

Pengana Capital Limited

ACN 103 800 568

Australian financial services licence number 226 566

Pengana Global Small Companies Solution

ARSN 120 300 450



PRODUCT DISCLOSURE STATEMENT

Dated 9 July 2008

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What is in this document?

We hope you find this document easy to use. We encourage you to read it before you make any investment decision.

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An important thing to remember...

We are a member of the Pengana Group of companies.

Neither we nor any company in our group promises that you will earn any return on your investment or that your investment will gain or retain its value. No group company other than us makes any statement or representation in this document.

All monetary amounts referred to in this product disclosure statement are, unless specifically identified to the contrary, references to Australian dollars.

Before you start

Pengana Capital Limited (“Pengana”) invites you to invest in our Global Small Companies Solution. We are the issuer of this product disclosure statement and of interests in “the Fund” (called units).

This fund is a multi-manager global small companies fund, investing in companies outside Australia that are recognised as small companies within their region.

The Fund’s portfolio is managed by select specialist small company managers in each region. We believe that active investment managers are more likely to generate significant extra returns in these relatively inefficient markets. The managers focus on a particular region or country and are located within that region. The Fund currently engages one or two underlying investment managers in each of North America, Asia Pacific and Europe.

Our aim is to outperform the Fund’s Benchmark (after fees and expenses) over the medium term, with a target annualised return of 10% to 15% over the long term after fees and expenses, but neither of these are guaranteed.¹

We expect that an investor in the Fund would be seeking higher growth in value over the long term through exposure to the shares of small companies, can accept the greater risks and volatility associated with small cap investing, accepts exchange rate risk, and has less focus on income.

The Fund is not a short term investment. You should invest for at least five years. Should you wish, you can generally exit the Fund at an earlier time.

We recommend that you get advice from a licensed financial adviser before investing.

Definitions

Definitions that will help you when reading this document are:

ASIC – Australian Securities and Investments Commission

Benchmark – the mix of the generally recognised major small cap benchmark in each region where the Fund invests, weighted to reflect the exposure to each region

Business day – a business day in Sydney

GST – goods and services tax

Pengana Group – Pengana and its related bodies corporate as defined in the Corporations Act 2001 (Cth)

RITC – reduced input tax credit.

Need help?

If you need help about investing generally, speak to a licensed financial adviser. The ASIC can help you check if they are licensed. The ASIC has a website, www.asic.gov.au, as well as help lines you can find in the phonebook or website.

If you have questions about this fund particularly, speak to them, call us or visit our website, www.pengana.com.au.

¹ This is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term on the assumption that equity and bond markets remain relatively stable

The Fund at a glance

This is a summary of the features of the Fund. You should read this document before investing.

Page		
3	What we invest in	companies outside Australia that are recognised as small companies within their region
1	Our investment objective	To outperform the Fund's Benchmark (after fees and expenses) over the medium term.
1	Our target return	an annualised return of 10% to 15% over the long term after fees and expenses. ²
1	This fund may be appropriate if you:	<ul style="list-style-type: none"> ✓ are seeking long term higher capital growth ✓ have less focus on regular income ✓ are seeking exposure to small cap investments outside Australia ✓ have a higher risk tolerance ✓ accept higher volatility and exchange rate risk and ✓ have a long term investment horizon.
3	Potential volatility of returns	High
1	Potential for capital growth	High over the long term
1	Potential for income	Low
3	Borrowing by the Fund	None
12	Minimum initial investment	\$25,000, although less if investing through a master trust or wrap account
12	Minimum additional investment	\$5,000, although less if investing through a master trust or wrap account
14	Minimum withdrawal	\$1,000
14	Minimum balance	\$5,000
15	Income distributions	annually, reinvested automatically unless you ask otherwise
8	Estimated	approximately 1.51880%p.a. of net asset value (this includes our ongoing management costs, as

throughout that time. The Fund may not be successful in meeting its objective. Returns are not guaranteed.

² This is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term on the assumption that equity and bond markets remain relatively stable throughout that time. The Fund may not be successful in meeting its objective. Returns are not guaranteed.

	management fees	well as allowance for expenses and estimated range of underlying manager costs, but not an allowance for any estimated Fund performance fees).
12	Applications	Can be lodged at any time and are processed daily
13	Withdrawals	Can be lodged at any time and are processed daily, noting that there can be delays in access to your investment in some circumstances.

About managed funds

Managed funds gather investors' money in one place, and the professionals who manage the fund use their resources, experience and expertise to make the investment decisions.

The pooled resources of managed funds often allow access to investment opportunities, markets, techniques and diversity which are not usually available to private individuals.

Managed funds can also often invest for less cost than ordinary investors, and can often access investment and risk management techniques not available to ordinary investors (like helping to protect against interest rate or currency changes).

Depending on the type of investments which a fund chooses to focus on, your decision to invest in one or perhaps more managed funds can be a good way to help better manage the impact of risk on your investments. Spreading risk often smooths the highs and lows of investment performance and helps reduce the impact of one or more investments performing poorly.

There are many types of managed funds. Some focus on giving you income, some on capital growth. Some focus on higher risk investments and others on more steady performers, others still on a mix of these. This is one reason why getting professional advice can be useful.

The basics

This Fund provides investors with exposure to international small companies.

It currently provides exposure to:

- ✓ North America
- ✓ Asia Pacific and
- ✓ Europe.

Our portfolio is not overly diversified - the Fund will generally have exposure to between 40 and 80 stocks in each region.

The Fund's exposure to international investments is hedged back to Australian dollars to reduce the Fund's exposure to currency risk.

The Fund does not borrow to invest, nor does the Fund use derivatives as at the date of this product disclosure statement for any purpose other than for hedging the currency exposure. However, the investment strategy of the Fund and its underlying investments may change in the future to include the use of borrowing and derivatives in general.

The expected volatility of the Fund is high and it is not suitable for short term investment - look to invest for at least five years.

Why choose this fund?

Key features of this fund include:

- ✓ **Quality leadership:** we are a respected Australian investment manager.
- ✓ **Quality exposure:** we select quality underlying investment managers to choose a limited range of quality stocks; they are managers with deep local knowledge.
- ✓ **Regional approach:** the managers focus on a specific region and are based in that region, providing superior access to companies and management.
- ✓ **Small cap performance:** small cap exposure can be a powerful addition to an existing portfolio.
- ✓ **Diversification:** investors have generally equal exposure to investments in North America, Asia Pacific and Europe and exposure to both the ups and downs of currency movements.
- ✓ **Access to your investment:** you can generally exit the Fund each day - see page 15 for more details.
- ✓ **Competitive fees:** estimated management fees to be approximately 1.51880%p.a. of net asset value³.

Who manages this fund?

The Fund is managed by Pengana Capital Limited, an Australian investment management firm with a highly regarded investment team.

Pengana is a respected investment manager:

- ✓ **Commitment:** key Pengana Group employees are owners of the business and invest their own money in one or more funds managed within the group.
- ✓ **Expertise:** our sole business is the management of investments for our clients through applying a focused and disciplined investment process.
- ✓ **Agility:** we are compact and nimble, allowing responsiveness when needed in the context of efficient and timely investment decision making.

What we aim to do

Our aim is twofold.

Firstly, we aim to outperform the Fund's Benchmark (after fees and expenses) over the medium term, although this is not guaranteed.

The Fund's Benchmark is a mix of the generally recognised major small cap indices in each region where the Fund invests, weighted to reflect the actual exposure to each region. We would give investors at least 30 days notice of material changes to the Benchmark unless only shorter notice is practicable.

Each underlying investment manager is from time to time allocated a portion of the Fund's assets to manage and will be subject to limits imposed on the instruments and

³ This includes our ongoing management costs, allowance for expenses and estimated range of underlying manager costs, but excludes estimated Fund performance fees. Please see the fee template in the 'Fees and other costs' section for more details.

securities they may trade.

Secondly, we also aim to generate high absolute returns over the longer term. That is, we aim to generate annual returns of 10% to 15% after fees and expenses over the long term (five to seven years), although this is not guaranteed.⁴

Why small cap?

By small companies, we mean companies that are recognised as small companies within their region.

Small cap exposure can be a powerful addition to an established portfolio because of:

- ✓ the long term risk premium generally associated with small companies – small companies are considered more risky investments than large companies because they are less liquid. Small companies therefore command a risk premium because investors require a higher return to compensate for the higher risk. All things being equal, long term returns from small companies are therefore expected to exceed those of the broad share market; and
- ✓ the alpha that may be generated because this asset class is relatively market inefficient. The alpha is the return the manager generates over and above the Benchmark return. It may be considered the value added by the manager.

We believe that the relative inefficiency of the small cap market has increased and the level of research on small companies has fallen over recent years. The broking divisions of investment banks provide investors with research on the shares of public companies. However, broker coverage of smaller companies has reduced as they are often considered not to generate sufficient investment banking revenues. In addition, the number of smaller independent brokers has reduced due to mergers and acquisitions.

Our management style

A multi manager style

The Fund combines the expertise of regional small cap specialists to produce an international small companies investment portfolio.

Our underlying investment managers are appointed to give the Fund a carefully constructed portfolio currently spread through North America, Asia Pacific and Europe.

We believe that this regional multi manager style is superior to those often adopted by global managers. While industry factors are becoming more influential for large companies, smaller companies are typically more affected by country and regional factors.

Proximity to the local markets and an appreciation of their main characteristics is a significant benefit in determining relative stock performance, as is the improved ability to visit companies, meet senior management and monitor developments.

We currently have one or two underlying investment managers for each region in which the Fund invests. These underlying investment managers will be engaged by the fund from time to time, either by way of discrete mandate or investment in a fund operated by the specialist manager.

⁴ This is not intended to be a forecast. It is merely an indication of what the Fund aims to achieve over the medium to long term on the assumption that equity and bond markets remain relatively stable throughout that time. The Fund may not be successful in meeting its objective. Returns are not guaranteed.

We select and monitor our managers

Our role includes selecting underlying investment managers and monitoring their performance.

We are able to draw upon our capabilities in asset management, risk management, operations and marketing, as well as our experience as a boutique investment manager. In addition, we use an external research house to assist in the identification and assessment of potential underlying investment managers.

Pengana selects managers that demonstrate the following characteristics:

- ✓ small company specialisation
- ✓ superior understanding of the companies within their market
- ✓ strong performance
- ✓ low assets under management
- ✓ high degree of employee company ownership

Pengana performs a rigorous research and monitoring process to select the most appropriate underlying investment managers. The process incorporates at least annual on site meetings with each underlying investment manager as well as monthly monitoring of performance and risk information provided by those underlying investment managers and other significant developments as they relate to the management companies, investment teams or processes as notified by those underlying investment managers.

We also allocate monies amongst the managers

Our role also includes the allocation of monies amongst the underlying investment managers to manage.

Currently we allocate the available monies of the Fund generally equally (within approximately +/- 5%) amongst the three regions, but this can change without notice.

As the value of our investments in each region changes over time, we reallocate (generally monthly) back to the core weighting (within approximately +/- 5%).

Quality, not quantity

With a view to maximising the alpha generated within the asset class, we look not to over-diversify the portfolio - the Fund will generally have exposure to between 40 and 80 stocks in each region.

Other considerations

The Fund does not borrow to invest nor does the Fund use derivatives as at the date of this product disclosure statement for any purpose other than for hedging the currency exposure. However, the investment strategy of the Fund and its underlying investments may change in the future to include the use of borrowing and derivatives in general.

We do not take into account labour standards, environmental, social or ethical considerations for the purpose of selecting, retaining or realising any investment of the Fund.

What are the significant risks?

About risk and return

All investments are subject to varying risks and generally you can experience investment gains or investment losses. Changes in value can be significant and they can happen quickly. Different types of investments have different risk characteristics and volatility which will affect investment performance.

What about the risks of this fund?

The significant risks for this fund are discussed below. We cannot eliminate all risks and cannot guarantee performance. Neither your investment nor any (or any particular rate of) return is guaranteed.

The significant risks for this fund are:

- ✓ **Investment risk**: individual investments we buy may fall in value for reasons such as changes in a company's internal operations or management, or in its business environment. Additionally, economic, technological, political or legal conditions, disasters both natural and man made, and even market sentiment, can (and do) change, and this can mean that changes in the value of investment markets can affect the value of the investments in the Fund.
- ✓ **Small company risk**: smaller companies may be less liquid and their values more volatile and harder to ascertain accurately than larger companies. Company disclosure may also be less transparent and their business models may be less diversified and robust to changes in management or operating environment.
- ✓ **Currency Risk**: fluctuations in exchange rates between the Australian dollar and foreign currencies may cause the value of the Fund's investments to decline. Although the Fund's currency risk is hedged, Pengana does not guarantee that it will have no currency exposure.
- ✓ **Diversification risk**: the Fund will only invest in a limited number of regions and, within those regions, in a limited number of stocks, employing a limited number of investment managers. This may produce different results from greater diversification in such matters.
- ✓ **Underlying investment manager risk**: the underlying investment managers are subject to business and operational risks which may impair their ability to effectively manage the Fund's investments.
- ✓ **Fund risk**: risks particular to the Fund include that it could terminate, the fees and expenses could change, we could be replaced as manager and our investment professionals could change. There is also a risk that investing in the Fund may give different results than investing individually because of income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other investors.
- ✓ **Liquidity risk**: the Fund is not listed (therefore selling your units through a stockbroker is not possible). It is also possible that there may be delays in accessing your investment (see page 16 for details). You may transfer units to anyone you wish but there is not any established market and you may not find a willing buyer. Stamp duty may be payable on such transfers. We can refuse transfers in whole or part, need not give reasons and can redeem such units.

As a result of these risks, your income distributions may differ from that expected or there may be none, and the value of your investment could fall.

Fees and other costs

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask us or your financial adviser.

To find out more:

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

Taxes are set out in another part of this document on page 19.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
<i>Establishment fee:</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee:</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee:</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Termination fee:</i> The fee to close your investment	Nil	Not applicable

Management costs		
<p>The fees and costs for managing your investment</p>	<p>Total estimated Management Costs of approximately 2.0077% p.a. consisting of:</p> <ul style="list-style-type: none"> • ongoing management costs at 0.7688% p.a.⁵ • an estimated performance fee of 0.4889% p.a.⁶ • estimated underlying manager costs of 	<p>The ongoing management costs are a per annum fee, calculated and accrued daily and charged against the net asset value of the Fund at the beginning of the month. It is deducted directly from the Fund and reflected in the daily unit price.</p> <p>All direct fees and expenses of the Fund are paid from this amount (but not if they are abnormal expenses, transaction costs, performance fees or underlying manager costs).</p> <p>The amount of the ongoing management cost can be negotiated by wholesale investors.</p> <p>See "Ongoing management cost" under the heading "Additional explanation of fees and costs" on page 11 .</p> <p>The estimated performance fee amount is based upon annualised performance exceeding the Benchmark by 4.77%⁷.</p> <p>This fee is calculated and accrued daily. It is payable at the end of each calendar quarter. The fee is paid directly from the assets of the Fund and reflected in the daily unit price.</p> <p>See the heading "Estimated performance fees" under "Additional explanation of fees and costs" on page 11.</p> <p>This is estimated by reference to the weighted average of management costs that are charged in respect of</p>

⁵ Please refer to the explanation of 'Ongoing management costs' and 'Fund expenses' in the 'Additional explanation of fees and costs' section below. This fee may in some cases be negotiated with direct investors. For more information, please refer to the explanation of 'Negotiating fees' in the 'Additional explanation of fees and costs' section below.

⁶ The use of this estimate is not an indication or guarantee of future performance. The actual performance fee and therefore the estimated total management costs will vary depending on the Fund's actual return. A performance fee may not always be payable.

⁷ The estimated performance fee amount is based on the annualised outperformance of the Fund Benchmark by 4.77% p.a. from inception to the end of May 2008 . The estimated performance fee amount is calculated after fees and expenses have been levied and assuming that all distributions are reinvested. The liability to pay the performance fee amount does not crystallise unless the performance of the Fund is positive and after taking into account any accrued performance fee amount.

	approximately 0.75% p.a. ⁸	the underlying investments – see the heading “Underlying manager costs” under “Additional explanation of fees and costs” on page 11. These fees are calculated and charged at varying points against the net asset values of the underlying investments.
Service fees		
<i>Investment switching fee:</i> The fee for changing investment options	Nil	Not applicable

Example of annual fees and costs

This table gives an example of how the fees and costs for the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Please remember this is an example and the amount payable depends on the circumstances of each investor.

EXAMPLE		Balance of \$50,000 with a contribution of \$5,000 during year
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management Costs ⁹	2.0077% p.a.	And, for every \$50,000 you have in the fund you will be charged \$1003.85 each year.
EQUALS Cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: \$1003.85* What it costs you will depend on the fees you negotiate with your fund or financial adviser.

*Additional fees may apply. Please refer to the 'Additional explanation of fees and costs' below. For illustrative purposes, the above example assumes that Management Costs were calculated on a balance of \$50,000. It does not take account of Management Costs that would be charged on the additional \$5,000 contributed during the year.

⁸ The estimated underlying manager costs is based on an estimate calculated as at the date of this product disclosure statement. This estimate may change where there is a change to the underlying investment manager(s) or underlying fund(s), or where there is a change to the proportion of the Fund assets allocated to the underlying investment manager(s) or underlying fund(s).

⁹ These Management Costs include an estimated performance fee based on 10.25% p.a. of the performance in excess of the Fund benchmark by 4.77% for the period between the Fund's inception to 31 May 2008. The liability to pay the performance fee amount does not crystallise unless the performance of the Fund is positive and after taking into account any accrued performance fee amount. The use of this estimate is not an indication or guarantee of future performance. The actual performance fee and therefore the Management Costs will vary depending on the Fund's actual return. A performance fee may not always be payable.

Additional explanation of fees and costs

Ongoing management costs

This fee is calculated and paid from the assets, based on the net asset value of the Fund. The constitution allows us to charge up to 3% p.a. plus GST of the value of the assets.

The ongoing management fee includes all research costs incurred in the management of the Fund. If Pengana elects to use a third party to assist with the underlying manager research, Pengana will pay for this research and it will not be an additional cost of the Fund.

Estimated performance fees

As the manager of the Fund, we are rewarded if the Fund performs well.

The performance fee is equal to 10.25% of the performance in excess of the Fund Benchmark including GST less any applicable reduced input tax credits.

The Fund Benchmark is weighted to reflect the exposure to North America, Europe and Asia-Pacific, using recognised indexes within each region selected by us.

The performance fee is calculated after fees and expenses have been levied, and is adjusted for redemptions/applications and distributions. The performance fee is payable to Pengana at the end of each calendar quarter period. The fee is calculated and accrued daily.

Depending on the return of the Fund in relation to the Fund Benchmark at any time during the performance period, the daily accrual may be a positive or negative amount.

The conditions for payment of a performance fee to Pengana are as follows:

- ✓ The performance fee is not payable unless the return of the Fund is positive for that calendar quarter period
- ✓ If no fee is payable to Pengana at the end of a calendar quarter period, then the accrued performance fee, positive or negative, will be carried forward into the next calendar quarter period and form part of the performance fee for that quarter.

The estimated performance fee forms part of the total estimated Management Costs of the Fund. The 'Example of annual fees and costs of the Fund' incorporates an allowance for the estimated performance fee in the total Management Cost estimate. The estimated performance fee allowance was calculated based on the reasonable assumption that the annualised outperformance of the Fund from the date of inception (1 November 2005) to 31 May 2008 is a reasonable time period to estimate performance fees. The use of this estimate is not an indication or guarantee of future performance.

Example: The annualised performance of the Fund for this period was +0.35%, and the Fund Benchmark -4.42%, the performance fee amount was 10.25% of (+0.35 + 4.42%) which equates to a 0.4889% performance fee. An investment of \$50,000 would result in a performance fee amount of \$246.46 being generated. However, the liability to pay the performance fee amount does not crystallise unless the performance of the Fund is positive and after taking into account any accrued performance fee amount.

A performance fee may not always be payable. The performance fee may be more or less depending on future performance of the Fund.

Underlying manager costs

The estimated range of underlying manager costs is comprised of costs charged by underlying investment managers and costs charged by underlying funds. It is calculated by determining the weighted average cost that is incurred as at the date of this product disclosure statement by the underlying investment managers and underlying funds measured by reference to the relevant portion of the net asset value of the Fund that is being managed.

This estimate may change where there is a change to the underlying investment managers or underlying funds, or where there is a change to the proportion of the Fund assets allocated to the underlying investment managers or underlying funds. As at the date of this product disclosure statement, it is expected that the underlying manager costs will be within the range of 0.5%p.a. to 1.0%p.a.

Indirect Investors – IDPS Operator fees

For Indirect Investors accessing the Fund through an Investor Directed Portfolio Service (IDPS)¹⁰, additional fees and costs may apply. These fees and costs are stated in the offer document provided by the relevant operator.

Fund expenses

We are entitled to be reimbursed out of the Fund's assets for expenses properly incurred in the proper performance of our duties.

This entitlement to be reimbursed includes, but is not limited to, expenses connected with the formation, operation and management of the Fund, auditor's fees, legal fees and taxes, as well as fees and expenses properly incurred by Pengana and BNP. However, we currently agree to meet all normal ongoing expenses from our ongoing management costs as detailed above with the exception of abnormal expenses, transaction costs, performance fees and underlying manager costs.

Abnormal expenses

Abnormal expenses are additional Fund expenses that may arise from time to time in relation to the Fund.

We may recover any abnormal expenses from Fund assets and we would generally do so as abnormal expenses are not payable by us from the total estimated Management Costs. If incurred, they are accrued if and when they are reliably estimable or known and reflected in the unit price at that time.

These costs are incurred infrequently and are not quantified in the table on page 9. We do not expect any abnormal expenses to be incurred during the life of this product disclosure statement.

Buy-sell spread

We can adjust the unit price up (for applications) and down (for redemptions) to take account of the costs of buying or selling assets respectively. This is known as a buy/sell spread.

The buy spread and the sell spread are each currently 0.4%.

The buy/sell spread is an additional cost incurred directly by an investor. This ensures that existing and new investors bear the costs of buying and selling investments such as stamp duty and brokerage. The buy/sell spread is not a fee paid to Pengana, it is retained in the Fund to cover costs associated with buying and selling the Fund's investments. For example, if you invest \$10,000, the impact of the buy spread would be to reduce this by \$40, and if you withdrew \$10,000, the impact of the sell spread would be to reduce this by \$40.

¹⁰ An Investor Directed Portfolio Service (IDPS) is a service through which you can acquire, hold and withdraw from a range of available investments. You then receive consolidated reporting and administration of your account including an end of year tax statement.

For in specie transfers of assets into or out of the Fund, a nil or reduced buy/sell spread may be applied to reflect the actual costs incurred by the Fund. Please note that in specie transfers are at the sole discretion of Pengana, however Pengana will generally obtain investor consent before making an in specie transfer out of the Fund.

A buy spread does not apply to the allocation of units in respect of distribution reinvestment. Additional units allocated to a unitholder in respect of a distribution shall have those units allocated at the net asset value unit price immediately after the distribution.

List fees

We may pay from our own money fees to the operators of master trusts and wrap accounts because they offer the Fund through their service. These are not paid by the Fund.

Negotiating fees

We may agree with direct investors who are wholesale clients (as the Corporations Act defines this) to rebate some of the ongoing management costs on a case by case basis. In addition, investors who entered the Fund prior to 1 July 2007 will pay an ongoing management fee at the rate applicable at the time they subscribed into the Fund in respect of all existing and new units which they may subsequently acquire or apply for. We reserve the right to alter this fee arrangement with such existing investors by providing them with the required statutory notice.

GST

Fees and costs charged to the Fund generally attract 10% GST, which is charged to and borne by the Fund. The Fund will claim input tax credits where possible under the GST regulations. Unless otherwise noted, where applicable, all fees and the total estimated Management Costs specified in this product disclosure statement are GST inclusive, net of any input tax credits available to the Fund. For further information on tax, please refer to the taxation section "What about tax?" of this product disclosure statement.

Government charges

Government taxes such as stamp duties will be applied to your account. In the event that a withdrawal is effected by way of a buy-back (as opposed to a redemption), stamp duty of 60 cents per \$100 (being \$300 for a withdrawal of \$50,000) will be incurred in addition to the sell spread. The withdrawal proceeds an investor receives where a buy-back is effected will be net of such stamp duty costs. The stamp duty amount is an additional cost which is paid to the New South Wales Office of State Revenue.

Changes in fees and costs

All fees can change. Reasons might include changing economic conditions and changes in regulations. The constitution for the Fund sets the maximum amount we can charge for all significant fees. We currently charge fees at less than the maximum amounts allowed for in the Fund's constitution. If we wished to raise fees above the amounts allowed for in the Fund's constitution, we would need the approval of investors.

We will give you at least 30 days written notice of any proposed change to these fees which does not need your consent.

Postponing the charging of fees and charges

We can delay taking fees and charges from the Fund should we choose to.

Does anyone else receive fees in relation to the portfolio?

We can pay some of our own fees to wholesale investors and adviser groups.

Other fees

We have no intention for the life of this product disclosure statement to charge these

fees, however the constitution for the Fund allows us to charge:

- ✓ an entry fee (up to 4% of application monies or a lower entry fee plus an administration fee not exceeding 2% per annum of the accumulated value of the relevant application money for a period of up to four years) and
- ✓ a withdrawal fee (up to 4% of the proceeds of a withdrawal request).

What about fund performance and size?

If you are interested in:

- ✓ the most recent fund performance and unit prices
- ✓ the current size of the Fund or
- ✓ information about our portfolio,

Please visit www.pengana.com.au.

Your adviser can give you paper copies of information free of charge.

You can always call us for the latest fund information - our details are at the end of this document. Again, the up to date information you require will be made available to you free of charge.

Historical performance is not a reliable guide to future performance

How to invest

Daily processing

We process applications on a daily basis. Where the instruction and funds are received by BNP Registry Services before 4pm eastern standard time on any Business day, Pengana will endeavour to process the application on the same day.

Investing for the first time

A minimum \$25,000 initial investment is required although this is less if investing through a master trust or wrap account – check with your adviser.

Additional investments

These must generally be for at least \$5,000 although this is less if investing through a master trust or wrap account – check with your adviser.

Further investment is made on the basis of the then current product disclosure document.

Where to send your forms and cheques

For an initial application you will need to complete a current application form and cheque payable to “Cogent Nominees Pty Ltd as Custodian for Pengana Global Small Companies Solution” crossed “not negotiable” and give it to your adviser or send it to:

BNP Registry Services
PO Box R209
Royal Exchange NSW 1225

Alternatively, you can provide your completed application form to BNP Registry Services at the above address and make an electronic fund transfer payment to:

Bank: Westpac Banking Corporation
Account Name: Cogent Nominees Pty Ltd ACF Pengana Global Small
Companies Solution Application Account

Initial applications may not be made by fax.

Subsequent applications may be effected by letter setting out your name, investor number and the amount of your application. The letter should be addressed to BNP Registry Services and can be posted to the above address or sent by fax to +61 2 9222 0010.

BNP will confirm with you when your application is accepted. Applications can be refused in whole or part and reasons need not be given.

Any net interest, after deducting any taxes and bank charges, accruing on the trust account for application monies prior to being invested is credited to the account of the Fund. This means that if an application is refused the application monies will be repaid but no interest will be paid to the applicant.

Investing through a master trust or wrap account?

Don't complete our application forms. Instead, complete the forms the master trust or wrap account operator requires and if you have enquiries, that operator can help you.

Cooling off

If you decide that you do not want the units we have issued you in the Fund within the period referred to below, we must repay your money to you.

We are allowed to (and generally do) make adjustments for market movements up or down, as well as any tax and reasonable transaction and administration costs (for example, if you invest \$10,000 and the value of the units falls by 1% between the time you invest and the time we receive notification that you wish to withdraw your investment, we may charge you \$100 on account of the reduced unit value and an administration fee of \$70).

If you do change your mind, you have 14 days to tell us (contact BNP), starting on the earlier of:

- ✓ when we send you confirmation that you are invested or confirmation is posted to your account on our website, or
- ✓ the end of the 5th day after the day on which we issue the units to you.

When you want to withdraw

Daily processing

We process withdrawals on a daily basis. Where the instruction is received by BNP Registry Services before 4pm eastern standard time on any Business day, Pengana will endeavour to process the redemption on the same day and pay the redemption proceeds within 5 Business days. Withdrawal requests generally cannot be withdrawn.

Where to send your requests

There is no special form to withdraw - simply contact BNP in writing with:

- ✓ your name and investor number
- ✓ the name, BSB and account number of the account you would like withdrawal proceeds to be paid to

- ✓ the amount you wish to withdraw and sign the request.

Send it to:

BNP Registry Services
PO Box R209
Royal Exchange NSW 1225

Or by fax to:

BNP Registry Services
Fax: +61 2 9222 0010

Please take care as there is a risk that fraudulent facsimile withdrawal requests can be made by someone who has access to your investor number and a copy of your signature. Withdrawing this way is a risk for you.

We will not accept facsimile requests for cheques made payable to third parties or deposits to bank, building society or credit union accounts which have not been previously nominated by the investor.

Withdrawals will be affected by way of redemption. In the case of New Zealand Investors, we may at our discretion alternatively effect a withdrawal by a buy-back of units where you request us to effect the withdrawal by way of buy-back (repurchase) in your withdrawal request. Please refer to page 22 for more information.

Can there be delays in receiving my money?

Yes, there can.

Firstly, unless there are delays, we must process the withdrawal request within 30 days of the relevant valuation of the Fund. We then pay by cheque or direct credit to your nominated account, and then you should allow another week for normal bank processing.

Secondly, we can suspend the redemption of units for a reasonable period where we determine that:

- ✓ it is desirable for the protection of the Fund or in the interests of the investors as a whole, including if any relevant financial, stock, bond, note, derivative or foreign exchange market is closed or trading on any such market is restricted
- ✓ an emergency (including an emergency caused by a mechanical or electronic malfunction) exists as a result of which it is not reasonably practicable for us to acquire or dispose of the assets or to determine fairly the issue or withdrawal price of a unit
- ✓ any state of affairs exists as a result of which we consider or determine that it is not or may not be reasonably practicable for us to acquire or dispose of assets or to determine fairly the amount of the issue or withdrawal price of a unit (including any moratorium declared by a government of any country), the state of affairs will or may affect to a significant degree our ability to acquire or dispose of assets or the prices at which the we may acquire or dispose of assets or
- ✓ sufficient assets of the Fund cannot be realised at an appropriate price or on adequate terms or otherwise due to one or more circumstances outside our control or
- ✓ relevant legislation otherwise permits.

The withdrawal price is then that next determined after the end of the suspension period. Withdrawal request lodged during the suspension period are deemed lodged immediately after the end of the Suspension Period.

Thirdly, if for any Business day we receive withdrawal requests equal to more than 25% of the value of the Fund, we may reduce each withdrawal request pro-rata, so that only units with an aggregate value equal to 25% (or such percentage as we determine) of the value of the Fund are processed at that time. In both cases the unprocessed withdrawal requests are carried forward for the next Business day.

Finally, we may also suspend the processing of investments and withdrawals in certain circumstances, such as emergency situations which impact on the effective and efficient operation of a market in which the funds invest.

What about valuations?

We determine the market value of the Fund each Business day.

Do I have to maintain a minimum account balance?

Generally, yes. We may withdraw some or all of your units without you asking including if your account falls below \$5,000 - we would of course pay the proceeds to you.

Minimum withdrawal

The minimum withdrawal amount is \$1,000 provided that you maintain the minimum account balance.

What else do I need to know?

We can redeem units without a request in these circumstances:

- ✓ if you have breached your obligations to us
- ✓ to satisfy any amount of money due to us (as trustee or in any other capacity) by you
- ✓ to satisfy any amount of money we (as trustee or in any other capacity) owe someone else relating to you (for example, to the tax office)
- ✓ as this document otherwise allows (for example, where a minimum holding is or will be breached)
- ✓ where we suspect that law prohibits you from legally being an unitholder or
- ✓ the terms of issue of the units contemplate.

We may transfer assets to you, or hold assets on trust solely for you, rather than pay cash on withdrawal, although generally we would simply pay you cash.

Unit Pricing

Our unit prices are calculated the same or similar to many managed funds, using a formula:

$$\frac{\text{Net asset value plus buy spread or minus sell spread}}{\text{Units on issue}}$$

Net asset value is the most recently available value of all the assets less liabilities (including accrued costs, charges and expenses, contingent liabilities and any provisions we make).

The spread takes account of the costs of buying or selling assets respectively. When we calculate the issue price, we add the buy spread (currently 0.4%) and when we calculate the withdrawal price, we subtract the buy spread (currently 0.4%). See page 12 for more detail on the buy-sell spread.

Unit Pricing Policy

In accordance with ASIC's requirements, Pengana has documented its policy in respect of the exercise of discretions to:

- decide a matter that affects the value of a factor included in the formula for determining the unit prices; and
- decide a matter that is an aspect of the method for determining the unit prices.

A copy of Pengana's description of the formula and method for determining unit prices, the discretions exercised in respect of determining unit prices and its documented policy in respect of such discretions is available free of charge by contacting us on + 612 8524 9999 or by email: info@pengana.com.au.

Distributions

Distributions

We aim to pay distribution entitlements annually, and are required to do so within 60 Business days after the end of June.

Income distributions are reinvested unless you instruct us otherwise on the accompanying application form. Units will be issued at the unit price calculated at the end of the distribution period. If otherwise instructed, we will pay by cheque or to an Australian bank account. Any cheques or deposits to your account are required to be sent within 60 Business days after the end of June. If you wish to change your distribution instructions, BNP will need to receive these instructions at least 5 Business days before the end of June.

Investors through a master trust or wrap account should contact their operator in relation to the timing and frequency of distributions by the operator. Investors will still be liable to pay any tax payable in respect of a distribution even if a distribution is reinvested.

Keeping you informed

You will receive:

- ✓ an annual distribution statement; and
- ✓ a tax statement for each financial year ending 30 June showing all the details required to complete an Australian tax return.

In addition, you will receive the Fund's annual report (you may elect not to receive this if you wish).

If the Fund becomes a "disclosing entity" for the purposes of the Corporations Act, we will become subject to regular reporting to the ASIC as well as additional disclosure obligations. Copies of the following documents we lodge will be able to be obtained from or inspected at an ASIC office:

- the annual financial statements most recently lodged with ASIC;
- any half yearly statements for the Fund lodged with ASIC after the lodgement of the annual financial statements and before the date of this PDS;
- any continuous disclosure notices given by the Fund after lodgement of the annual financial statements and before the date of the PDS.

If you request, we will e-mail (or if you don't have an e-mail address, post) you copies of documents which we lodge.

You can obtain information about the Fund from our website, www.pengana.com.au, including portfolio information and recent performance history, and you can call BNP during Sydney business hours if you need more information.

If you are investing through a master trust or wrap account then reports on your investment will come from the operator of that service.

The information contained in this product disclosure statement is up to date at the time of its issue. However, from time to time this information may change. Updated information that is not materially adverse to you is accessible by contacting us or from our website (www.pengana.com.au). A paper copy of the updated information will be available free of charge upon request by contacting us.

What about tax?

You may need to pay tax in relation to your investment in this fund - generally income or capital gains tax, but you might be able to claim some tax credits or have the benefit of some concessions. Your tax liability ultimately depends on your circumstances. Investors who are tax residents of New Zealand should refer to the section headed New Zealand taxation, under the heading Important Information for New Zealand Investors. We recommend that you seek professional advice before you invest or deal with your investment.

We will send you all the information you need each year to complete your Australian tax return.

Under normal circumstances, the Fund does not pay income tax because the net taxable income is distributed to investors. Income earned in the Fund, whether distributed or reinvested, forms part of your assessable income in the year of entitlement.

This tax information is current as at 3 July 2008.

Will I be liable to pay tax on money I receive from the Fund?

The tax impact for you depends on what makes up the distributions and your personal circumstances. Distributions could comprise:

- ✓ income (for example, dividends and interest)
- ✓ net capital gains (from the sale of the Fund's investments) and
- ✓ tax credits (for example, franking credits attached to dividend income and credits for tax paid on foreign income).

Will I receive a foreign income tax offset?

Where foreign tax has been paid by the fund in respect of overseas investments, the investor will generally be able to claim a foreign income tax offset in respect of the foreign tax paid against its Australian tax payable. There is a limit on the maximum amount an investor may claim as a foreign income tax offset. The limit is the greater of \$1,000 or the offset capped amount.

If the total foreign income tax paid is less than or equal to \$1,000, the investor is not required to calculate the foreign tax offset cap and the investor's tax offset equates to the total foreign income tax paid.

If the total foreign income tax paid is greater than \$1,000, the investor has two options. They may elect to offset only \$1,000 of foreign income tax paid. In this case, they are not required to calculate the foreign tax offset cap but any foreign income tax paid in excess of the \$1,000 cap is wasted. Alternatively, the investor may calculate the foreign tax offset cap which is the Australian tax payable on an investor's double-taxed amounts and other assessable amounts that do not have an Australian source. The Australian tax payable is the difference between:

- income tax *including* the double-taxed amounts and other assessable amounts that do not have an Australian source, and

- income tax *excluding* those amounts.

However, any excess foreign income tax offset cannot be carried forward into later income years.

If you are uncertain in relation to the operation of these rules please see your tax adviser.

Will I be liable for tax when I withdraw money from the Fund?

Australian residents are generally subject to capital gains tax on gains (a) when they withdraw from a fund any money for themselves or (b) switch to another fund or (c) transfer units to someone where the units were acquired for investment purposes. However, such gains may be regarded as ordinary income where, for instance, the investor is regarded as a trader or institutional investor.

Individuals, trusts and complying superannuation entities may be eligible for partial capital gains tax exemptions in relation to the disposal of units which they have held for at least 12 months.

Because investors can move into and out of the fund at different points in time, there is a risk that taxation liabilities in respect of gains that have benefited past investors may have to be met by subsequent investors.

Is there anything to consider because the Fund invests overseas?

The Australian government's Controlled Foreign Corporation (CFC) and Foreign Investment Fund (FIF) legislation may impose accruals tax liability on any fund that invests in overseas companies and trusts.

This means that the taxable income of the Fund may include unrealised gains and undistributed income from certain overseas investments. It is our intention to manage the portfolio of investments held by the Fund such that no FIF or CFC accruals liability should apply to your investment. However, if we are unable to achieve this, your annual tax statement will show the amount required to be included in your tax return.

Do I need to give you my tax file number (TFN) or Australian business number (ABN)?

If you choose not to and do not have an exemption, we must deduct tax at the highest personal rate, plus the Medicare levy, before paying any distribution to you.

What are the Goods and Services Tax (GST) implications?

The issue and withdrawal of units in the Fund, and the receipt of distributions will not be subject to GST. However, GST is payable on the Fund's fees and certain reimbursements of expenses. The Fund will generally be able to claim input tax credits and/or reduced input tax credits of at least 75%.

What if I am a non-resident of Australia for tax purposes?

Appropriate statutory deductions of Australian tax will be made from distributions of Australian sourced income to non-resident investors. The rate of tax that applies to distributions depends upon the type of income and/or capital gain that is being distributed, whether the investor is an individual or a company and which country the investor resides in.

Non-resident investors may also be subject to tax on distributions in the country in which they reside, but may be entitled to foreign tax credits.

In respect of a disposal or redemption of units in the Fund, a non-resident investor is not subject to Australian capital gains tax if the investor owns less than 10% of the units in the Fund. If the non-resident investor owns 10% or more of units in the Fund then any capital gains or losses on the disposal or redemption of units in the Fund will only be taxable in Australia where at least 50% of the value of the underlying

assets of the Fund are attributable to Australian real property. It is unlikely that the Fund will invest in companies that have assets principally attributable to Australian real property. However, if you own more than 10% of the units in the Fund, we will provide you with further information regarding the Fund's underlying assets to assist you in determining your potential tax liability.

Further, non-resident investors will not be subject to Australian tax on distributions of capital gains derived by the Fund provided they hold less than 10% of all units in the Fund. If the non-resident investor holds 10% or more of units in the Fund, a distribution of capital gains derived by the Fund will also not be taxable to a non-resident investor where:

- the capital gain is derived by the disposal of an asset by the Fund or fixed trust in which the Fund has an interest (direct or indirectly through a chain of fixed trusts); and
- the asset is not taxable Australian property; or
- the asset is an interest in the fixed trust and the interest is taxable Australian property and either of the following conditions are satisfied:
 - less than 10% of the assets of the Fund are taxable Australian property; or
 - less than 10% of the assets of the fixed trust in which the Fund has an interest (either directly or indirectly through a chain of fixed trusts) must be taxable Australian property.

Australian taxable property is defined to include:

- a direct interest in Australian real property; or
- an indirect interest in Australian real property, namely where the Fund owns 10% or more of the units in a fixed trust and the fixed trust invests (directly or indirectly) principally (more than 50% of its assets) in Australian real property; or
- an asset used by the Fund at any time to carry on a business through a permanent establishment.

The Fund is unlikely to invest in assets which are taxable Australian property. However, the Fund will advise non-resident investors if there are any capital gains distributed which are taxable in Australia.

Non-residents seeking to invest in the Fund should obtain tax advice on their specific circumstances.

Investors who are tax resident in New Zealand should refer to the section "New Zealand Taxation", under the heading "Important Information for New Zealand Investors".

Our responsibilities to you

The constitution establishing the Fund is dated 5 September 2005 and together with this document and the law it governs our relationship with you.

The constitution deals with a wide range of matters, including:

- ✓ application procedures
- ✓ the life of the Fund
- ✓ your entitlements on winding up
- ✓ complaints
- ✓ the nature of your interest in the Fund
- ✓ income entitlements
- ✓ our powers
- ✓ investor meetings
- ✓ our rights of indemnity (we and our officers, employees and agents are entitled to be continually indemnified against all expenses, losses and liabilities (whether actual, contingent, prospective or otherwise) that are incurred as a direct or

- indirect result of anything done or not done under the constitution)
- ✓ limits on our liability (we are generally not liable to investors for losses caused by anything other than a failure to properly perform our duties as responsible entity of the Fund)
- ✓ limits on investor liability and
- ✓ our fees and rights to be reimbursed for expenses.

You can request a free copy by contacting us.

We must have investor approval for changes to the constitution which are adverse to the rights of investors.

Important information for New Zealand investors

The information in this section is required under the Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003, as amended (the "Notice") and is required to be read by New Zealand investors.

This document is not an investment statement under New Zealand law. It is a product disclosure statement prepared under Australian law. There are likely to be differences between the information provided and the way that information is presented in this product disclosure statement as compared to an investment statement under New Zealand law.

Investment decisions are very important. They often have long term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions:

- ✓ What sort of investment is this?
- ✓ Who is involved in providing it for me?
- ✓ How much do I pay?
- ✓ What are the charges?
- ✓ What returns will I get?
- ✓ What are my risks?
- ✓ Can the investment be altered?
- ✓ How do I cash in my investment?
- ✓ Who do I contact with enquiries about my investment?
- ✓ Is there anyone to whom I can complain if I have problems with the investment?
- ✓ What other information can I obtain about this investment?

Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- ✓ relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- ✓ what types of investments the adviser gives advice about; and

- ✓ whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- ✓ information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- ✓ any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- ✓ the nature and level of the fees you will be charged for receiving the advice; and
- ✓ whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

New Zealand taxation

Investors who are tax resident in New Zealand will need to consider the New Zealand tax implications in addition to the Australian tax implications. The following summary of the New Zealand taxation rules:

- ✓ is based on current taxation laws and their interpretation in New Zealand (and Australia) as at 3 July 2008.
- ✓ assumes that a New Zealand investor is a tax resident of New Zealand only and holds his or her investment on capital account.
- ✓ is neither an exhaustive nor a definitive summary – for example, it does not cover the position of 'transitional residents'.
- ✓ relates to direct investors – indirect investors will need to consider the nature of the wrap or arrangement through which they have invested.
- ✓ assumes that the Fund is not a controlled foreign company (CFC) and that the CFC rules do not need to be considered by the investor. The Fund would be a CFC if either: (a) a New Zealand tax resident held 40% or more of the units and no non-resident investor held 40% or more; or (b) a group of 5 or fewer New Zealand tax residents held more than 50% of the units.

For New Zealand tax purposes the Fund is deemed to be a company as it falls within the definition of a unit trust. Investors are deemed to be shareholders of the company.

New Zealand Investors will need to consider whether their units are attributing interests in a foreign investment fund (FIF) and give rise to FIF income. Amendments to the New Zealand FIF rules came into effect for income years commencing on or after 1 April 2007 (although certain entities may gain a deferral). The amendments include the removal of the grey list exemption for portfolio investments (in simple terms, interests of less than 10% of the Fund) and introduction of narrower exemptions. The following comments assume the New Zealand Investors are portfolio investors (in simple terms the investor holds less than 10%) in the Fund.

Under the amended FIF rules, New Zealand Investors would need to account for their units as an attributing interest, unless an exemption applied. The Australian unit trust exemption may be relevant. It currently requires there to be a 'RWT proxy' in place and for the Fund to meet a minimum share turnover test or a minimum distribution test. If that exemption does not apply, then the New Zealand Investor will need to calculate the FIF income from the units unless:

- the New Zealand Investor is either a natural person and not acting as a trustee, or, is the trustee of a very limited range of trusts; and

- the total cost of all of that investor's attributing FIF interests (including the units) is not more than NZ\$50,000.

If required to calculate FIF income

The New Zealand Investor generally would be liable to New Zealand income tax on attributed income, as calculated using the method stipulated by the FIF rules. New Zealand Investors should seek specific advice as detailed rules govern what method must be used and when changes between methods can occur. Under these methods both realised and unrealised gains (including capital gains and foreign exchange gains) are considered.

Generally, the fair dividend rate method (FDR) will be the primary method for less than 10% interests, although this method is not available for certain types of investments, e.g. 'guaranteed return' type investments which must use the comparative value method or deemed rate of return method. The FDR method calculates FIF income as being 5% x opening value (of all FIF interests under this method) at the start of the valuation period, adjusted for any interests bought and sold within the same valuation period with, in effect, a weighted average resulting where the valuation period is less than a year. Under FDR, dividends are not taxed separately. FDR does not result in any FIF losses. A variation to the FDR method is permitted to natural persons and some trustees of family trusts where the 'total return' (on all interests under the FDR method) is below the amount calculated under the FDR method – the 'total return', being the FIF income, is calculated using a comparative value approach. In simple terms, under the comparative value method, the FIF income or loss is (closing value + gains) – (opening value + costs).

No determination has been sought as to the applicable method to apply to units in the Fund.

If not required to calculate FIF income

Where the New Zealand Investor is not required to calculate FIF income, the investor will be liable to tax on a dividends basis (which includes distributions that are reinvested, and, the dividend amount, if any, arising on any redemption or repurchase of units). In general terms:

- New Zealand Investors that are companies (for income tax purposes) and that are not portfolio tax rate entities generally will be exempt from income tax on distributions but liable to make a foreign dividend payment (FDP) at the rate of 30%¹¹, with a credit available for any tax withheld in Australia. If the New Zealand Investor company holds 10% or more of the units on issue, it may be entitled to relief from FDWP for any underlying foreign tax credits.
- Other New Zealand Investors will be taxed at their marginal tax rates on dividends (generally, the full amount of the distribution received plus any Australian withholding tax deducted). Where Australian withholding tax has been deducted from the total distribution received this generally may be offset against the New Zealand income tax liability up to the amount of the New Zealand tax on the income from those distributions (net of any expenses).

Other comments

Although there were some changes in recent years to the New Zealand and Australian tax rules governing the imputation system and franking credits, a NZ Investor is unable to utilise Australian franking credits against their New Zealand income tax liability, nor are franking credits required to be included in their taxable income. Whether or not the Fund has imputation credits to distribute will depend whether the Fund pays any New Zealand income tax.

New Zealand Investors should be aware that stamp duty is payable in New South Wales on repurchases of units. They should also be aware of the potential application of the Australian capital gains tax regime. New Zealand Investors should refer to the comments made under the heading "What if I am a non-resident of Australia for tax purposes?"

¹¹ Rate applicable for the 2008/2009 and subsequent income years.

Non-Australian sourced income and realised capital gains should generally flow through the Fund to New Zealand Investors without any Australian tax being applied. New Zealand Investors must provide the Responsible Entity with their full name and address. If these details are not provided, the Responsible Entity may be required to withhold Australian tax from your distributions at the highest marginal tax rate (plus Medicare levy). Generally, any withholding tax deducted outside Australia from income sourced outside Australia is not available as a tax credit in New Zealand to New Zealand Investors.

The New Zealand tax considerations mean that any forecast or projected returns may differ from the returns for Australian investors described in this disclosure document.

Concluding comment

Tax laws change frequently. In particular, New Zealand's approach to taxing offshore portfolio investments altered in 2007 and remedial changes are still being made to achieve the intended outcomes. Also, New Zealand's controlled foreign company regime is about to be reformed. A Tax Bill introduced on 2 July 2008 proposes changes in these (and other) areas. If passed in its current form, some minor changes will arise from the position as set out above.

Investors should seek professional advice on the taxation implications of investing in the Fund and dealing with that investment and should not rely on the general tax information provided above. Your individual circumstances will impact upon the tax treatment. We cannot take responsibility for advising you on the tax implications of investing in the Fund.

Despite the information provided above, investors should satisfy themselves as to the tax implications of investing in the units in the Fund.

Other Additional Information

Allotments of the units in the fund will be made in the manner specified in this product disclosure statement and in the manner prescribed by the laws of Australia.

Pengana and the person who makes the offer may not be subject in all respects to New Zealand law.

Investing in units in the Fund may carry with it a currency exchange risk.

The financial reporting requirements applying in New Zealand and those applying in respect of the Fund may be different, and the financial statements of the Fund may not be compatible in all respects with financial statements prepared in accordance with New Zealand law.

Although a copy of this product disclosure statement and other documents have been received by the Registrar of Companies, the product disclosure statement has not been registered in New Zealand under New Zealand law and may not contain all the information that a New Zealand registered prospectus is required to contain.

Australian law does not require a trustee (unlike the position in New Zealand for unit trusts), or a statutory supervisor (unlike the position in New Zealand for contributory schemes involving participatory securities), that is separate from, and independent of Pengana.

The following documents relating to the Fund have been received by the Registrar of Companies in accordance with the Notice. These documents can be inspected at the office of the Registrar of Companies and can be obtained from Pengana:

- (i) the current product disclosure statement relating to the units in the Fund;
- (ii) any document or part of a document, lodged or registered with the Australian Securities and Investments Commission that is referred to in the product disclosure statement and is taken to be included in the product disclosure statement under the Corporations Act 2001;
- (iii) any exemption, order, or declaration that has been granted by ASIC in respect

- of the Fund (other than any exemption, order, or declaration that applies to Australian registered schemes generally or to a class of persons);
- (iv) the licence of Pengana granted under the Corporations Act 2001;
 - (v) the constitution of the Fund;
 - (vi) evidence of registration of the Fund with ASIC;
 - (vii) the compliance plan required under the laws of Australia relating to the Fund;
 - (viii) any documents that amend or supplement any of the documents referred to in subparagraphs (i) to (vii) in existence at the time that the first offer of any units in that Fund is made or open for acceptance in New Zealand; and
 - (ix) a copy of any document that amends, supplements or replaces the current product disclosure statement relating to units in the Fund (other than a document in relation to which a copy must be received under subparagraph (viii) above) will be filed with the Registrar of Companies before any allotment of units in the Fund is made in New Zealand after the amendment, supplement, or replacement takes effect.

It is a term of the offer of units in the Fund made in New Zealand that Pengana will, within 5 working days of receiving an offeree's request for a copy of the Australian disclosure document relating to the units in the Fund, without fee, send or cause to be sent, to that offeree the documents detailed in subparagraphs (i) and (ii) above, together with copies of any documents that, under the laws of Australia, must accompany a copy of the Australian product disclosure document sent to any person to whom an offer of units in the Fund is made in Australia and a copy of any supplementary disclosure document in use at the time the request is received.

Agreement as to jurisdiction

In respect of a dispute concerning an offer of units in the Fund offered in reliance on any exemption in clause 5 of the Notice or the contract for units in the Fund, Pengana:

- ✓ agrees to submit to the non-exclusive jurisdiction of New Zealand courts; and
- ✓ has instructed DLA Phillips Fox in New Zealand as its agent (whose address is detailed below) to accept service on Pengana's behalf; and
- ✓ agrees that this statement is an agreement with each investor for the purposes of section 389(1)(e) of the Companies Act 1993.

Despite the statements referred to in the paragraph above, the contract in respect of the units in the Fund may not always be enforceable in New Zealand courts.

DLA Phillips Fox, 50-64 Customhouse Quay, Wellington has been appointed by Pengana to accept service in New Zealand of any documents on its behalf.

Distribution Reinvestment Scheme

Units in the Fund allotted under the distribution reinvestment scheme will be allotted in accordance with this product disclosure statement and the constitution for the Fund.

Within 30 days of the day on which the units in the Fund are allotted to a person under the distribution reinvestment scheme, the person will be sent a statement of the amount of the distribution and the number of securities that have been allotted to that person.

The following documents are available from Pengana, on request and free of charge:

- ✓ The most recent annual report of the Fund (if any);
- ✓ The most recent financial statements of the Fund (if any); and
- ✓ the current Australian disclosure document relating to the Fund; and
- ✓ the constitution of the Fund and any amendments to it.

Enquiries and complaints

If you have a complaint, it should be made in writing to:

Complaints Department
Pengana Global Small Companies Solution
Level 29, 20 Bond Street
Sydney NSW 2000
Australia

We will always acknowledge any complaint in writing within 10 Business days of receipt. We must properly consider the complaint and make a decision on it within a reasonable time after we have ascertained what it is about. We must inform the complainant of our decision as soon as practicable.

If you as a retail investor remain unhappy you can contact the Financial Ombudsman Service - they are independent from us. Their number is 1300 780 808 and postal address is GPO Box 3, Melbourne, Victoria 3001, Australia. Their email address is info@fos.org.au

If you are investing through a master trust or wrap account then enquiries and complaints should be directed to the operator of that service.

Investing through a master trust or wrap account?

Generally, it is the operator of the master trust or wrap service which becomes the investor in our fund (not you). It follows that they have the rights of an investor and can exercise them in accordance with their arrangements with you. We are not responsible for the operation of any master trust or wrap account service through which you invest.

If you are investing through a master trust or wrap account, you should also take into consideration the fees and charges of the operator of that service.

In addition to reading this document, you should read the document which explains the master trust or wrap service.

Privacy

We use personal information about you to establish and manage your investment for you. We may also use such information to forward to you, from time to time, details of other investment opportunities available from Pengana Group. However, if you request, no information of that nature will be sent to you.

If you do not provide us with personal information as we ask, we may not be able to process your application or administer your investment.

Under Australia's National Privacy Principles, you may (except in limited circumstances) access personal information about you held by us, and let us know if you think the information is inaccurate, incomplete or out of date. You can also tell us at any time not to pass on your personal information by advising us in writing.

Under various superannuation and tax laws we may be obliged to pass certain information on to other organisations including the Australian Taxation Office. We may also use and disclose your personal information for the purposes of complying with our obligations under the anti-money laundering/counter-terrorism financing law.

If you have authorised us, we may give your information to your adviser.

Please contact us if you would like information about or a copy of our privacy policy

which is also available on our web site www.pengana.com.au.

To find out more about your rights and remedies for breaches of privacy, you can visit the Privacy Commissioner's website at www.privacy.gov.au or contact the Privacy Commissioner's hotline on 1300 363 992.

Anti-Money Laundering

In order to comply with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, Pengana, BNP or their respective subsidiaries, affiliates, directors, officers, shareholders, employees, agents, permitted delegates and sub-delegates will require prospective investors (except existing Pengana investors who are investing under the same name) to provide the relevant 'Know Your Customer Information' form and any additional verification information identified in the form before an application will be accepted. Pengana and BNP will refuse to accept an application (and return any funds received with the application without interest) if the completed 'Know Your Customer Information' form and any additional verification information required is not received within two weeks of receiving your application. Investors can find the relevant 'Know Your Customer Information' forms and further information on the anti-money laundering requirements at the Fund's webpage on the Trustee's website www.pengana.com.au.

About this document

If you received this document electronically we will provide a paper copy free of charge upon request. If you are printing an electronic copy of this product disclosure statement, you must print all pages including the accompanying application form. If you make this product disclosure statement available to another person, you must give them the entire electronic file or printout, including the accompanying application form. This document can only be used by investors receiving it (electronically or otherwise) in Australia or New Zealand.

Contact details

Investment manager/responsible entity

Pengana Capital Limited
Level 29, 20 Bond Street
Sydney NSW 2000
Australia

Postal Address
GPO Box 5409
Sydney NSW 2001

Telephone: +61 2 8524 9900
Facsimile: +61 2 8524 9901
Email: info@pengana.com
Internet: www.pengana.com

Custodian and administrator

BNP Paribas Fund Services Australasia Pty Limited
Level 6, 60 Castlereagh Street
Sydney NSW 2000
Australia
Telephone: +61 2 9222 0000
Facsimile: +61 2 9222 0010

Australian and New Zealand Legal and Tax Advisers to Pengana

DLA Phillips Fox



Pengana Global Small Companies Solution Application Form

Please send application to: BNP Registry Services
 PO Box R209
 Royal Exchange NSW 1225

Or, for subsequent applications only, by Fax to: +61 2 9222 0010

TYPE OF INVESTOR

<input type="checkbox"/> Individual	<input type="checkbox"/> Joint	<input type="checkbox"/> Company	<input type="checkbox"/> Superfund
<input type="checkbox"/> Other trust		<input type="checkbox"/> Other (Specify):	

INVESTOR 1: DETAILS

Title	<input type="checkbox"/> Mr <input type="checkbox"/> Mrs <input type="checkbox"/> Ms <input type="checkbox"/> Other Please Specify:
Surname	
Given Name(s)	
Date of Birth	
Tax File Number / Exemption	

INVESTOR 2: DETAILS

Title	<input type="checkbox"/> Mr <input type="checkbox"/> Mrs <input type="checkbox"/> Ms <input type="checkbox"/> Other Please Specify:
Surname	
Given Name(s)	
Date of Birth	
Tax File Number / Exemption	

TRUST ACCOUNT / SUPERFUND NAME

Account Reference	
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COMPANY, TRUST or ASSOCIATIONS

A.B.N.	
Full Name	
Tax File Number / Exemption	
Contact Person	

Responsible Entity:
 Pengana Capital Ltd
 ABN 30 103 800 568
 AFSL 226 566

INVESTOR CONTACT DETAILS

Adviser details are not accepted. Under the Corporations Act and Regulations we are not permitted to accept an investor's contact details that are c/o a financial adviser or agent who is a financial services licensee.

Address	
State / Postcode (Country)	
Telephone	
Fax	
Email	

NON-AUSTRALIAN RESIDENTS

If you are not an Australian resident for tax purposes, state country of residence for tax purposes.

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FINANCIAL ADVISER/ ALTERNATIVE CONTACT (if applicable)

Name		
Company Name (if applicable)		
Dealer Group		

Phone Number		Dealer Group Stamp
Email		
Address		
State / Postcode (Country)		

I / We authorise our financial adviser/ alternative contact to have access to information on our holdings in the Fund.

INVESTMENT AMOUNT (Minimum \$25,000)

Investment in Pengana Global Small Companies Solution	\$
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Electronic transfer payments can be made to:

Bank: Westpac Banking Corporation
 Account Name: Cogent Nominees Pty Ltd ACF Pengana Global Small Companies Solution Application Account

BSB / Account Number 032 002 / 474193

Cheques, please make payable to:

Cogent Nominees Pty Ltd as Custodian for Pengana Global Small Companies Solution

DISTRIBUTION ELECTION

I / We elect to receive distributions by

- Direct Debit
- Additional Units

If no election is made, distributions will automatically be reinvested.

Responsible Entity:
 Pengana Capital Ltd
 ABN 30 103 800 568
 AFSL 226 566

ACCOUNT FOR PAYMENT PURPOSES (WITHDRAWALS AND DISTRIBUTIONS)	
Name of Institution	
Branch	
Account Name	
BSB / Account Number	

2. if this product disclosure statement has been obtained from the internet, or by other electronic means, a full copy of the product disclosure statement dated 9 July 2008 in an unaltered form has been obtained, accompanied by or attached to this application from;
3. upon allotment of units in the Fund, I/We agree to be bound by the provisions of the Constitution for the Fund and any other additional obligations or restrictions contained in the product disclosure statement;
4. I/We declare that all details provided by me/us on this application form are true and correct and that I/we have the legal power to invest in accordance with this application.
5. I/We acknowledge that due to anti-money laundering requirements, BNP Registry Services, Pengana and / or third parties may require me to provide the Know Your Client Information form and provide verification information before the application can be processed and BNP Registry Services, Pengana and the third parties will be held harmless and indemnified against any loss ensuing due to the failure to process this application, if such information required by the parties hereto has not been provided by me/us.
6. I/We authorise Pengana to apply the TFN or ABN provided in this application form and authorise it to be applied to all future applications and redemptions for units in the Fund, including reinvestments, unless I/we otherwise advise Pengana.
7. I/We have read the section of this product disclosure statement called "Privacy" and agree that Pengana may collect, use, disclose, and handle personal information in the manner set out in that section.
8. I/We acknowledge that Pengana has the right to reject this application in accordance with the Fund's Constitution.

ANNUAL REPORT

We are required by law to provide you with a copy of the Fund's annual report unless you indicate otherwise. If you do not wish for us to mail you a paper copy of this report, you can view an electronic copy of the latest annual report on Pengana's website at www.pengana.com.au.

Please tick the box if you do not require us to mail you a paper copy of the Fund's annual report each year.

If this application is signed by an attorney, the attorney states that there is no notice of revocation of the power of attorney under which this application is signed. Any tax file number supplied at any time may be applied to this investment and previous or future investment in my/our names(s).

I/We acknowledge that I/We understand that:

- a. units in the Fund do not represent a deposit or liability of Pengana or any other member of the Pengana Group and is subject to investment risk, including possible delays in repayment and loss of income and principal invested.
- b. neither Pengana nor any other member of the Pengana Group guarantee the performance of the Fund or the repayment of capital invested in the Fund.

I/We do not wish to receive promotional material from other Pengana Funds.

I/We declare that:

1. I/We have read this product disclosure statement in full;

APPLICANT SIGNATURE

INVESTOR 1 / DIRECTOR	DATE / /
INVESTOR 2 / DIRECTOR / COMPANY SECRETARY	DATE / /
COMPANY SEAL (if required)	