



Pengana Emerging Companies Fund

November 2007 Update



Australian Equities – Small Caps

Fund Performance

Whilst the market was particularly weak in November (- 3.8%) the fund was quite resilient falling only marginally (-0.9% net). Notwithstanding the market's high volatility the fund has consistently deliver strong positive returns. Over each of the last 3 years the fund has generated performance of around 40% p.a. (see table below). As you are probably aware we have now closed the fund to new investors so as to ensure the fund remains of a size that allows maximum flexibility when buying and selling stocks.

Net Returns to 30 November 2007	Pengana	Small Ordinaries	Value added
1 Month	-0.9%	-3.8%	2.9%
3 Months	11.3%	6.0%	5.3%
6 Months	8.4%	0.9%	7.5%
1 year	46.3%	24.8%	21.5%
2 years p.a.	47.0%	27.8%	19.3%
3 years p.a.	39.2%	24.3%	21.4%
Since inception p.a.	39.8%	24.6%	15.2%

Key Stock Price Moves

During the month, the key positive contributors were Mineral Resources (+ 8%), CSG Group (+ 6%), BSA Ltd (+ 29%) and Structural Systems (+ 14%). The key detractors were not owning Nufarm (+ 8%), Dexion (- 14%) and Reverse Corp (- 8%).

Market Commentary and Outlook

Mining companies have performed strongly over 2007, which of course this fund has not directly benefited from. It is worth noting the fund does nevertheless have good exposure to those companies that service the miners. There are many listed industrial companies which provide products and services that assist the mine owners to extract the resource from the ground. We are however well aware of the unpredictability of commodity prices that many of these mining service companies are indirectly exposed to. We spend a significant amount of time assessing the quality and longevity of company's earnings within the mining service industry. A couple of mining service companies which are in our top ten positions are:

Mineral Resources - builds, owns and operates ore crushing machinery for mining companies like BHP and Rio. Our attraction to the business is the long dated nature of their contracts which generally extend for periods of five

to ten years. Over the period of these contracts the mine owner generally agrees to a minimum level of ore to be crushed. Contracts of this nature are obviously very valuable and provide us with great confidence when valuing the company. It is reasonable to expect over time for more of these contracts to be won.

The Mac Services - builds, owns and operates villages in Queensland's Bowen Basin to service the accommodation needs of mine workers. Before the villages are built the company generally seeks an undertaking from the mine owners of their accommodation needs for the coming years. The company is now seeking to broaden their exposure to other parts of Australia. Again, this is a good example of a company with strong long dated revenue that should not disappear at the first sign of commodity prices weakening.

Fund Details

Fund size: \$500m

Redemption price at month end: \$2.4602

Top Ten Positions

Aust'n Wealth	ASG Group
Transfield Services	Mac Services
Bradken	Mineral Resources
Cabcharge	MacMillan Shakespeare
CSG Group	Fleetwood

Contact Details

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