiaries or former beneficiaries of a Hunter Hall Managed Fund, and nor will the sale itself, or in conjunction with other events before Completion, constitute such a scheme.
- 8.19 No dividend has been paid by Hunter Hall:
- 8.19.1 in respect of which the franking amount has exceeded the benchmark franking percentage or the maximum franking credit within the meaning of Part 3 6 of the Tax Act; or
 - 8.19.2 in respect of which an application has been made to the Commissioner of Taxation for permission to depart from the benchmark franking percentage within the meaning of Part 3 6 of the Tax Act.
- 8.20 Hunter Hall has provided distribution statements within the meaning of section 202-80 of the Tax Act to its shareholders in respect of all dividends paid by Hunter Hall before Completion.

- 8.21 Hunter Hall does not hold any assets to which Subdivision 104 J of the Tax Act may apply.
- 8.22 Nothing has occurred to cause a disallowance of carried forward income or capital losses of Hunter Hall or a Hunter Hall Managed Fund (other than the transfer of shares as contemplated by this agreement).
- 8.23 Hunter Hall has not been required to reduce losses or the tax attributes of assets (for capital allowances purposes or capital gains tax purposes) as contemplated by Division 245 of Schedule 2C of the Tax Act.
- 8.24 Hunter Hall Group Entities have not entered in to, or are not parties to any Tax Sharing Agreement or Tax Funding Agreement.
- 8.25 Subject to the relevant Hunter Hall Group Entity satisfying the conditions in Subdivision 165-C of the Tax Act, a bad debt deduction will be available in respect of the write off of any trade debts shown in the last Accounts which have not previously been written off.
- 8.26 Hunter Hall has not entered into any arrangement that will give rise to any adjustment to its taxable income or the net income of a Hunter Hall Managed Fund as a result of the operation of the provisions in Division 13 of Part III of the Tax Act or results in it obtaining a "transfer pricing benefit" as that term is defined in Division 815 of the Tax Act
- 8.27 Hunter Hall is not and will not become liable to pay, reimburse or indemnify any person in respect of any Tax relating to an act or omission occurring before Completion or because of the failure of that other person to discharge a Tax liability.
- 8.28 Hunter Hall has not issued or created any:
- 8.28.1 non-share equity interest (as defined in section 995-1 of the Tax Act);
or
 - 8.28.2 non-equity share (as defined in section 6(1) of the Tax Act).
- 8.29 Hunter Hall has not:
- 8.29.1 made any interposed entity election pursuant to section 272-85 of Schedule 2F to the Tax Act;
 - 8.29.2 made any other election for Tax purposes which may affect the tax treatment of any dividends paid to its shareholders after Completion;
or
 - 8.29.3 as far as Hunter Hall is aware, entered into any transaction that attracts the operation of sections 45B, 45C, 108 or 109 or Division 7A of the Tax Act.

- 8.30 The share capital account of Hunter Hall is not 'tainted' within the meaning of Division 197 of the Tax Act, and Hunter Hall has not taken and will not take any action that will cause its share capital account to become a 'tainted' share capital account prior to Completion.
- 8.31 Hunter Hall will not have a franking account deficit immediately after Completion and no act or omission of Hunter Hall at or before Completion would cause it to be liable for franking deficit tax, if the income year for Hunter Hall ended immediately after Completion.
- 8.32 As far Hunter Hall is aware it has not entered into any arrangement or transaction which is or may be subject to adjustment under Division 13 or Division 815 of the Tax Act or any double taxation agreement between Australia and another country.
- 8.33 As far Hunter Hall is aware, it does not own or hold any asset for which a rollover or other Tax relief has been obtained and which may give rise to a Tax Claim as a result of Completion or which may operate to restrict the cost base of assets in the hands of Hunter Hall.
- 8.34 Hunter Hall has always had a public officer appointed in accordance with the requirements of the Tax Acts.
- 8.35 Hunter Hall has disclosed to Pengana all communications by Government Agencies to each Hunter Hall Group Member (including rulings and communications by way of agreement) prior to the date of this agreement which will, or may affect the calculation of Hunter Hall's liability to Tax.
- 8.36 Hunter Hall has fully complied with, and will full comply with until Completion, the terms of all communications by Government Agencies to each Hunter Hall Group Member (including rulings, and communications by way of agreement) prior to the date of this agreement, which will or may affect the calculation of Hunter Hall's liability to Tax.
- 8.37 Hunter Hall has not carried on any business which is not an eligible investment business for the purposes of the Tax Law.

9 GST

- 9.1 In this provision, except where the context otherwise requires, a reference to Hunter Hall includes each Hunter Hall Group Member and Hunter Hall in its own capacity, any managed fund or other trust of which a Hunter Hall Group Member is or was the responsible entity or trustee (**Hunter Hall Managed Fund**), and the Hunter Hall Group Member in its capacity as trustee or responsible entity of such a fund or trust.
- 9.2 In this warranty:
- 9.2.1 expressions which are not defined, but which have a defined meaning in GST Law, have the same meaning as in the GST Law; and

- 9.2.2 GST Law has the meaning given to that expression in the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*.
- 9.3 Hunter Hall is registered for GST and has an Australian Business Number (ABN).
- 9.4 The computerised accounting and invoicing systems of Hunter Hall have GST functionality. For the purposes of this warranty, a system has GST functionality if it:
- 9.4.1 can generate tax invoices and adjustment notes;
- 9.4.2 provides for GST in respect of supplies or inputs to be recorded as balance sheet items; and
- 9.4.3 can produce such financial information as may be required to complete a GST return, business activity statement or both.
- 9.5 As far as Hunter Hall is aware, Hunter Hall is the representative member of a GST group that includes its Australian Subsidiaries.
- 9.6 As far as Hunter Hall is aware, aside from HHIML and Hunter Hall, no other Hunter Hall Group Member or Hunter Hall Managed Fund is or has ever been:
- 9.6.1 a member of any GST group, GST joint venture or partnership; or
- 9.6.2 liable to pay GST in respect of supplies made by any other entity.
- 9.7 As far as Hunter Hall is aware, Hunter Hall has not participated in any schemes or transactions or made any payments to which Division 165 of the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)* applies or might apply.
- 9.8 As far as Hunter Hall is aware, Hunter Hall:
- 9.8.1 has complied in all material respects with its obligations under the GST Act;
- 9.8.2 has lodged all Business Activity Statements (BAS) by the due date for filing;
- 9.8.3 has prepared each BAS with reasonable care and with making full and true disclosure and warrants that each BAS does not contain any statement that is false or misleading, whether by omission or otherwise;
- 9.8.4 has paid all amounts it has been required to pay in connection with each BAS by the due date;
- 9.8.5 is not a party to any document, instrument, contract, agreement, deed or transaction in respect of which it is or will become liable to pay GST in circumstances where it has no express entitlement to increase the consideration payable under the document, instrument, contract,

agreement, deed or transaction or otherwise seek reimbursement so that it retains the amount it would have retained but for the imposition of GST; and

- 9.8.6 does not have any amended assessments to which an extended or refreshed period of review could apply under section 155-70 of the Taxation Administration Act 1953 in respect of GST.

10 Stamp Duty

- 10.1 In this provision, except where the context otherwise requires, a reference to Hunter Hall includes each Hunter Hall Group Member and Hunter Hall in its own capacity, any managed fund or other trust of which a Hunter Hall Group Member is or was the responsible entity or trustee (**Hunter Hall Managed Fund**), and the Hunter Hall Group Member in its capacity as trustee or responsible entity of such a fund or trust.
- 10.2 As far as Hunter Hall is aware, all Stamp Duty arising under a Tax Law in relation to any transaction or document to which a Hunter Hall is or has been a party or by which a Hunter Hall derives, or has or will derive, a benefit has been paid or will be paid before Completion in accordance with the relevant Tax Law (irrespective of whether a Hunter Hall or a Third Party is liable for that Stamp Duty).
- 10.3 As far as Hunter Hall is aware, no Hunter Hall has not been a party to a transaction or document with a Related Body Corporate (or an entity that was a Related Body Corporate at the time) in the 6 years preceding Completion that would have been liable to Stamp Duty under a Tax Law but for relief granted in writing by a Government Agency.
- 10.4 Hunter Hall does not hold (or will not hold) land interests at Completion (whether held directly or indirectly) that will cause Hunter Hall to be a landholder or land rich entity (however described) under a Tax Law relating to Stamp Duty.

11 Insurance

- 11.1 Each contract under which a Hunter Hall Group Member is an insured party including in respect of workers' compensation insurance investment management insurance and professional indemnity insurance (**Insurance Contract**) is in force and as far Hunter Hall is aware there is no fact or circumstance known to the Hunter Hall Group that would, or would be reasonably likely to, on or after Completion:
- 11.1.1 lead to the Insurance Contract being terminated or ceasing to have effect; or
- 11.1.2 permit the relevant insurer to refuse or reduce a claim, increase the premium or alter any provision under the Insurance Contract.
- 11.2 As far as Hunter Hall is aware, under the Insurance Contracts:

- 11.2.1 all of the property and assets of Hunter Hall Group of an insurable nature are insured in amounts representing their full replacement or reinstatement value against fire and other risks normally insured against for similar businesses in similar industries; and
 - 11.2.2 Hunter Hall Group is adequately insured for such amounts as would be maintained in accordance with prudent business practice in respect of all risks, including in relation to damage to property, personal injury, public liability, product liability, investment management, professional indemnity, workers' compensation and business interruption.
 - 11.3 There are no outstanding claims or insurance premiums payable under the Insurance Contracts.
- 12 **Contracts and commercial matters**
 - 12.1 All contracts, arrangements and understandings binding on a Hunter Hall Group Member are at arm's length and are capable of complete performance by it.
- 13 **Compliance with Relevant Laws**
 - 13.1 As far as Hunter Hall is aware, each Hunter Hall Group Member has complied in all material respects with all laws including all Relevant Laws applicable to the conduct of the business of the Hunter Hall Group, the operation and management of the Schemes (and all other funds and schemes that have been operated or managed by a Hunter Hall Group Member from time to time) and the offering, marketing and distribution of the Schemes and interests in the Schemes (and all other funds and schemes that have been operated or managed by a Hunter Hall Group Member from time to time) and the Mandate, the use of each leased premises and the other assets of Hunter Hall Group or in any other manner, including all:
 - 13.1.1 laws of all jurisdictions in which a Hunter Hall Group Member operates, solicits investors, trades securities, derivatives or other financial products;
 - 13.1.2 employment and industrial relations Laws and agreements;
 - 13.1.3 occupational health and safety Laws; and
 - 13.1.4 and no material contravention or allegation of any material contravention of any laws including any Relevant Laws is known to Hunter Hall.
 - 13.2 As far as Hunter Hall is aware:
 - 13.2.1 there is no fact or matter that might prejudice the continuance or renewal, or result in the revocation or variation in any material respect, of any statutory permit or licence material to the conduct of the Hunter Hall Group's business as at the date of this agreement

including its AFSL and all Authorised Representative Agreements;
and

13.2.2 no Hunter Hall Group Member is being investigated for any material breach or any alleged material breach of any Relevant Law.

13.3 No Hunter Hall Group Member has received any written notice that any statutory permit or licence material to the conduct of the Hunter Hall Group's business as at the date of this agreement including its AFSL will be revoked, suspended, modified or will not be renewed.

13.4 As far as each Hunter Hall Group Member is aware, each Hunter Hall Group Member has complied in all material respects with all conditions under all licences, consents, certifications and authorisations, material to the carrying on of the business of the Hunter Hall Group and the operation and the management of the Schemes as at the date of this agreement (including its AFSL and the Authorised Representative Agreements).

13.5 Hunter Hall represents and warrants that:

13.5.1 The Scheme Records are all of the records in relation to the Schemes which are reasonably required by HHIML to discharge its obligations in respect of each Scheme (for the avoidance of doubt, HHIML has maintained materially complete and accurate records to enable HHIML to comply with its Tax obligations under any relevant Tax Law, to support any position taken in relation to a Tax Law in every year up to Completion Date, and to enable HHIML to report on the Tax components of distributions for each Scheme to the unitholders of the applicable Scheme).

13.5.2 Each Scheme has been constituted as required by Relevant Law.

13.5.3 No Scheme has been resettled.

13.6 No Scheme has been terminated (and no step has been taken to commence the termination of a Scheme) and no action has been taken to change the responsible entity of a Scheme or to deregister a Scheme.

13.7 HHIML is not in material default (or would be in material default but for notice or lapse of time) under any agreement to which it is a party in respect of the Schemes.

13.8 So far as HHIML and Hunter Hall is aware, there is no subsisting default by a counterparty to an agreement with HHIML in respect of a Scheme that is likely to have a materially adverse impact on the Scheme.

14 **Litigation**

14.1 Other than as fairly disclosed and as far as Hunter Hall is aware, no Hunter Hall Group Member has nor any person for whose acts or defaults a Hunter Hall Group Member may be vicariously liable is involved in, or threatened in writing

with, any Claim in any court, tribunal or otherwise and there are no facts or circumstances likely to give rise to any such Claim.

- 14.2 As far as Hunter Hall is aware there are no unsatisfied Claims against a Hunter Hall Group Member.

15 Employees, officers and sub-contractors

- 15.1 As far as Hunter Hall is aware, there are no unusually onerous conditions in respect of the employment of any employee or the engagement of any sub-contractor by a Hunter Hall Group Member.
- 15.2 As far as Hunter Hall is aware, each Hunter Hall Group Member has complied in all material respects with all contractual, statutory, legal and fiscal obligations of and in relation to its employment of its employees, including all withholding obligations, all codes of practice, collective agreements and awards.
- 15.3 No Hunter Hall Group Member operates any profit share or employee incentive plans or schemes for its employees or officers.
- 15.4 No money other than in respect of remuneration or benefits of employment is payable to any director or employee of Hunter Hall Group and no Hunter Hall Group Member is under any present, future or contingent liability to pay compensation for loss of office or employment to any ex-officer or ex-employee.
- 15.5 All persons employed or engaged in the business of the Hunter Hall Group prior to Completion have been properly classified by Hunter Hall Group as employees or independent contractors and the recognition of employee entitlements in the Accounts and Management Accounts materially accurate.

16 Superannuation

- 17 As at Completion, each Hunter Hall Group Member has satisfied all employer superannuation obligations in respect of any person for which it is required to make superannuation contributions pursuant to any relevant legislation, contract, award or other industrial instrument requiring the payment of superannuation contributions.

18 Computer systems and software

- 18.1 All the computers and computer systems owned or used by Hunter Hall Group:
- 18.1.1 are in full operating order and are fulfilling the purposes for which they were acquired or established in an efficient manner without material downtime or errors;
- 18.1.2 have adequate capacity for Hunter Hall Group's present needs; and
- 18.1.3 have adequate security, back-ups, hardware and software support and maintenance and trained personnel to ensure, so far as is reasonable, that breaches of security, errors and breakdowns are kept to a minimum and that no material disruption will be caused to the



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business of Hunter Hall Group or any material part of it if there is a breach of security, error or breakdown.

18.2 All software used by Hunter Hall Group is owned or validly licensed by it.

SCHEDULE 5: PENGANA WARRANTIES

Pengana and each Seller Warrantor represents and warrants that:

1 General Warranties

- 1.1 Each Pengana Group Member is a validly existing corporation registered under the laws of its place of incorporation.
- 1.2 The execution and delivery of this agreement by Pengana has been properly authorised by all necessary corporate action and Pengana has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement.
- 1.3 This agreement constitutes legal, valid and binding obligations on Pengana and the execution of this agreement of itself does not result in a breach of or default under any agreement, deed or any writ, order or injunction, rule or regulation to which it or any of its Subsidiaries is a party or to which they are bound, where such breach or default would have a material adverse effect on the Pengana Group.
- 1.4 Other than expressly contemplated in this agreement, as far as it is aware, no Regulatory Approvals are required to be obtained by Pengana in order for it to implement the transactions contemplated under this agreement.
- 1.5 The Pengana Information provided to Hunter Hall in accordance with clause 4.3.1 for inclusion in the Explanatory Statement and supplementary disclosure (which, for the avoidance of doubt, does not include any information contained in the Independent Expert's Report) and for inclusion in the Agreed Announcement will:
 - 1.5.1 be prepared and provided in good faith;
 - 1.5.2 be true and correct in all material respects;
 - 1.5.3 be provided on the understanding that Hunter Hall will rely on that information for the purposes of preparing the Explanatory Statement or the Agreed Announcement (as the case may be); and
 - 1.5.4 as far as it is aware, in the form and context in which that information appears in the Explanatory Statement (and any supplementary disclosure) or the Agreed Announcement (as the case may be), not be misleading or deceptive in any material respect (whether by omission or otherwise).
- 1.6 Pengana will, as a continuing obligation, provide to Hunter Hall all such further or new information which may arise before the General Meeting Date which is necessary to ensure that the Pengana Information, in the form and context in which that information appears in the Explanatory Statement and any supplementary disclosure (which, for the avoidance of doubt, does not include

any information contained in the Independent Expert's Report), is not misleading or deceptive in any material respect (whether by omission or otherwise).

- 1.7 As far as it is aware, the Pengana Group holds, and complies with the material terms and conditions of, all material licences and material authorisations required to conduct its business in the manner it is conducted as at the date of this agreement.

2 Pengana Group

- 2.1 Each Pengana Group Member has full corporate power to own its properties, assets and business and to carry on its business including in connection with the Schemes and the operation of the Schemes as now conducted.
- 2.2 Each Pengana Group Member has good and marketable title to all of the assets included in the Accounts for each Pengana Group Member material to the conduct of its business as at the date of this agreement.
- 2.3 Except for its subsidiaries, Pengana does not hold or beneficially own shares or other Securities in the capital of any another corporation.
- 2.4 Other than in the ordinary course of its business, no Pengana Group Member has agreed to buy any Securities in another corporation.
- 2.5 No Pengana Group Member is, and has not agreed to become, a member of any partnership, unincorporated association, joint venture or consortium.
- 2.6 No meeting has been convened, resolution proposed in writing, petition presented or order made for the winding up of a Pengana Group Member and no receiver, receiver and manager, provisional liquidator, liquidator, administrator or other officer of the court has been appointed or threatened in writing to be appointed in relation to a Pengana Group Member or any part of a Pengana Group Member's undertaking or assets.

3 Share capital of Pengana

- 3.1 The Sale Shares:
- 3.1.1 provided all Other Pengana Shareholders executes a Pengana Sale Option Deed, comprise all of the share capital of Pengana;
- 3.1.2 are held and beneficially owned and are paid as set out in Schedule 1 and Schedule 2; and
- 3.1.3 were all properly issued.
- 3.2 There is no restriction on the sale or transfer of the Sale Shares to Hunter Hall (whether contained in the constitution of Pengana or otherwise) except for the consent of the directors of Pengana to the registration of the transfers of the Sale Shares.

- 3.3 There are no Securities convertible into shares of a Pengana Group Member.

4 Information

- 4.1 As far as each Seller Warrantor is aware, the Disclosure Material is true and correct in all material respects and is not misleading or deceptive in any material respect (whether by omission or otherwise).

5 Financial statements

- 5.1 The Accounts were prepared:
- 5.1.1 in accordance with the Accounting Standards, the requirements of the Corporations Act and all other applicable Law; and
 - 5.1.2 on a basis consistent with the financial statements of each Pengana Group Member for the financial year preceding the financial year ended on the Accounts Date.
- 5.2 All financial arrangements of or relating to each Pengana Group Member and the business of the Pengana Group are fully and accurately reflected in the Accounts.
- 5.3 The Accounts are not affected by any undisclosed unusual, abnormal, extraordinary, exceptional or non-recurring items.
- 5.4 The Accounts and Management Accounts:
- 5.4.1 have been prepared with due care and attention; and
 - 5.4.2 disclose all revenue and operating expenses of the Pengana Group for the period for which they were prepared, and accurately disclose the financial position of the Pengana Group for the purpose for which the Management Accounts were prepared.

6 No changes since Accounts Date

As far as each Seller Warrantor is aware, since the Accounts Date:

- 6.1 there has been no material adverse change in the assets, liabilities, turnover, earnings, financial condition, trading position or affairs of the Pengana Group;
- 6.2 the Pengana Group has carried on its business in all material respects in the ordinary course, in a manner comparable to that in which it was conducted for the 12 month period before the date of this agreement and with all reasonable care and in accordance with normal and prudent practice (having regard to the nature of its business and past practice and so as to comply with all applicable laws);
- 6.3 no Pengana Group Member has entered into any material contracts or arrangements, or terminated or altered any term of any material contracts or arrangements, other than in the ordinary course of its business or in accordance with this agreement;

- 6.4 no Pengana Group Member has incurred or undertaken any material liabilities or obligations (actual or contingent), including Taxation, except in the ordinary course of its business;
- 6.5 other than as provided for in this agreement, no Pengana Group Member has acquired or disposed of or dealt with any assets nor has it entered into any agreement or option to acquire or dispose of any assets other than in the ordinary course of its business for full market value;
- 6.6 other than in the ordinary course of business, no Pengana Group Member has paid or agreed to pay any retiring allowance, superannuation or benefit to any of its officers or employees except where the law requires it;
- 6.7 other than the new employees employed in the ordinary course of business and as otherwise fairly disclosed, no Pengana Group Member has entered into or altered any contract of service with any officers, employees, contractors or agents, or increased or agreed to increase the rate of remuneration or compensation payable to any of its officers, employees, contractors or agents, except in the ordinary course of its business;
- 6.8 no Pengana Group Member has implemented any new accounting or valuation method for its business, assets, property or rights;
- 6.9 other than as fairly disclosed, no loans have been made by Pengana Group to its employees and no advances or loan money has been accepted from any of its employees; and
- 6.10 no debt shown in the Accounts has been released or settled for an amount less than that reflected for that debt in the Accounts.

7 Liabilities and commitments

- 7.1 As far as each Seller Warrantor is aware, every material contract, instrument or other commitment to which a Pengana Group Member is a party and which is material to the Pengana Group's business as at the date of this agreement is valid and binding according to its terms and no party to the contract, instrument or commitment is in material default under its terms.
- 7.2 No Pengana Group Member is party to any material agreement or arrangement under the terms of which any other party, by reason of any change in the beneficial ownership of the Sale Shares or in the management or control of Pengana Group, becomes entitled to:
 - 7.2.1 terminate the agreement or arrangement earlier than would otherwise be the case if the change did not occur; or
 - 7.2.2 require the adoption of terms less favourable to a Pengana Group Member than those subsisting in the absence of the change.
- 7.3 The transfer of the Sale Shares in accordance with this agreement does not and will not constitute a material breach of any obligation (including any statutory,

contractual or fiduciary obligation), or default under any agreement or undertaking, by which a Pengana Group Member is or may become bound.

8 Taxation

In this provision, except where the context otherwise requires, a reference to Pengana includes each Pengana Group Member and Pengana in its own capacity, any managed fund or other trust of which a Pengana Group Member is or was the responsible entity or trustee (**Pengana Managed Fund**), and the Pengana Group Member in its capacity as trustee or responsible entity of such a fund or trust.

- 8.1 As far as each Seller Warrantor is aware, all Tax and other revenue returns and business activity statements (**Returns**) lodged by Pengana:
 - 8.1.1 have been lodged by the due date for filing those Returns; and
 - 8.1.2 have been made taking reasonable care, with full and true disclosure and otherwise in accordance with the relevant Tax Law.
- 8.2 No claim has ever been made with respect to any Pengana Group Member in a jurisdiction where such a company does not file Returns that such company is or may be subject to Tax by that jurisdiction, and the Seller Warrantors are not aware of any basis for any such claim to be made.
- 8.3 As far as each Seller Warrantor is aware, all assessments, whether original or amended, made by a Government Agency in respect of Pengana and all Returns of Pengana accurately reflect any Liability for Tax of Pengana and of the beneficiaries of a Pengana Managed Fund for the period to which the assessment or Return relates.
- 8.4 All notices and elections required to be given or made by Pengana have been given or made by Pengana and support the position taken in the Returns.
- 8.5 Pengana has maintained proper and adequate records to enable it to comply in all material respects with its obligations under any Tax Law and all such records are held by Pengana at Completion.
- 8.6 As far as each Seller Warrantor is aware Pengana has paid all Taxes which Pengana is liable to pay prior to Completion and Pengana has not waived any statute of limitation in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.
- 8.7 As far as each Seller Warrantor is aware, the Accounts fully provide for all Taxes which Pengana is or may become liable to pay for the period up to and including the Accounts Date.
- 8.8 Pengana is not the subject of any audit or review by a Government Agency of any of its Returns and as far as the Seller Warrantor is aware there are no outstanding disputes, questions or demands as between Pengana and any Government Agency relating to a Tax matter and the Seller Warrantor is not aware of:

- 8.8.1 any pending or threatened audit or review relating to Pengana; or
- 8.8.2 any reason why any Returns or assessments related to Tax payable by Pengana in respect of any period before Completion would be disputed or examined or any benefit relating to Tax would be denied or limited.
- 8.9 Pengana has not applied for or received any advance opinion or private binding ruling issued to it by any Government Agency and has taken "reasonable care" and adopted "reasonably arguable positions" (within the meaning of those terms in the Tax Act) in relation to its liability to pay Tax imposed under the Tax Act, has taken reasonable care in relation to its liability to pay Tax imposed under any other Tax Law, and in all cases has made full and true disclosure in relation to its liability to pay Tax.
- 8.10 As far as each Seller Warrantor is aware all amounts of Tax required by Law to be deducted by Pengana from the salary or wages of employees, directors and other service providers have been deducted and remitted to the relevant Government Agency within the time allowed by the relevant Tax Law.
- 8.11 As far as each Seller Warrantor is aware any amount (including withholding tax) that is required to be withheld from any payment made by Pengana has been duly withheld and remitted to the relevant Government Agency and Pengana has not been a party to a scheme to avoid withholding tax.
- 8.12 Each Seller is and will at Completion be an Australian resident (as defined in the Tax Act).
- 8.13 Pengana and any Australian resident subsidiary does not have and has never had a permanent establishment or other taxable presence in any jurisdiction outside Australia.
- 8.14 As far as each Seller Warrantor is aware there are no provisions in any sale or other agreement which limit the right of Pengana to recover any Tax pursuant to a warranty or indemnity given by a third party as a result of a change of control of Pengana.
- 8.15 There is no difference between the amounts incurred for acquisition, improvements and incidental costs of acquisition of assets by Pengana or by a Pengana Managed Fund and their cost base for Tax purposes.
- 8.16 The costs bases of the assets of Pengana and Pengana Managed Funds have not been reduced from the amounts of money actually incurred for acquisition, improvements and incidental costs of acquisition on account of:
 - 8.16.1 any transfers of assets;
 - 8.16.2 any transfers of losses;
 - 8.16.3 any forgiveness of debt; or

- 8.16.4 any transactions which shift value.
- 8.17 Pengana has not participated in schemes or transactions or made any payments to which Part IVA, section 82KK or section 82KL of the Tax Act applies or might apply.
- 8.18 Pengana has not participated in:
- 8.18.1 any dividend stripping or dividend or capital streaming or franking credit trading schemes (or schemes of substantially the same effect) within the meaning of the Tax Act or which are subject to the operation of sections 45 to 45D, former sections 46B, and 160AQCB and section 177E or 177EA of the Tax Act; or
- 8.18.2 any scheme or arrangement within the meaning of Division 204 of Part 3 6 of the Tax Act to exploit the benchmark franking percentage of another entity, stream franked distributions or tax exempt bonus shares or stream distributions to shareholders or former shareholders of Pengana or beneficiaries or former beneficiaries of a Pengana Managed Fund that derive greater benefit from franking credits than other shareholders or former shareholders of the Company or beneficiaries or former beneficiaries of a Pengana Managed Fund, and nor will the sale itself, or in conjunction with other events before Completion, constitute such a scheme.
- 8.19 No dividend has been paid by Pengana:
- 8.19.1 in respect of which the franking amount has exceeded the benchmark franking percentage or the maximum franking credit within the meaning of Part 3 6 of the Tax Act; or
- 8.19.2 in respect of which an application has been made to the Commissioner of Taxation for permission to depart from the benchmark franking percentage within the meaning of Part 3 6 of the Tax Act.
- 8.20 Pengana has provided distribution statements within the meaning of section 202-80 of the Tax Act to its shareholders in respect of all dividends paid by Pengana before Completion.
- 8.21 Pengana does not hold any assets to which Subdivision 104 J of the Tax Act may apply.
- 8.22 Nothing has occurred to cause a disallowance of carried forward income or capital losses of Pengana (other than the transfer of shares as contemplated by this agreement).
- 8.23 Pengana has not been required to reduce losses or the tax attributes of assets (for capital allowances purposes or capital gains tax purposes) as contemplated by Division 245 of Schedule 2C of the Tax Act.

- 8.24 Pengana Group Entities have not entered in to, or are not parties to any Tax Sharing Agreement or Tax Funding Agreement.
- 8.25 Subject to the relevant Pengana Group Entity satisfying the conditions in Subdivision 165-C of the Tax Act, a bad debt deduction will be available in respect of the write off of any trade debts shown in the last Accounts which have not previously been written off.
- 8.26 Pengana has not entered into any arrangement that will give rise to any adjustment to its taxable income or the net income of a Pengana Managed Fund as a result of the operation of the provisions in Division 13 of Part III of the Tax Act or results in it obtaining a "transfer pricing benefit" as that term is defined in Division 815 of the Tax Act
- 8.27 Pengana is not and will not become liable to pay, reimburse or indemnify any person in respect of any Tax relating to an act or omission occurring before Completion or because of the failure of that other person to discharge a Tax liability.
- 8.28 Pengana has not issued or created any:
- 8.28.1 non-share equity interest (as defined in section 995-1 of the Tax Act);
or
- 8.28.2 non-equity share (as defined in section 6(1) of the Tax Act).
- 8.29 Pengana has not:
- 8.29.1 made any interposed entity election pursuant to section 272-85 of Schedule 2F to the Tax Act;
- 8.29.2 made any other election for Tax purposes which may affect the tax treatment of any dividends paid to its shareholders after Completion;
or
- 8.29.3 as far as the Seller Warrantor is aware, entered into any transaction that attracts the operation of sections 45B, 45C, 108 or 109 or Division 7A of the Tax Act.
- 8.30 The share capital account of Pengana is not 'tainted' within the meaning of Division 197 of the Tax Act, and Pengana has not taken and will not take any action that will cause its share capital account to become a 'tainted' share capital account prior to Completion.
- 8.31 Pengana will not have a franking account deficit immediately after Completion and no act or omission of Pengana at or before Completion would cause it to be liable for franking deficit tax, if the income year for Pengana ended immediately after Completion.
- 8.32 As far as each Seller Warrantor is aware Pengana has not entered into any arrangement or transaction which is or may be subject to adjustment under

Division 13 or Division 815 of the Tax Act or any double taxation agreement between Australia and another country.

- 8.33 As far as each Seller Warrantor is aware, Pengana does not own or hold any asset for which a rollover or other Tax relief has been obtained and which may give rise to a Tax Claim as a result of Completion or which may operate to restrict the cost base of assets in the hands of Pengana.
- 8.34 Pengana has always had a public officer appointed in accordance with the requirements of the Tax Acts.
- 8.35 Pengana has disclosed to Hunter Hall all communications by Government Agencies to each Pengana Group Member (including rulings and communications by way of agreement) prior to the date of this agreement which will, or may affect the calculation of Pengana's liability to Tax.
- 8.36 Pengana has fully complied with, and will full comply with until Completion, the terms of all communications by Government Agencies to each Pengana Group Member (including rulings, and communications by way of agreement) prior to the date of this agreement, which will or may affect the calculation of Pengana's liability to Tax.
- 8.37 Pengana Capital has not carried on any business which is not an eligible investment business for the purposes of the Tax Law.

9 GST

- 9.1 In this provision, except where the context otherwise requires, a reference to Pengana includes each Pengana Group Member and Pengana in its own capacity, any managed fund or other trust of which a Pengana Group Member is or was the responsible entity or trustee (**Pengana Managed Fund**), and the Pengana Group Member in its capacity as trustee or responsible entity of such a fund or trust.
- 9.2 In this warranty:
 - 9.2.1 expressions which are not defined, but which have a defined meaning in GST Law, have the same meaning as in the GST Law; and
 - 9.2.2 GST Law has the meaning given to that expression in the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*.
- 9.3 Pengana is registered for GST and has an Australian Business Number (**ABN**).
- 9.4 The computerised accounting and invoicing systems of Pengana have GST functionality. For the purposes of this warranty, a system has GST functionality if it:
 - 9.4.1 can generate tax invoices and adjustment notes;
 - 9.4.2 provides for GST in respect of supplies or inputs to be recorded as balance sheet items; and

- 9.4.3 can produce such financial information as may be required to complete a GST return, business activity statement or both.
- 9.5 As far as each Seller Warrantor is aware, Pengana is the representative member of a GST group that includes Pengana Capital.
- 9.6 As far as each Seller Warrantor is aware, aside from Pengana Capital Ltd and Pengana Holdings Pty Ltd, no other Pengana Group Member or Pengana Managed Fund is or has ever been:
- 9.6.1 a member of any GST group, GST joint venture or partnership; or
- 9.6.2 liable to pay GST in respect of supplies made by any other entity.
- 9.7 As far as each Seller Warrantor is aware, Pengana has not participated in any schemes or transactions or made any payments to which Division 165 of the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)* applies or might apply.
- 9.8 As far as each Seller Warrantor is aware, Pengana:
- 9.8.1 has complied in all material respects with its obligations under the GST Act;
- 9.8.2 has lodged all Business Activity Statements (**BAS**) by the due date for filing;
- 9.8.3 has prepared each BAS with reasonable care and with making full and true disclosure and warrants that each BAS does not contain any statement that is false or misleading, whether by omission or otherwise;
- 9.8.4 has paid all amounts it has been required to pay in connection with each BAS by the due date;
- 9.8.5 is not a party to any document, instrument, contract, agreement, deed or transaction in respect of which it is or will become liable to pay GST in circumstances where it has no express entitlement to increase the consideration payable under the document, instrument, contract, agreement, deed or transaction or otherwise seek reimbursement so that it retains the amount it would have retained but for the imposition of GST; and
- 9.8.6 does not have any amended assessments to which an extended or refreshed period of review could apply under section 155-70 of the Taxation Administration Act 1953 in respect of GST.

10 Stamp Duty

- 10.1 In this provision, except where the context otherwise requires, a reference to Pengana includes each Pengana Group Member and Pengana in its own capacity, any managed fund or other trust of which a Pengana Group Member is or was the

responsible entity or trustee (**Pengana Managed Fund**), and the Pengana Group Member in its capacity as trustee or responsible entity of such a fund or trust.

- 10.2 As far as each Seller Warrantor is aware, all Stamp Duty arising under a Tax Law in relation to any transaction or document to which a Pengana is or has been a party or by which a Pengana derives, or has or will derive, a benefit has been paid or will be paid before Completion in accordance with the relevant Tax Law (irrespective of whether Pengana or a Third Party is liable for that Stamp Duty).
- 10.3 As far as each Seller Warrantor is aware, Pengana has not been a party to a transaction or document with a Related Body Corporate (or an entity that was a Related Body Corporate at the time) in the 6 years preceding Completion that would have been liable to Stamp Duty under a Tax Law but for relief granted in writing by a Government Agency.
- 10.4 Pengana does not hold (or will not hold) land interests at Completion (whether held directly or indirectly) that will cause Pengana to be a landholder or land rich entity (however described) under a Tax Law relating to Stamp Duty.

11 Insurance

- 11.1 Each contract under which a Pengana Group Member is an insured party including in respect of workers' compensation insurance investment management insurance and professional indemnity insurance (**Insurance Contract**) is in force and as far as each Seller Warrantor is aware there is no fact or circumstance known to the Pengana Group or the Seller Warrantors that would, or would be reasonably likely to, on or after Completion:
 - 11.1.1 lead to the Insurance Contract being terminated or ceasing to have effect; or
 - 11.1.2 permit the relevant insurer to refuse or reduce a claim, increase the premium or alter any provision under the Insurance Contract.
- 11.2 As far as each Seller Warrantor is aware, under the Insurance Contracts:
 - 11.2.1 all of the property and assets of Pengana Group of an insurable nature are insured in amounts representing their full replacement or reinstatement value against fire and other risks normally insured against for similar businesses in similar industries; and
 - 11.2.2 Pengana Group is adequately insured for such amounts as would be maintained in accordance with prudent business practice in respect of all risks, including in relation to damage to property, personal injury, public liability, product liability, investment management, professional indemnity, workers' compensation and business interruption.
- 11.3 There are no outstanding claims or insurance premiums payable under the Insurance Contracts.

12 Contracts and commercial matters

- 12.1 All contracts, arrangements and understandings binding on a Pengana Group Member are at arm's length and are capable of complete performance by it.

13 Compliance with Relevant Laws

- 13.1 As far as each Seller Warrantor and each Pengana Group Member is aware, each Pengana Group Member has complied in all material respects with all laws including all Relevant Laws applicable to the conduct of the business of the Pengana Group, the operation and management of the Schemes (and all other funds and schemes that have been operated or managed by a Pengana Group Member from time to time) and the offering, marketing and distribution of the Schemes and interests in the Schemes (and all other funds and schemes that have been operated or managed by a Pengana Group Member from time to time) and the Mandate, the use of each leased premises and the other assets of Pengana Group or in any other manner, including all:
- 13.1.1 laws of all jurisdictions in which a Pengana Group Member operates, solicits investors, trades securities, derivatives or other financial products;
 - 13.1.2 employment and industrial relations Laws and agreements;
 - 13.1.3 occupational health and safety Laws; and
 - 13.1.4 and no material contravention or allegation of any material contravention of any laws including any Relevant Laws is known to the Seller Warrantors.
- 13.2 As far as each Seller Warrantor and each Pengana Group Member is aware:
- 13.2.1 there is no fact or matter that might prejudice the continuance or renewal, or result in the revocation or variation in any material respect, of any statutory permit or licence material to the conduct of the Pengana Group's business as at the date of this agreement including Pengana Capital's AFSL and all Authorised Representative Agreements; and
 - 13.2.2 no Pengana Group Member is being investigated for any material breach or any alleged material breach of any Relevant Law.
- 13.3 No Pengana Group Member has received any written notice that any statutory permit or licence material to the conduct of the Pengana Group's business as at the date of this agreement including Pengana Capital's AFSL will be revoked, suspended, modified or will not be renewed.
- 13.4 As far as each Seller Warrantor and each Pengana Group Member is aware, each Pengana Group Member has complied in all material respects with all conditions under all licences, consents, certifications and authorisations, material to the carrying on of the business of the Pengana Group and the operation and the

management of the Schemes as at the date of this agreement (including Pengana Capital's AFSL and the Authorised Representative Agreements).

13.5 Each Seller Warrantor represents and warrants that:

13.5.1 The Scheme Records are all of the records in relation to the Schemes which are reasonably required by Pengana Capital to discharge its obligations in respect of each Scheme (for the avoidance of doubt, Pengana Capital has maintained materially complete and accurate records to enable Pengana Capital to comply with its Tax obligations under any relevant Tax Law, to support any position taken in relation to a Tax Law in every year up to Completion Date, and to enable Pengana Capital to report on the Tax components of distributions for each Scheme to the unitholders of the applicable Scheme).

13.5.2 Each Scheme has been constituted as required by Relevant Law.

13.5.3 No Scheme has been resettled.

13.6 No Scheme has been terminated (and no step has been taken to commence the termination of a Scheme) and no action has been taken to change the responsible entity of a Scheme or to deregister a Scheme.

13.7 Pengana Capital is not in material default (or would be in material default but for notice or lapse of time) under any agreement to which it is a party in respect of the Schemes.

13.8 So far as Pengana Capital and each Seller Warrantor is aware, there is no subsisting default by a counterparty to an agreement with Pengana Capital in respect of a Scheme that is likely to have a materially adverse impact on the Scheme.

14 **Litigation**

14.1 Other than as fairly disclosed and as far as each Seller Warrantor is aware, no Pengana Group Member has nor any person for whose acts or defaults a Pengana Group Member may be vicariously liable is involved in, or threatened in writing with, any Claim in any court, tribunal or otherwise and there are no facts or circumstances likely to give rise to any such Claim.

14.2 As far as each Seller Warrantor is aware there are no unsatisfied Claims against a Pengana Group Member.

15 **Employees, officers and sub-contractors**

15.1 As far as each Seller Warrantor is aware, there are no unusually onerous conditions in respect of the employment of any employee or the engagement of any sub-contractor by a Pengana Group Member.

15.2 As far as each Seller Warrantor is aware, each Pengana Group Member has complied in all material respects with all contractual, statutory, legal and fiscal

obligations of and in relation to its employment of its employees, including all withholding obligations, all codes of practice, collective agreements and awards.

- 15.3 No Pengana Group Member operates any profit share or employee incentive plans or schemes for its employees or officers.
- 15.4 No money other than in respect of remuneration or benefits of employment is payable to any director or employee of Pengana Group and no Pengana Group Member is under any present, future or contingent liability to pay compensation for loss of office or employment to any ex-officer or ex-employee.
- 15.5 All persons employed or engaged in the business of the Pengana Group prior to Completion have been properly classified by Pengana Group as employees or independent contractors and the recognition of employee entitlements in the Accounts and Management Accounts materially accurate.

16 Superannuation

- 17 As at Completion, each Pengana Group Member has satisfied all employer superannuation obligations in respect of any person for which it is required to make superannuation contributions pursuant to any relevant legislation, contract, award or other industrial instrument requiring the payment of superannuation contributions.

18 Computer systems and software

- 18.1 All the computers and computer systems owned or used by Pengana Group:
 - 18.1.1 are in full operating order and are fulfilling the purposes for which they were acquired or established in an efficient manner without material downtime or errors;
 - 18.1.2 have adequate capacity for Pengana Group's present needs; and
 - 18.1.3 have adequate security, back-ups, hardware and software support and maintenance and trained personnel to ensure, so far as is reasonable, that breaches of security, errors and breakdowns are kept to a minimum and that no material disruption will be caused to the business of Pengana Group or any material part of it if there is a breach of security, error or breakdown.
- 18.2 All software used by Pengana Group is owned or validly licensed by it.

SCHEDULE 6: SELLER WARRANTIES**The Sellers' authority to sell**

- 1 Each Seller severally but not jointly represents and warrants that:
 - 1.1 The obligations of the Seller in connection with the Acquisition have been duly authorised, if applicable.
 - 1.2 The documents to be entered into by the Seller have been duly executed by the Seller and are enforceable against the Seller in accordance with their respective terms.
 - 1.3 Neither the execution and delivery of documents to be entered into in connection with the Acquisition, nor the performance of the Seller's obligations under those documents, will cause a breach or violation of the terms of any agreement, law or judgment, order or decree of any court or government agency.
 - 1.4 It has all right, title and interest in and to the Sale Shares set out opposite its name in Schedule 1 or 2 (as applicable), free and clear of Encumbrances.
 - 1.5 It is not subscribing for or receiving the Hunter Hall Purchase Shares under a disclosure document for the purposes of Chapter 6D of the Corporations Act and that a disclosure document will not be lodged with ASIC.
 - 1.6 It is either:
 - 1.6.1 a professional investor for the purposes of section 708(11) of the Corporations Act;
 - 1.6.2 a sophisticated investor for the purposes of section 708(8) of the Corporations Act and this investment, together with all other investments made by the investor in Hunter Hall total \$500,000 or more;
 - 1.6.3 a sophisticated investor for the purposes of section 708(8) of the Corporations Act and it has obtained a certificate from an accountant that satisfies the requirements of section 708(8)(c) of the Corporations Act, and such certificate will be provided to Hunter Hall on demand;
 - 1.6.4 a person for the purposes of section 708(12) of the Corporations Act and to whom a disclosure document is not required for the offer and issue of the Hunter Hall Purchase Shares; or
 - 1.6.5 a person for the purposes of section 708(1) of the Corporations Act and to whom a disclosure document is not required for the offer and issue of the Hunter Hall Purchase Shares.

Trustee Sellers

- 2 Each Seller that enters into this agreement as trustee of a trust, warrants in its own capacity and as trustee of the trust that:
- 2.1 in respect of the trust:
- 2.1.1 the trust is duly constituted and has not terminated, nor has the date or any event occurred for the vesting of the trust fund of the trust;
- 2.1.2 no action has been taken or is proposed to be taken to terminate or dissolve the trust;
- 2.1.3 there is no material fact or circumstance relating to the assets, matters or affairs of the trust that might, if disclosed, be expected to affect the decision of Hunter Hall to enter into this agreement;
- 2.1.4 the date for the vesting of that trust has not occurred and the whole of the funds constituting the trust fund of that trust has not been vested in a manner that puts them beyond the recourse of that party under its right of indemnity; and
- 2.2 in respect of the trustee:
- 2.2.1 it has full legal capacity, valid power and authority under the terms of the trust and, in the case of a corporation, under its constitution or memorandum of association (if applicable) to:
- (a) own the trust fund of that trust and carry on the business of that trust as it is now being conducted; and
- (b) enter into and execute this agreement and to carry out the transactions contemplated by this agreement as trustee of the trust;
- 2.2.2 it has in full force and effect the authorisations necessary for it to enter into this agreement and perform its obligations under it and allow them to be enforced (including under the trust deed and its constitution (if any));
- 2.2.3 it enters into this agreement and the transactions contemplated by this agreement for the proper administration of the trust and for the benefit of all the beneficiaries of the trust;
- 2.2.4 it is the sole trustee of the trust, it has not given any notice of resignation and no action has been taken or is now proposed to be taken to remove it as trustee of the trust;
- 2.2.5 it has a right, including after any set off, to be fully indemnified out of assets of the trust in respect of obligations incurred by it under this

agreement and the property of the trust is sufficient to satisfy that right of indemnity;

- 2.2.6 it has not done anything which effects or facilitates the variation of the terms of the trust or the resettlement of the trust funds or property;
- 2.2.7 it is not in breach of any of its obligations as trustee of the trust, whether under the trust deed or otherwise; and
- 2.2.8 it is not in default under the terms of the trust.

SCHEDULE 7: PENGANA SALE OPTION DEED**BY:**

[Name of Other Pengana Shareholder] of *[insert address]* ("Acceding Party")

IN FAVOUR OF:

HUNTER HALL INTERNATIONAL LIMITED ACN 059 300 426 of Level 2, 56 Pitt Street, Sydney NSW 2000 (**Hunter Hall**)

PENGANA HOLDINGS PTY LTD ACN 103 765 082 of Level 12, 167 Macquarie Street, Sydney NSW 2000 (**Pengana**)

WHSP PENGANA PTY LTD ACN 616 534 840 of Level 1, 160 Pitt Street Mall, Sydney NSW 2000 (**WHSP**)

RUSSEL CRAIG PILLEMER of 6 Black Street, Vaucluse, Sydney NSW 2023 (**RP**)

RC PILLEMER PTY LIMITED ACN 099 911 510 of Level 12, 167 Macquarie Street, Sydney NSW 2000 (**RC Pillemer**)

OTHER PENGANA SHAREHOLDERS WHO HAVE ACCEDED TO THE MERGER AGREEMENT

(Hunter Hall, Pengana, WHSP, RP, RC Pillemer and Other Pengana Shareholders who have acceded to the Merger Agreement together, the **Existing Parties**)

BACKGROUND

- A The Existing Parties (whether by being an original party to the Merger Agreement or by accession) entered into a Merger Agreement dated *[insert date]* (**Merger Agreement**).
- B By executing this deed poll, the Acceding Party will become a Seller and will have agreed to sell its Sale Shares to Hunter Hall on the terms of the Merger Agreement.
- C The Acceding Party has agreed to be bound by the terms of the Merger Agreement to the extent applicable to it.

IT IS AGREED:**1. COPY OF MERGER AGREEMENT**

- 1.1 The Acceding Party confirms that *[it/he/she]* has received a copy of the Merger Agreement.

2. AGREEMENT TO BE BOUND BY TERMS OF MERGER AGREEMENT

- 2.1 The Acceding Party covenants with the Existing Parties (whether by being an original party to the Merger Agreement or by accession) to observe, perform and be bound by all the terms of the Merger Agreement as if the Acceding Party is a party to the Merger Agreement.
- 2.2 The Acceding Party will be deemed to be party to the Merger Agreement on and from the date on which the Acceding Party executes this deed poll.

3. ADDRESS FOR NOTICES

- 3.1 The address of the Acceding Party for the purposes of the Merger Agreement is set out below:

Acceding Party	
Name:	c/- Pengana Holdings Pty Ltd
Address:	Level 12, 167 Macquarie Street, Sydney NSW 2000
Email:	Russel.Pillemer@pengana.com
Attention:	Russel Craig Pillemer, Chief Executive Officer

4. GOVERNING LAW

- 4.1 This deed poll is governed by the law of New South Wales, Australia.

EXECUTION AND DATE

Executed as a deed poll.

Date:

[Insert appropriate execution clause]

SCHEDULE 8: SHAREHOLDER RESOLUTIONS**Hunter Hall Purchase Shares Acquisition Resolution**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to [the Pengana Acquisition Resolution] being passed, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given to Hunter Hall International Limited ACN 059 300 426 (Company) to:

- (a) issue and allot up to [26,222,609] ordinary fully paid shares in the capital of the Company (Shares) to [the Pillemer Sellers]; and*
- (b) issue and allot up to [27,176,596] Shares to WHSP,*

on the terms and conditions and in the manner set out in the Explanatory Statement accompanying this Notice of Meeting."

Pengana Acquisition Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to [the Hunter Hall Purchase Shares Acquisition Resolution] being passed, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given to the Company to issue and allot up to [27,176,596] Shares to WHSP as consideration for the Company's acquisition of the shares in Pengana Holdings Pty Ltd ACN 103 765 082 held by WHSP, and for the acquisition by WHSP of those [27,176,596] Shares on the terms and conditions and in the manner set out in the Explanatory Statement accompanying this Notice of Meeting."



SCHEDULE 9: AGREED ANNOUNCEMENT



**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.

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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 today at XXXXX 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-090317>

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

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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



Strategic Rationale



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

Strategic Rationale



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



- 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%

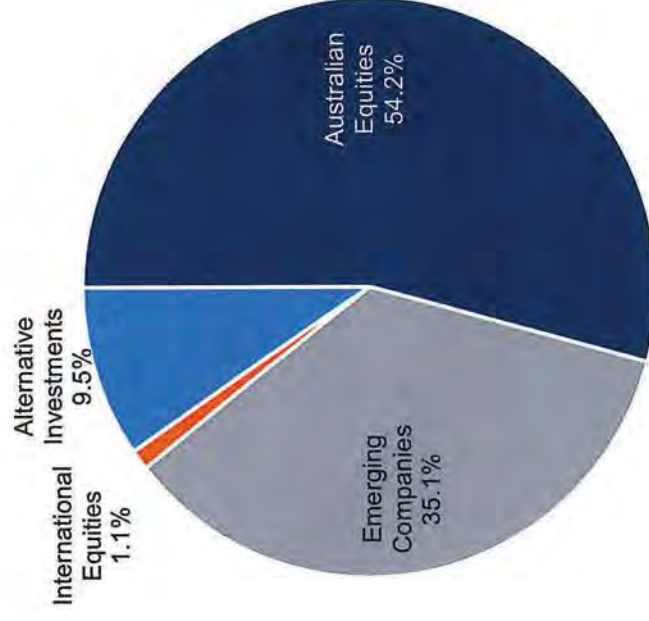
Combined Business Overview

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

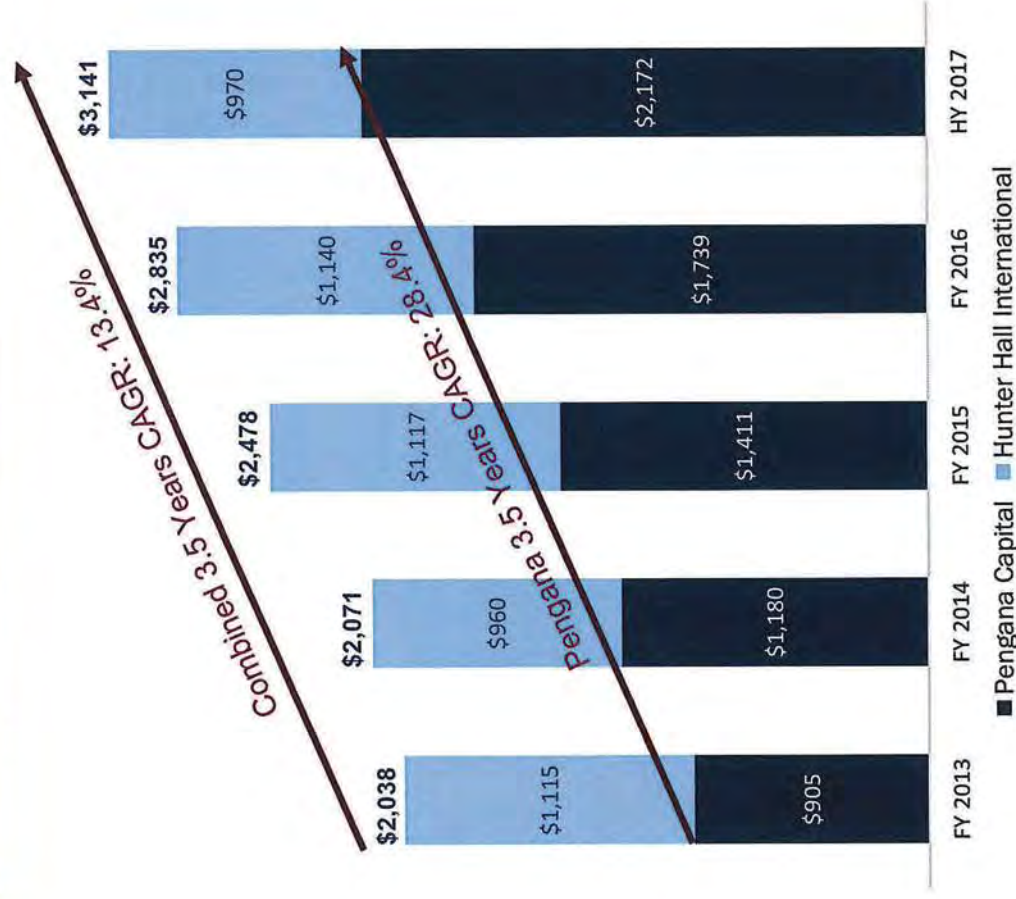


FUM = \$2.17bn

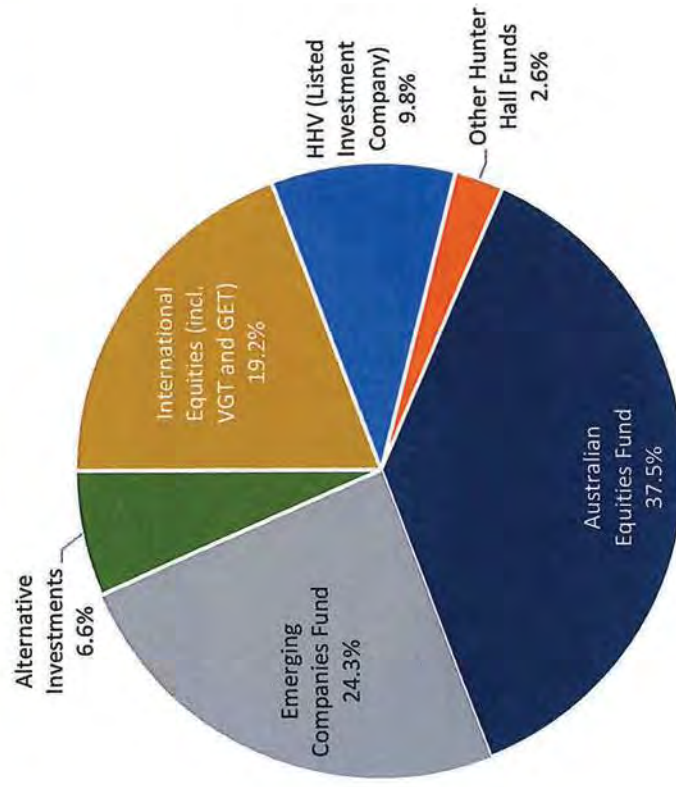
Strong Growth in Funds Under Management



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	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ Established access to all the major platforms and dealer groups
Approved Product Lists	<ul style="list-style-type: none">▪ Funds are on over 150 APLs▪ Including the APLs of the majority of the top 100 dealer groups by size
Independent Financial Advisers	<ul style="list-style-type: none">▪ Supported by a broad range of small and mid size IFAs▪ Majority of FUM is sourced from non-aligned IFAs
Retail Ratings	<ul style="list-style-type: none">▪ Strong ratings from key retail research houses
Offshore and NZ	<ul style="list-style-type: none">▪ Offshore distribution capability run out of Pengana Singapore▪ Strong investor support from New Zealand

Platform for Growth



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



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

PanAgora Absolute Return Global Equities

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

SCHEDULE 10: ESS RESTRUCTURE

The transaction steps to implement the ESS Restructure, and the documents evidencing the completion of such steps, which will result in the ESS Restructure taking effect at Completion, are as follows:

No.	ESS Restructure step	Documentary evidence
1.	<p>Pengana's Board to resolve as follows, each of which is to take effect from Completion:</p> <ul style="list-style-type: none"> that Hunter Hall Shares (including those Hunter Hall Purchase Shares to which a Pengana Loan Plan Participant is entitled under this agreement in return for their Sale Shares acquired under a Pengana Loan Plan (Hunter Hall Participant Shares)) will be the subject of each Pengana Loan Plan; each Pengana Loan Plan be amended by replacing the word "<i>Company</i>" in the definition of "<i>Group</i>" and "<i>Share</i>" with the words "<i>Hunter Hall International Limited ACN 059 300 426</i>"; each loan deed entered into between Pengana and a Pengana Loan Plan Participant (Pengana Loan Deed) be amended to refer to the Hunter Hall Participant Shares rather than the Sale Shares granted under the applicable Pengana Loan Plan; the share security deed between Pengana and RC Pillemer Pty Limited (Share Security Deed) be amended to refer to Hunter Hall Shares rather than the Sale Shares; that a Change of Control Event (as defined in the rules of each Pengana Loan Plan) has occurred and each Pengana Loan Plan Participant will continue to retain all of their unvested Plan Shares (as defined in the rules of each Pengana Loan Plan) on and from the Change of Control Event subject to the terms and conditions that applied to those Plan Shares prior to such event; and administration of each Pengana Loan Plan, including all powers or discretions conferred on Pengana's Board by the rules of each Pengana Loan Plan, to be delegated to Hunter Hall's Board. 	Resolution of Pengana's Board
2.	Each Pengana Loan Deed to be amended by replacing references to the Sale Shares granted under the applicable Pengana Loan Plan to the Hunter Hall Participant Shares.	Deed of amendment between Pengana and each Pengana Loan Plan Participant

3.	Share Security Deed to be amended by replacing the collateral such that it refers to the Hunter Hall Participant Shares and additional Hunter Hall Purchase Shares (rather than the Sale Shares granted under the applicable Pengana Loan Plan and additional Sale Shares).	Deed of amendment between Pengana and RC Pillemer Pty Limited
4.	<p>Voluntary Escrow Deed, under which each Pengana Loan Plan Participant:</p> <ul style="list-style-type: none"> is informed that their Hunter Hall Participant Shares will be subject to the applicable Pengana Loan Plan; acknowledges and agrees that its Hunter Hall Participant Shares will be the subject of the applicable Pengana Loan Plan; has their Hunter Hall Participant Shares voluntarily escrowed in accordance with clause 3.1.5 of this agreement. 	Voluntary Escrow Deeds to be entered into between Hunter Hall and each Pengana Loan Participant
5.	Each Historical Loan Deed be amended and replaced to Hunter Hall's satisfaction to replace reference to the shares acquired under each Historical Loan Deed with a reference to Hunter Hall Shares to which such Seller is entitled under this agreement.	

EXECUTION

Executed as an agreement.

Executed by **HUNTER HALL
INTERNATIONAL LIMITED ACN 059 300
426** acting by the following persons or, if the
seal is affixed, witnessed by the following
persons in accordance with section 127 of the
Corporations Act 2001 (Cth):

.....
Signature of director

.....
Name of director (print)

.....
Signature of director/~~company secretary~~

.....
Name of director/~~company secretary~~ (print)

Executed by **PENGANA HOLDINGS PTY
LTD ACN 103 765 082** acting by the following
persons or, if the seal is affixed, witnessed by the
following persons in accordance with section
127 of the *Corporations Act 2001* (Cth):

.....
Signature of director

.....
Name of director (print)

.....
Signature of director/company secretary

.....
Name of director/company secretary (print)

Executed by **WHSP PENGANA PTY LTD**
ACN 616 534 840 acting by the following
persons or, if the seal is affixed, witnessed by the
following persons in accordance with section
127 of the *Corporations Act 2001* (Cth):

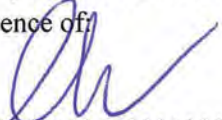

.....
Signature of director

.....
TODD BARLOW
.....
Name of director (print)


.....
Signature of director/company secretary

.....
JAIME PINTO
.....
Name of director/company secretary (print)

Signed by **RUSSEL CRAIG PILLEMER** in
the presence of:


.....
Signature of witness

.....
David Ryan
.....
Name of witness (print)


.....
Signature of **RUSSEL CRAIG PILLEMER**

Executed by **RC PILLEMER PTY LIMITED**
ACN 099 911 510 acting by the following
persons or, if the seal is affixed, witnessed by the
following persons in accordance with section
127 of the *Corporations Act 2001* (Cth):


.....
Signature of sole director/company secretary

RUSSEL CRAIG PILLEMER

Notice is given that, a General Meeting of shareholders of Hunter Hall International Limited 059 300 426 (**Hunter Hall**) will be held at the offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney at 9.30 am (AEST) on Thursday 1 June 2017.

Defined terms used in this Notice of Meeting have the meanings given to them in the Glossary in Section 11 of the Explanatory Memorandum. Information on the Resolutions is set out in the Explanatory Memorandum of which this notice forms part.

BUSINESS

1. Resolution 1: Approval to issue Hunter Hall Purchase Shares

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“That, subject to the passing of all other Required Resolutions, to the extent required for the purposes of Listing Rule 7.1 and for all other purposes, Hunter Hall International Limited ACN 059 300 426 (**Company**) is authorised to issue and allot 74,147,345 ordinary fully paid shares in the capital of the Company (**Shares**) to the Pengana Sellers on the terms and conditions and in the manner set out in this Explanatory Memorandum.”

2. Resolution 2: Approval of acquisition of a Relevant Interest in Hunter Hall Shares

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“That, subject to the passing of all other Required Resolutions, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) (Corporations Act), and for all other purposes, approval is given to the Company to issue and allot 74,147,345 Shares in the Company to the Pengana Sellers, to adopt loan plans in the form of the Pengana Loan Plans and to enter into voluntary escrow deeds in respect of 37,217,013 Shares, as a result of which:

- (a) the Pillemer Sellers and their Associates;
- (b) WHSP, WHSP Pengana, WHSP Hunter Hall and their Associates; and
- (c) Hunter Hall and its Associates,

will each acquire a Relevant Interest in the Shares of the Company, on the terms and conditions and in the manner set out in this Explanatory Memorandum.”

3. Resolution 3: Approval of acquisition of Pengana Shares from, and issue of Hunter Hall Shares to, WHSP Pengana

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“That, subject to the passing of all other Required Resolutions, for the purposes of Listing Rule 10.1, Listing Rule 10.11 and for all other purposes, approval is given to the Company to:

- (a) acquire the Pengana Shares held by WHSP Pengana; and

- (b) issue 27,176,596 Shares to WHSP Pengana, as consideration for the Company's acquisition of the Pengana Shares from WHSP Pengana,

on the terms and conditions and in the manner set out in this Explanatory Memorandum.”

4. Resolution 4: Approval of Employee Loan Share Plan

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“That, subject to the passing of all other Required Resolutions, the Hunter Hall Loan Plan, which is summarised in this Explanatory Memorandum, be approved for all purposes including Exception 9(b) of Listing Rule 7.2 and sections 257B, 259B and 260C of the Corporations Act and the issue of Shares under the Hunter Hall Loan Plan within 3 years from the date of this resolution be an exception to Listing Rule 7.1 and 7.1A.”

5. Resolution 5: Change of Company Name

To consider and, if thought fit, subject to the passing of all the Required Resolutions pass the following resolution as a Special Resolution:

“That, subject to the passing of all of the Required Resolutions and the consent of ASIC, for the purposes of section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to “Pengana Capital Group Limited” with effect from the date on which ASIC alters the details of the Company's registration to reflect the change of name.”

NOTES TO NOTICE OF MEETING

1. Expert Report

Shareholders should carefully consider the Independent Expert's Report prepared by Leadenhall at Annexure A for the purposes of shareholder approval of the Required Resolutions, as required under Section 611 (Item 7) of the Corporations Act and Listing Rule 10.1.

The Independent Expert's Report comments on the fairness and reasonableness of the transactions to the non-associated shareholders in Hunter Hall.

2. Voting Exclusion Statements

(a) Voting Exclusion Statement for Resolution 1 - 3

The Company will disregard any votes cast on Resolutions 1 - 3 by, or on behalf of:

- (i) WHSP, WHSP Pengana and WHSP Hunter Hall;
- (ii) a person who may participate in the proposed issue of Hunter Hall Purchase Shares;
- (iii) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if these Resolutions are passed; and
- (iv) an Associate of such persons.

However, the Company will not disregard a vote if:

- (v) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (vi) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

(b) Voting Exclusion Statement for Resolution 4

The Company will disregard any votes cast on Resolutions 4 by, or on behalf of:

- (i) a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); and
- (ii) an Associate of a director

However, the Company will not disregard a vote if:

- (iii) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (iv) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Determination of membership and voting entitlement

For the purposes of determining a person's entitlement to vote at the General Meeting, a person will be recognised as a member of Hunter Hall and a holder of Hunter Hall Shares if that person is registered as a holder at 9:30am on Tuesday 30 May 2017 (Registration Date), being 48 hours prior to the General Meeting. All holders of Hunter Hall Shares as at that time are entitled to vote at the General Meeting, either in person, by proxy or attorney or, in the case of a corporate Hunter Hall Shareholder, by a natural person representative.

4. Votes not to be disregarded in certain circumstances

Notwithstanding the voting exclusion statements set out above, Hunter Hall will not disregard a vote on the Resolutions if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Votes of members

On a show of hands, each member present in person or by proxy or, in the case of a body corporate, by a corporate representative at the General Meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative shall have one vote for each Hunter Hall Share held by him, her or it provided that all Hunter Hall Shares are fully paid.

6. Proxies

Please note that:

- (a) an instrument appointing a proxy must be in the form of the Proxy Form attached to this Notice of Meeting;
- (b) where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If a member appoints two proxies, and the appointment does not specify the proportion of the member's voting rights, each proxy may exercise one-half of the voting rights;
- (c) a proxy need not be a member of the Company;
- (d) a proxy form may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where the proxy form so provides, the proxy is not entitled to vote on the Resolution except as specified in the proxy form;
- (e) a proxy has the authority to vote on the member's behalf as he or she thinks fit, on any motion to adjourn the General Meeting, or any other procedural motion, unless the member gives a direction to the contrary;
- (f) a valid proxy form will be deemed to confer authority to demand or join in demanding a poll;
- (g) to be valid, a proxy form must be signed by the member or the member's attorney or, if the member is a corporation, executed in accordance with the corporation's constitution and the Corporations Act (and may be signed on behalf of the corporation by its attorney); and
- (h) to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be received by no later than 9:30am on Tuesday 30 May 2017:

by the Company:

Online: At www.investorvote.com.au

By mail: GPO Box 242 Melbourne Victoria 3001 Australia

By fax: (within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

Custodian www.intermediaryonline.com

Voting: A form of proxy accompanies this Notice of Meeting.

By order of the Board



Paula Ferrao
Company Secretary

Dated: 27 April 2017

Corporate Directory

Registered Office	Level 2, 56 Pitt Street Sydney, NSW 2000
Directors	Kevin Eley - Non-executive Chairman Wayne Hawkins - Non-executive Director David Groves - Non-executive Director
Company Secretary	Paula Ferrao
Share Registry	Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW 2000
Auditor	Grant Thornton, Level 17, 383 Kent Street, Sydney, NSW 2000
Investigating Accountant	PricewaterhouseCoopers Securities, One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000
Legal Advisor	K&L Gates Level 31, 1 O'Connell Street, Sydney, NSW 2000
Financial Advisor	Moelis & Company Level 27, Governor Phillip Tower, One Farrer Place, Sydney, NSW 2000
Public Relations	John Frey, GRACosway Level 21, 6 O'Connell Street, Sydney NSW 2000



Hunter Hall International Limited

www.hunterhall.com.au



HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

HHL

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 889 468
(outside Australia) +61 2 8022 7944

Proxy Form

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Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 9.30am (AEST) Tuesday 30 May 2017.

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Hunter Hall International Limited hereby appoint

☐ the Chairman of the Meeting

 OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Hunter Hall International Limited to be held at the offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney, NSW, 2000 on Thursday 1 June, 2017 at 9:30am (AEST) and at any adjournment or postponement of that Meeting.

STEP 2

Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Approval to issue Hunter Hall Purchase Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of acquisition of a Relevant Interest in Hunter Hall Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of acquisition of Pengana Shares from, and issue of Hunter Hall Shares to, WHSP Pengana	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Employee Loan Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /