

# Pengana Global Small Companies Solution Performance Report

October-2006



## Fund Information

<b>Style</b>	Multi manager investing in regional small company specialists	<b>Management fee</b>	0.75% per annum
<b>Benchmark</b>	Equally weighted to the 3 major developed regions: North America, Europe including UK, Asia including Japan	<b>Performance fee</b>	10% over benchmark hurdle (net of fees)
		<b>AUM</b>	\$48.6m
		<b>Inception date</b>	November 2005

## Fund Performance (AUD, net of fees)

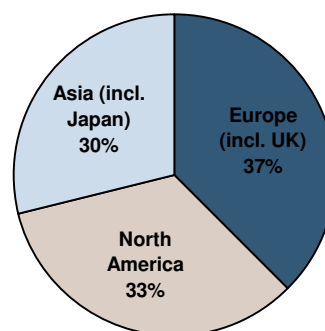
	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Year
<b>2006</b> Fund	-0.4%	1.2%	9.2%	-3.7%	-4.9%	0.2%	-5.6%	3.0%	4.3%	0.1%			2.5%
Benchmark	4.0%	0.4%	7.7%	-4.1%	-5.8%	0.0%	-6.8%	2.9%	1.8%	-0.1%			-0.8%
MSCI World	1.3%	1.7%	5.8%	-3.1%	-2.4%	1.3%	-2.6%	3.1%	3.2%	-0.2%			8.2%
<b>2005</b> Fund											5.2%	8.8%	14.5%
Benchmark											4.5%	7.2%	12.0%
MSCI World											4.4%	3.0%	7.5%

## Fund Commentary

The Fund reached its one year anniversary at the end of October and has generated a return of 17.3% over this period, 6.2% in excess of the benchmark. The Fund has outperformed in all the major regions, with the margin of out performance ranging from 3.9% to 12.7%. We are very comfortable with the current composition of the Fund and the quality of the managers employed.

Barring a broad aversion to risk assets, global small companies should continue to perform well. Small company fundamentals are currently strong in all markets and empirical evidence suggests that small caps can out perform large for extended periods. Our managers continue to report strong earnings in their small cap holdings and demonstrate good opportunities to construct attractive small company portfolios.

## Fund Allocation



## Fund Performance (simulated to October 2005)

Month	Fund	Benchmark	MSCI
Month	0.1%	-0.1%	-0.2%
<b>2006 ytd</b>	2.5%	-0.8%	8.2%
<b>2005</b>	36.1%	25.4%	25.4%
<b>2004</b>	26.1%	23.0%	10.2%
<b>2003</b>	12.1%	19.1%	-1.3%
<b>2002</b>	-20.0%	-20.3%	-27.2%
<b>2001</b>	-7.5%	-6.1%	-8.9%
<b>Annualised</b>	7.3%	4.1%	-1.2%
<b>Ann SD</b>	14.5%	14.4%	12.4%

## Manager Performance (AUD, net of fees)

Month	Fund	Benchmark	Relative
North America	1.1%	1.9%	-0.8%
Europe	2.1%	1.6%	0.5%
Asia	-2.4%	-3.9%	1.5%
<b>Since Inception (November 2005)</b>			
North America	17.9%	13.9%	4.0%
Europe	37.5%	33.6%	3.9%
Asia	1.4%	-11.3%	12.7%

## Disclaimer

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## North America

<b>Manager</b>	Cortina AM	The US market was extremely strong during October, rising almost 6%. This is not reflected in the Fund's reported performance as it is unhedged and the Australian dollar appreciated significantly against the US dollar over the month. Every US sector posted a positive performance in a month which is usually a poor one for US stocks. The price of oil stabilised and interest rates were not changed by the Fed. However, the strong performance was still surprising given the existence of negative indicators such as the high short interest (which indicates a high proportion of shorts against the market) and the negative fund flows out of the US.
<b>Benchmark</b>	Russell 2000	
<b>Fund Allocation</b>	33.6%	
<b>Month return</b>	1.1%	
<b>Benchmark</b>	1.9%	

### Top 5 positions

4.0%	Cbeyond Inc Com
3.6%	Ishares Russell 2000
2.1%	Analogic Group
2.1%	Psychmedics
2.0%	South Final Group Inc

The US portfolio managed by Cortina rose by 1.1%, -0.8% behind the benchmark. Calendar year to date the portfolio has appreciated by 9.6%, over 2% ahead of the Russell 2000 benchmark. Recent research by Merrill Lynch indicates that less than 20% of managers are ahead of the benchmark in 2006. Examples of the Fund's "franchise" companies to perform well during the month were Crocs, which acquired a manufacturer of products to decorate their footwear, and the computer device manufacturer Logitech that announced positive results and demonstrated strong demand in a number of areas, including cordless mice and video cameras.

## Europe (including UK)

<b>Manager</b>	Munros CM	The European small cap market, as measured by the HSBC Smaller Europe Index, has risen by 33.6% over the last 12 months and the Fund's European portfolio has managed to outperform it by almost 4%. As we near the end of 2006, it appears that this will be the 4 <sup>th</sup> consecutive calendar year of returns close to 20% for this market. Capital investment spending, private consumption, corporate profitability and business sentiment have all supported this rally.
<b>Benchmark</b>	HSBC Europe	
<b>Fund Allocation</b>	37.4%	
<b>Month return</b>	2.1%	
<b>Benchmark</b>	1.6%	

### Top 5 positions

4.4%	Newcourt
4.0%	Abengoa
3.2%	Tanfield
3.1%	Hellenic Exchanges
3.0%	Macintosh Retail

Munros have maintained the strong performance since they commenced management of the portfolio on August 1<sup>st</sup>. They returned 2.1% for October, 0.5% ahead of the benchmark, and have generated 10.5% over the last 3 months. A number of the stocks introduced by Munros have performed well. Tanfield Group, a leader in the manufacture of zero emission vehicles, performed well over the month, rising 20.8% on positive news flow and broker upgrades. Tanfield is one of the fund's smaller companies, with a market cap of EUR157m, which reflects Munros' increased emphasis on the introduction of more micro cap names into the portfolio. The Fund now holds 9 stocks with a market cap of less than EUR500m.

## Asia (including Japan)

<b>Manager</b>	Sparx AM	The Japanese small cap market was the weakest of the regions in which the Fund invests in October. Since inception, the benchmark used by the Fund (50% Topix Small and 50% Jasdaq) has fallen by -11.3% for unhedged Australian dollar investors. Despite this the Fund's Japanese manager has generated a positive performance which is credit to their philosophy and stock picking ability.
<b>Benchmark</b>	Topix / Jasdaq	
<b>Fund Allocation</b>	28.9%	
<b>Month return</b>	-2.4%	
<b>Benchmark</b>	-3.9%	

### Top 5 positions

5.8%	Toyo Tanso Co Ltd
5.7%	Bank of Fukuoka
5.5%	Shoei Company
5.1%	Prestige International
4.8%	Nissay Dowa General

The Fund was overweight sectors such as Banks and Real Estate which contributed positively during the month. Bank of Fukuoka, a community focused regional bank in the west of Japan, and Sumitomo Real Estate, the real estate brokerage, sales, leasing and finance group, both performed well and are significant holdings.

Sparx retains an optimistic outlook for the Japanese equity market. Many investors are however less bullish with evidence suggesting that global investors are reducing overweight positions, leading to further downward pressure on the market. Earnings results for the first half of 2006 have been positive on the whole but conservative. Further upward revisions are expected by Sparx through the first quarter of 2007.

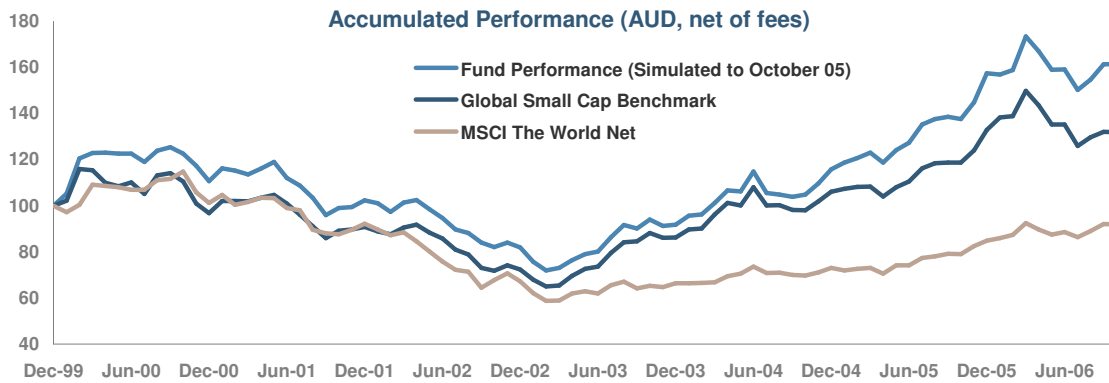
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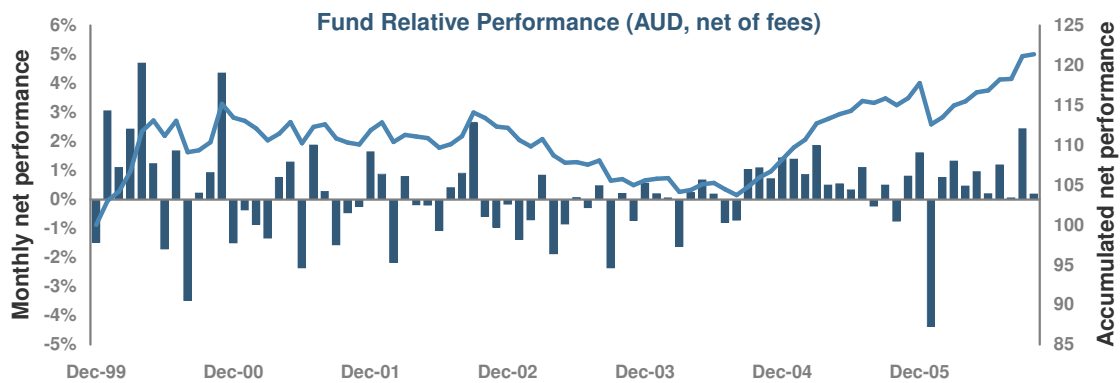
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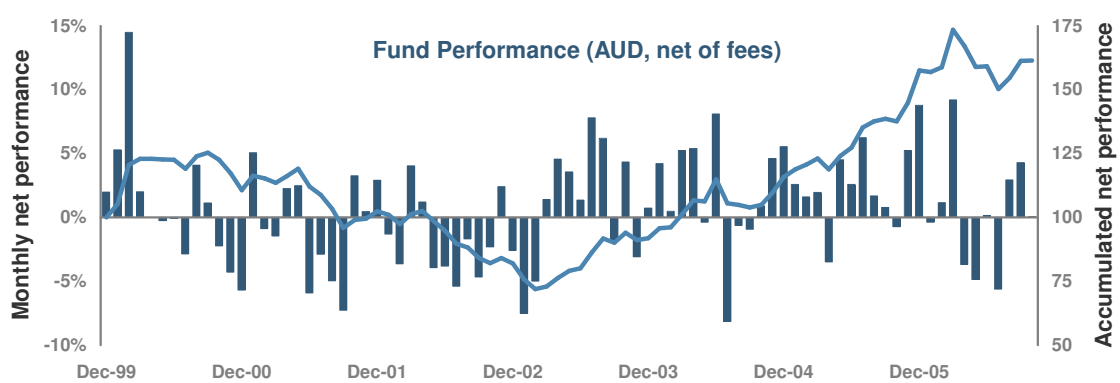
## Accumulated Fund and Benchmark Performance



## Monthly Fund Relative Performance



## Monthly Fund Absolute Performance



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