



Pengana Emerging Companies Fund

May 2007 Update

Fund Performance

The fund returned 7.2% net for May, outperforming the Small Ordinaries benchmark by 1.8%. The rolling 12 month performance is 72% versus the Small Ordinaries at 46%, and Small Industrials Index at 40%.

Net Returns to 31 May 2007	Pengana	Small Ordinaries	Value added
1 Month	7.2%	5.4%	1.8%
3 Months	15.3%	15.2%	-0.1%
6 Months	34.9%	23.7%	11.3%
12 Months	71.2%	46.0%	25.3%
Since inception p.a.	44.6%	29.6%	15.0%

Key stock price moves

During the month, the key positive contributors were Cabcharge (up 14%), Reverse Corp (up 12%), DKN Group (up 21%) and Saferoads (up 40%). The key detractors were APN Property (down 14%), Transfield Services (down 5%) and Webster (down 4%).

Market Commentary and Outlook

The market remained very strong in May, reaching record highs across the board. The resources sector, which we do not invest in, dominated performance, especially in the smallcap arena. To illustrate, the Small Resources index rose 10% versus the Small Industrials up 4%. In fact the largest Small Resources stock, Fortescue Metals, rose 69% in the month.

This rally caps off a 15% rise in the market over the past three months. Aiding the overall market was the strength in commodity prices, corporate speculation largely surrounding private equity, and the flood of money into superannuation funds following the incentives introduced in recent budgets.

Within the industrial sector, IT services stocks (to which we are heavily exposed) performed very well,

with Oakton, SMS Management, ASG Group, and DWS strongly outperforming. Feedback from most participants in this sector supports ongoing growth due to the shift away from large multi-national service providers, in favour of smaller niche players.

With valuations of small industrial shares (as expressed by the PER ratio) slightly above the long term average of 16x, there is scope for a shorter term correction, however we remain confident in the opportunities for active stock-pickers.

Fund details

Fund size: \$340m

Price: (mid pt at month end) \$2.35

Top Ten Positions

ASG Group	Dexion
Aust'n Wealth	GBST
Bradken	Mineral Resources
Cabcharge	MacMillan Shakespeare
CSG Group	Reverse Corp

Contact Details

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