

Pengana Global Small Companies Solution Performance Report

December-2006



Fund Information

Style	Multi manager investing in regional small company specialists	Management fee	0.75% per annum
Benchmark	Equally weighted to the 3 major developed regions: North America, Europe including UK, Asia including Japan	Performance fee	10% over benchmark hurdle (net of fees)
		AUM	\$50.4m
		Inception date	November 2005

Fund Performance (AUD, net of fees)

	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Year
2006 Fund	-0.4%	1.2%	9.2%	-3.7%	-4.9%	0.2%	-5.6%	3.0%	4.3%	0.1%	1.2%	2.6%	6.4%
Benchmark	4.0%	0.4%	7.7%	-4.1%	-5.8%	0.0%	-6.8%	2.9%	1.8%	-0.1%	0.3%	1.9%	1.4%
MSCI World	1.3%	1.7%	5.8%	-3.1%	-2.4%	1.3%	-2.6%	3.1%	3.2%	-0.2%	0.7%	2.1%	11.1%
2005 Fund											5.2%	8.8%	14.5%
Benchmark											4.5%	7.2%	12.0%
MSCI World											4.4%	3.0%	7.5%

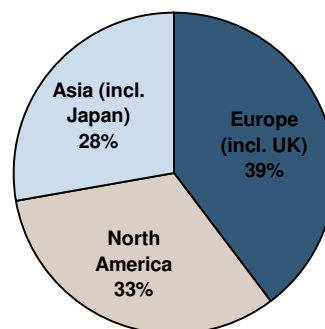
Fund Commentary

In December the Fund returned 2.6%, 0.7% ahead of the Benchmark. Since inception the Fund's annualised return is 18.4% with a standard deviation of 15.6%. It has generated consistent alpha, outperforming the Benchmark in 13 out of 14 months.

2006 proved a difficult year for global small companies with risk appetite diminishing, interest rates rising and growth rates slowing. Valuations relative to long term averages and larger companies vary depending on region and sector and give no firm indications for the year ahead.

Strong performance in Europe meant that the allocation remained above the upper limit of 38%, despite a rebalance during the month. A more significant rebalance will be performed at the end of January to bring the allocations well within their desired ranges.

Fund Allocation



Fund Performance (AUD, net of fees)

	1 Month	3 Months	1 Year	Financial Year to Date	Annualised Since Inception	Standard Deviation
Fund	2.6%	3.9%	6.4%	5.3%	18.4%	15.6%
Benchmark	1.9%	2.1%	1.4%	-0.3%	11.5%	15.1%
North America	0.8%	2.0%	10.6%	2.0%	16.0%	15.8%
Benchmark	0.4%	3.1%	8.7%	2.7%	12.9%	15.2%
Europe	7.1%	15.5%	40.4%	20.5%	46.1%	13.1%
Benchmark	5.4%	11.5%	34.1%	15.7%	38.9%	12.8%
Asia	-1.0%	-6.3%	-22.5%	-7.4%	-2.3%	25.6%
Benchmark	-0.1%	-7.8%	-29.3%	-17.0%	-12.9%	23.0%

Disclaimer

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North America		
Manager	Cortina AM	Cortina generated a return in Australian Dollars of 0.8% for December, 0.4% ahead of the benchmark. The fund's return for the year was 10.6% but this masks a poor third quarter for the US small cap market followed by a rally into the year end. It was a good year for value investors as opposed to growth, but a poor year for active managers on the whole with only 16% outperforming the benchmark (source: Merrill Lynch).
Benchmark	Russell 2000	
Fund Allocation	32.6%	
Month return	0.8%	
Benchmark	0.4%	
Top 5 positions		
	3.7% CBeyond INC COM	Cortina maintains a diversified portfolio with the biggest position of 3.7% in CBeyond, the IT and communications service provider. While Cortina do not favour value or growth stocks, they do believe some of the more value orientated sectors have run hard in the last few months of 2006 due to sector specific cash flows, REITs (Real Estate Investment Trusts) being a good example. The portfolio favours sectors such as Technology and Financials, which Cortina believes will demonstrate better relative earnings growth in 2007.
	2.0% WORLD FUEL SVCS CORP	
	2.0% TESSERA TECHNOLOGIES	
	2.0% SOUTH FINL GROUP INC	
	2.0% SUN HEALTHCARE	
The biggest gains during the month were made within Healthcare, a diverse sector with many unique businesses. The team has particular expertise in this area and generated strong stock specific returns.		

Europe (including UK)		
Manager	Munros CM	Munros generated a return in Australian Dollars of 7.1% in December, completing a year in which the Fund's European portfolio rose by 40.4%. It is particularly difficult to outperform a very strong market and we are pleased our managers achieved this and did so by 6.3%. The European market was by far the strongest region over the year and the only one in which small companies outperformed large.
Benchmark	HSBC Europe	
Fund Allocation	39.7%	
Month return	7.1%	
Benchmark	5.4%	
Top 5 positions		
	4.9% Newcourt	Munros has outperformed its benchmark each month since it was appointed in August 2006. This is a new manager but has a highly experienced team. This combined with low assets under management is an excellent combination for a small cap manager and they have, thus far, lived up to this potential.
	3.6% Tanfield	
	3.2% Spice Holdings	
	3.1% Trygvesta	
	3.0% LVL Medical	
In December holdings in Kingspan, an Irish building products business, and Spice Holdings, which provides support services to the utility industry, performed particularly well. Cramo, the Nordic equipment hire company, was the strongest performer, achieving in excess of 25% for the month. Sweden was the strongest market, rising by 10.9%, closely followed by Ireland and the Netherlands. Portugal was the weakest market but still generated a positive return of 2%.		

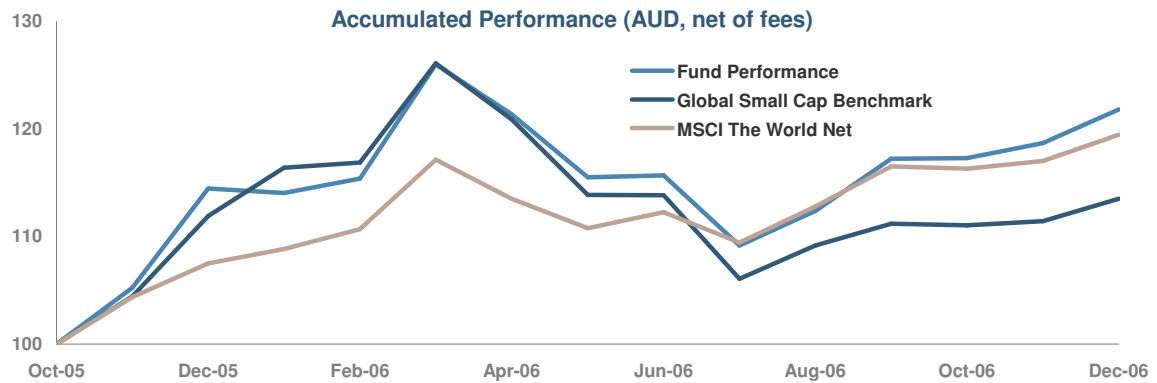
Asia (including Japan)		
Manager	Sparx AM	The Japanese portfolio managed by Sparx fell by 1% over the month, 0.9% below benchmark. The Japanese market fell by almost 30% in 2006 and inevitably our long only portfolio fell with it. Thankfully Sparx outperformed by 7.2% over this period, mitigating some of the losses to the Fund.
Benchmark	Topix / Jasdaq	
Fund Allocation	27.7%	
Month return	-1.0%	
Benchmark	-0.1%	
Top 5 positions		
	6.5% Prestige International	Japan, along with most of Asia, was clearly the weakest small cap market over the year (the exceptions being Singapore and Australia). Most small cap markets fell over the year while their large cap equivalents gained ground. The result is an increase in the relative valuation discount which should revert over time.
	5.8% Produce Co	
	5.8% Miraial Co Ltd	
	5.4% Bank of Fukuoka	
	5.4% Sumitomo Real Estate	
The conclusion is that there is certainly the potential for Japanese small caps to catch up with large caps and their global peers. Sparx are bullish on their core holdings and expect significant upward earnings this year. They remain relatively small cap orientated and have picked up a number of cheap names during recent months. A recent addition is Properst, the apartment developer, which is trading at 9x PE but is expected to post a 100% ROE growth this year.		

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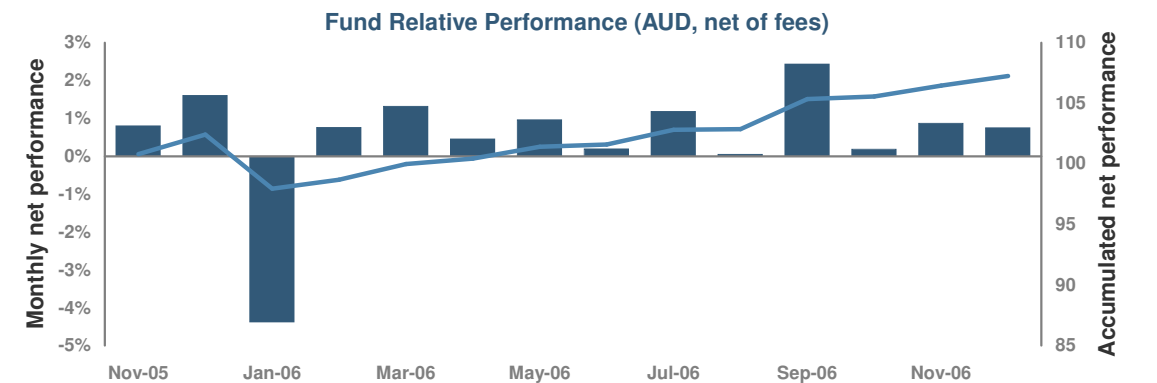
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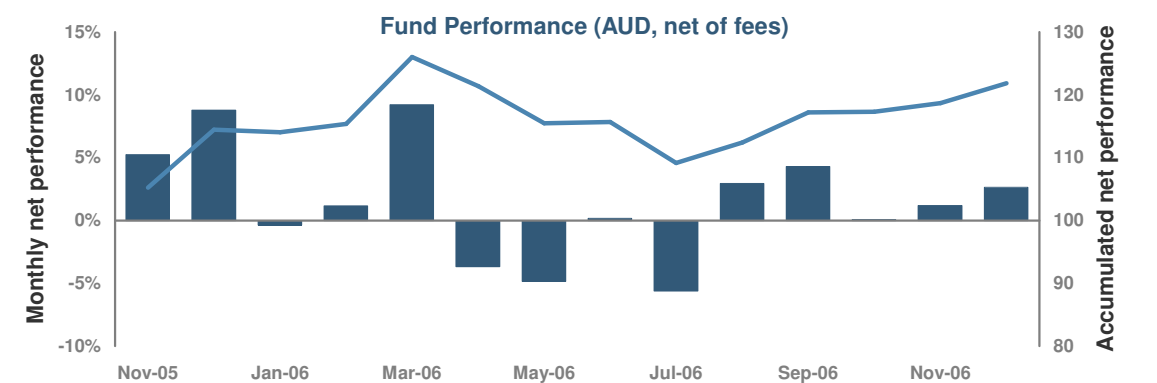
Accumulated Fund and Benchmark Performance



Monthly Fund Relative Performance



Monthly Fund Absolute Performance



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