

# Pengana Global Small Companies Solution Performance Report July 2008



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>	\$33.0 m
		<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>2008</b>													
Fund	-11.7%	-1.7%	-2.8%	3.8%	3.9%	-7.5%	-2.4%						-17.8%
Benchmark	-9.5%	-0.9%	-2.8%	4.3%	3.0%	-8.1%	-0.6%						-14.4%
MSCI World	-7.6%	-0.6%	-1.0%	5.3%	1.5%	-8.0%	-2.4%						-12.8%
<b>2007</b>													
Fund	5.2%	0.1%	-1.0%	0.1%	2.3%	-3.4%	-2.0%	-4.0%	-0.4%	5.1%	-7.7%	-2.9%	-9.2%
Benchmark	4.4%	-2.6%	0.0%	-1.8%	1.5%	-3.5%	-4.4%	-2.2%	-0.7%	3.5%	-8.2%	-2.7%	-16.3%
MSCI World	3.0%	-3.0%	0.0%	1.6%	4.1%	-4.3%	-2.2%	-0.1%	4.8%	3.1%	-4.1%	-1.3%	1.0%
<b>2006</b>													
Fund	-0.4%	1.2%	9.2%	-3.7%	-4.9%	0.8%	-5.6%	3.0%	3.9%	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%
<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%

\*The fund's currency exposure was unhedged until 30 June 2007

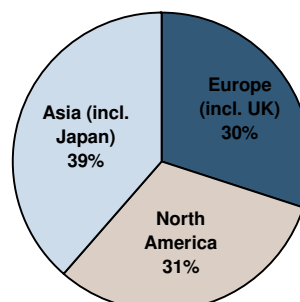
## Fund Commentary

The fund fell -2.4% in the month of July, while over the same period global small cap markets fell -0.6%. Global economic concerns continue to preoccupy investors, with most attention focused on the US.

Small cap equity markets in Europe fell by over 4%, while in the US small caps gained almost as much ground. This highlights not only the month-to-month volatility of financial markets around the world, but also the diversification benefits of a global small cap portfolio.

The fund has reached the upper limit of its allocation to Asia including Japan. This has been partly due to strong performance of this region over the last quarter, coupled with falling markets in the Eurozone and US. Valuations in Asia are currently extremely attractive, and it is showing signs of recovery ahead of the other main regions. We will monitor the exposure and rebalance the Fund if necessary.

## Fund Allocation



## Fund Performance (AUD, net of fees)

	1 Month	3 Months	1 Year	Financial Year to Date	Annualised Since Inception	Standard Deviation
<b>Fund</b>	-2.4%	-6.1%	-26.1%	-2.4%	-3.3%	16.1%
Benchmark	-0.6%	-5.9%	-23.2%	-0.6%	-7.2%	15.0%
<b>North America</b>	4.8% *	-4.6% *	-18.6% *	4.8% *	-1.8% *	16.9% *
Benchmark	3.7%	0.0%	-7.7%	3.7%	-1.0%	15.2%
<b>Europe</b>	-9.9% *	-18.3% *	-41.6% *	-9.9% *	1.5% *	20.5% *
Benchmark	-4.3%	-14.2%	-34.7%	-4.3%	-0.6%	17.2%
<b>Asia</b>	-3.8% *	-1.2% *	-22.7% *	-3.8% *	-12.1% *	21.6% *
Benchmark	-1.4%	-3.3%	-25.9%	-1.4%	-19.9%	18.9%

\*estimates

## Disclaimer

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Global Small Companies Solution (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund.

# Pengana Global Small Companies Solution

## Performance Report

### July 2008



#### North America

<b>Manager</b>	Cortina AM	US small cap markets surprised many investors with a strong performance in July, gaining +3.7%. Small caps continue to outpace large caps in North America, which fell -1.1%. The US portfolio was poised to capture this turnaround, and outperformed the Russell 2000 as it gained +4.9% this month.
<b>Benchmark</b>	Russell 2000	
<b>Fund Allocation</b>	31.4%	
<b>Month return</b>	4.8% *	
<b>Benchmark</b>	3.7%	

#### Top 5 positions

3.4%	J2 Global Communications
2.7%	Comtech Telecom
2.3%	Vasco Data Security Intl
2.1%	Eclipsys Corp
2.1%	HMS Holdings

This month the price of crude oil fell nearly \$30 from its peak, triggering a fall in energy-related stocks that had for most of 2008 buoyed the broader market and masked the overall weakness of the economy. A positive sign for holders of financial instruments (equities and bonds) was that the CRB Index, representing a basket of commodities, fell 10% in July, which was the largest monthly decline in 29 years.

The absolute and relative outperformance of the US fund this month was driven by commodity pressure relief as well as strong earnings reports across the portfolio. HMS Holdings has become one of the portfolio's core holdings; it is a provider of health cost management software and services that assist a wide range of healthcare providers in revenue recovery, cost containment, and Medicare reimbursement processes.

#### Europe (including UK)

<b>Manager</b>	Munros CM	European small cap markets continued their downward run, falling -4.3% in the month of July. The Fund's European portfolio fell -9.8%, exacerbated by poor sentiment and lack of buying interest in micro-caps leading to significant mark downs. The Irish diversified support services group Newcourt was one such victim, losing a dramatic -43.3% on very low trading volumes.
<b>Benchmark</b>	HSBC Europe	
<b>Fund Allocation</b>	30.0%	
<b>Month return</b>	-9.9% *	
<b>Benchmark</b>	-4.3%	

#### Top 5 positions

5.4%	Grifols
5.3%	Lamprell
5.3%	Tullow Oil
4.8%	Spice Holdings
3.9%	Shanks

The fund's strongest contributions came from Hellenic Exchanges (+13.3%), and IT companies Tandberg (+10.2%) and Wincor Nixdorf (+8.7%). Hellenic Exchanges bounced from an oversold position last month, and remains a prime takeover candidate as European markets consolidate.

As part of its ongoing portfolio review Munros this month exited positions in Tanfield and RNB. Tanfield was a core position until the first quarter of 2008, but has recently suffered a downturn in the demand for its products as clients face reduced access to credit. RNB is a Swedish fashion retailer that has in the last few months experienced declining sales as the entire consumer discretionary sector in Europe falters, culminating in an earnings downgrade.

#### Asia (including Japan)

<b>Manager</b>	Sparx AM	In Japan, small cap equity markets fell -1.4% this month. The fund lost almost twice as much ground, as many of its holdings were impacted by extremely low trading volumes and poor liquidity. Equity markets overall in Japan remain concerned about the economic outlook for the US, the world's largest economy, and this month negative news reports and worse-than-expected employment data triggered a sell-off early in the month. In the second half of the month this was only slightly offset by a weakening JPY against the greenback.
<b>Benchmark</b>	MSCI Japan Small	
<b>Fund Allocation</b>	38.6%	
<b>Month return</b>	-3.8% *	
<b>Benchmark</b>	-1.4%	

#### Top 5 positions

3.5%	Studio Alice Co.
3.2%	Nihon Dengi Co
3.0%	Kanto Natural Gas
3.0%	Telepark Corp
2.9%	Samantha Thavasa Japan

This month the fund's performance was impacted by profit-taking activity in mobile phone retailer Telepark Corp. A slump in construction-related demand for automatic door sensors led to an earnings downgrade from Optex Co. On the other hand Studio Alice, a photo studio chain, announced a boost to its monthly revenue following a successful promotional campaign; video and music rental store operator Culture Convenience Club rebounded strongly this month as investors took advantage of its attractive valuations relative to its earnings potential.

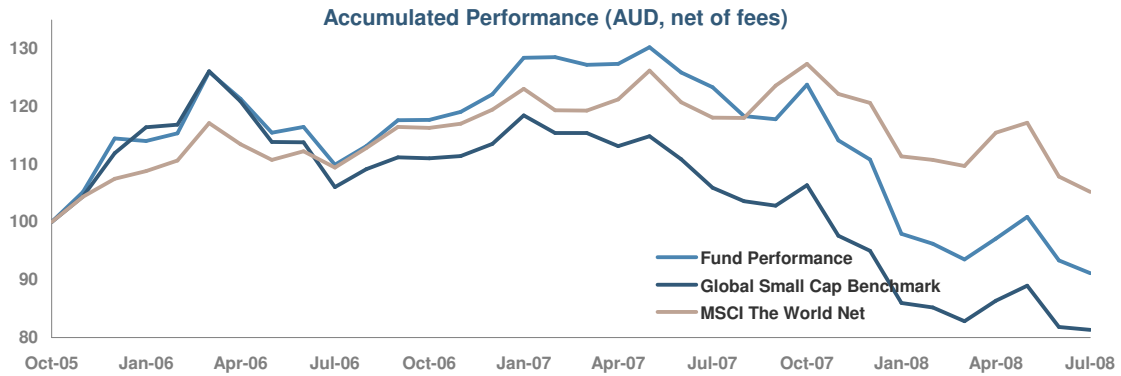
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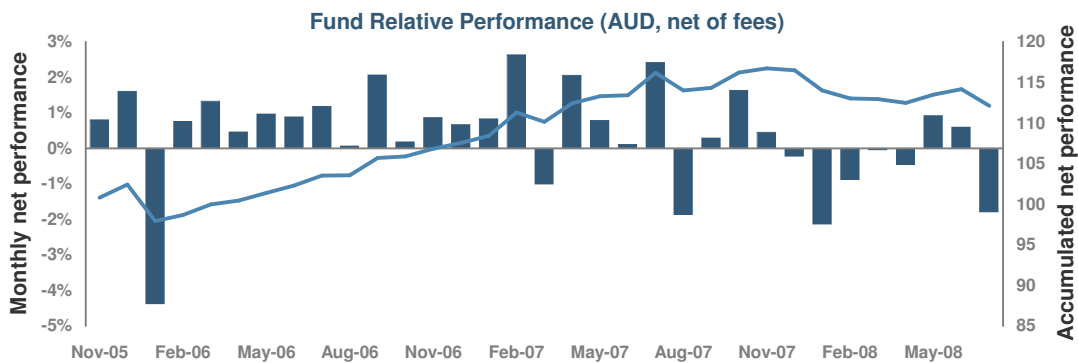
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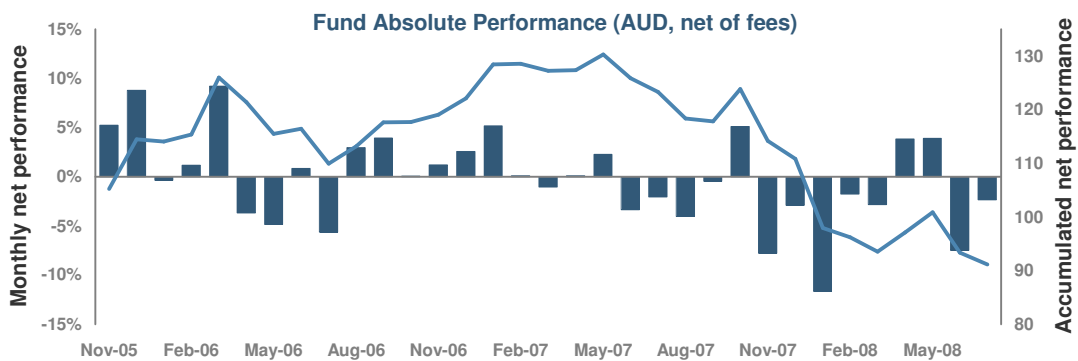
## Accumulated Fund and Benchmark Performance



## Monthly Fund Relative Performance



## Monthly Fund Absolute Performance



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