

Pengana Global Small Companies Solution September 2008 Update



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Fund Description

The Pengana Global Small Companies Solution uses a multi manager approach, investing with regional small company investment specialists to produce a global portfolio. Small companies have the potential to provide attractive returns to investors, and should perform well relative to the broader market over the long term due to their greater risk premium. Pengana has selected underlying managers that demonstrate a superior understanding of their respective markets and an ability to capitalise on this relatively inefficient asset class. The Fund currently invests in three regions: North America, Europe and Asia, with the Benchmark equally weighted between the three regions. The Fund is passively rebalanced back to the Benchmark, and exposure to international investments hedged back into Australian dollars, with the intention of covering the Fund's exposure to currency risk.

Fund Features

Style	Multi manager investing in regional small company specialists	Management Fees ¹ (monthly)	0.7688% p.a.
Benchmark	Equally weighted to the three major developed regions: North America, Europe including UK, and Asia including Japan	Performance Fees ¹ (quarterly)	10.25% p.a. over benchmark hurdle (net of fees)
Investors	Open to Retail Clients	Underlying Manager Costs	The costs will be within the range of 0.5% p.a. to 1% p.a.
Inception Date	November 2005	AUM at Month End	A\$29.4m
Identification Code	ARSN 120 300 450	Application/Redemption Price at Month End	Application: A\$0.7098 Redemption: A\$0.7042

Fund Commentary

Fund Performance (A\$, net of fees) ^{2, 3}

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-11.7%	-1.7%	-2.8%	3.8%	3.9%	-7.5%	-2.4%	-0.9%	-11.5%				-27.9%
2007	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%
2006	-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%
2005											5.2%	8.8%	14.5%

September witnessed the worst month for small cap equity markets since October 1987 as fear and panic dominated global financial markets following a series of negative developments in the US, starting with the bankruptcy of Lehman Brothers, the takeover of major financial institutions including Merrill Lynch, and then finally the rejection of a \$700billion bailout package by the US House of Representatives. Investors focused on the global impact of the credit crisis, and this has impacted larger companies which typically have more multinational operations. As a result small caps have continued to outperform large caps globally. The unprecedented liquidity injections made by the US Federal Reserve and central banks around the world are expected to take effect early in 2009, and the underlying managers continue to accumulate strong companies with good management and solid balance sheets at attractive valuations, which should benefit from the upturn in the medium term.

Fund Performance (A\$, net of fees) ^{2,3}

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a.	Standard Deviation
Fund	-11.5%	-14.4%	-32.1%	-14.4%	-7.4%	17.0%
Benchmark	-11.7%	-11.4%	-29.5%	-11.4%	-10.5%	16.0%
North America	-7.2% ⁴	2.0% ⁴	-23.0% ⁴	2.0% ⁴	-2.6% ⁴	17.2% ⁴
Benchmark	-8.1%	-1.2%	-15.4%	-1.2%	-2.6%	15.7%
Europe	-16.2% ⁴	-23.4% ⁴	-46.5% ⁴	-23.4% ⁴	-4.1% ⁴	22.1% ⁴
Benchmark	-15.6%	-16.7%	-39.4%	-16.7%	-5.2%	19.2%
Asia	-12.1% ⁴	-22.5% ⁴	-31.5% ⁴	-22.5% ⁴	-17.8% ⁴	22.4% ⁴
Benchmark	-12.3%	-17.0%	-33.6%	-17.0%	-23.6%	19.4%

¹ Including GST less any reduced tax input credits. Please refer to the Product Disclosure Statement for a more detailed explanation.

² Past performance is not a reliable indicator of future performance

³ The fund's currency exposure was unhedged until 30 June 2007

⁴ Estimate only

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Fund Commentary (cont'd)

North America	
Manager	Cortina AM
Benchmark	Russell 2000
Fund Allocation	35.7%
Month Return ^{2,3,4}	-7.2%
Benchmark	-8.1%
Top 5 Positions	
3.4%	J2 Global Communications
2.8%	Comtech Telecom
2.2%	Argo Group
2.2%	Watsco Inc
2.1%	Carter

US small cap markets fell -8.1% as the credit crisis entered a new phase, crippling financial institutions and economic growth both domestically and abroad. As with elsewhere in the world, small caps are outpacing large caps; this month the S&P500 has lost -8.8% and the NASDAQ has fallen -11.6%.

During September the credit crunch reached a new crisis point, with banks unwilling to lend to customers and each other, and financial services companies focused on reducing their leverage and counterparty risk. This absence of liquidity leaves large and small businesses at risk, as they are without access to capital to finance day-to-day transactions. This extends to even the strongest of companies with the most solid balance sheets, prompting the Federal Reserve and Treasury to inject liquidity into the banking system until credit markets can appropriately price risk.

In this environment, hedge funds in particular have exerted selling pressure across a wide range of stocks, including some of those held by the Pengana Global Small Companies Solution. This has presented the opportunity for Cortina to build positions in these companies at fire sale prices. Understandably, this may impact short term performance, especially as October's third quarter earnings' announcements are expected to add to the pessimism that currently pervades the minds of investors. However, the S&P500 is now trading at 12.4 times earnings, which is the 2nd cheapest valuation decile in the past 50 years. In 2009 the unprecedented liquidity injections should positively jump start the economy and drive optimism back into the marketplace.

Europe (including UK)	
Manager	Munros CM
Benchmark	HSBC Europe
Fund Allocation	29.5%
Month Return ^{2,3,4}	-16.2%
Benchmark	-15.6%
Top 5 Positions	
5.9%	Grifols
5.9%	Spice Holdings
5.6%	Tullow Oil
3.9%	Shanks
3.6%	Wincor Nixdorf

September witnessed the worst month for European small cap equity markets since October 1987, as bankruptcies and rescues of leading global financial companies took their toll on investor confidence. Day to day volatility intensified as markets sought direction; low trading volumes remained a prominent feature, and microcaps were particularly vulnerable to indiscriminate selling and large markdowns. The European portfolio fell -16.2%, lagging its benchmark which lost -15.6%.

In a sign of the all-round weakness in the Eurozone, the strongest markets were Switzerland (-7.4%) and Portugal (-10.7%), while the weakest markets were Norway (-27.5%) and Germany (-18.6%). The largest positive contribution to the portfolio's performance this month was by Hellenic Exchanges, which recovered from a large sell-off in recent months to gain +1.2%. The largest detractor from performance was the Irish outsourced services provider Newcourt Group, which fell -55% as small investors dumped its stock. Munros have organised a meeting with the company's management team.

Despite the fear that is dominating the markets at the moment, Munros believe that the portfolio offers solid medium term value; ratings are modest and when confidence returns there is significant upside potential.

Asia (including Japan)	
Manager	Sparx AM
Benchmark	MSCI Japan Small
Fund Allocation	34.8%
Month Return ^{2,3,4}	-12.1%
Benchmark	-12.3%
Top 5 Positions	
3.4%	T-Gaia Corporation
3.2%	Studio Alice Co.
3.1%	Benefit One Inc
3.1%	Culture Convenience Club
3.0%	Fujistaff Holdings

This month was a turbulent one for Japanese small cap equity markets, with a sell off initially triggered by the sudden resignation of Prime Minister Yasuo Fukuda, and then followed by the looming financial crisis in the US. This was exacerbated by a strengthening Japanese yen against the euro and greenback. The fund fell -12.1% in September, outpaced by the MSCI Japan Small Caps index which fell -11.7%, but both were ahead of the Japanese large cap markets, which fell -12.6%.

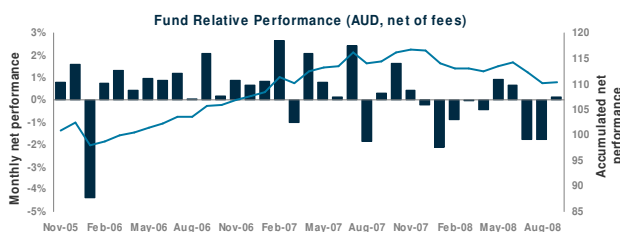
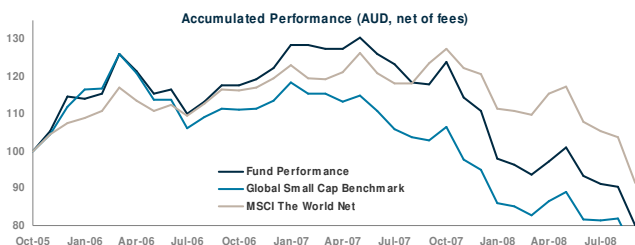
The portfolio's largest detractor was last month's greatest contributor, Tokyo Rope Manufacturing, which fell in September on concerns that it would not be able to justify increasing the cost of its products now that commodity prices have peaked out. The nursing home operator Message Co was also a major detractor, with its stock falling amidst profit-taking activity and concerns that its price had risen beyond levels justified by its earnings' outlook. Culture Convenience Club had a strong month, benefiting from a surge in its membership base. Ishii Hyoki, a Japanese electric machinery parts manufacturer, rebounded in September from its decline the previous month, in response to growing demand for solar battery wafers.

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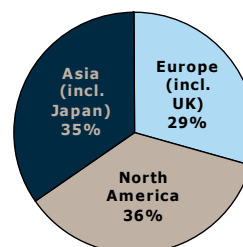
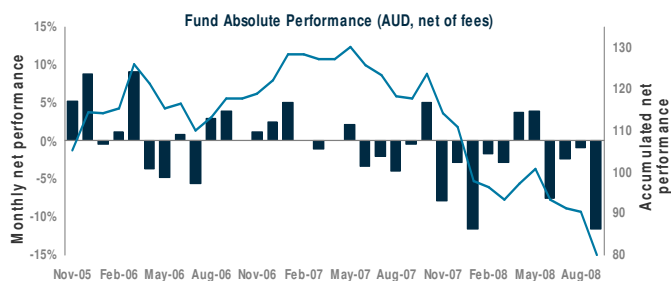


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Accumulated Fund and Benchmark Performance ^{2,3} Monthly Fund Relative Performance ^{2,3}



Monthly Fund Absolute Performance ^{2,3} Fund Allocation



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