

Pengana Global Small Companies Solution

October 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.
Minimum Initial Investment Amount	\$A25,000 (direct)	AUM at Month End	A\$22.2m
Inception Date	November 2005	Application/ Redemption Price at Month End	Application: A\$0.5365 Redemption: A\$0.5323
Identification Code	ARSN 120 300 450		

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%	-24.4%			-45.5%
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%

The month of October 2008's fall of -18.4% surpassed September 2008 as the worst month for small cap equity markets since 1937 in the midst of the Great Depression. Even the mid month bear market rallies, which saw two daily gains of over 10% each, could not turn the tide of investor sentiment. Fund managers confronted with redemptions are forced to sell down their portfolios, irrespective of company fundamentals.

History suggests that the market will bottom out during 2009, although currently economic news regarding the de-leveraging process being undertaken by banks, investors and consumers suggests further caution. The reward for investing during disturbing economic times can be significant. Small caps have widely outperformed large cap stocks during market recoveries as small domestically-oriented companies are usually quicker to re-assert themselves when the economy recovers.

Fund Performance to 31 October 2008 (A\$, net of fees) ^{2,3}

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a.	Standard Deviation
Fund	-24.4%	-33.7%	-51.2%	-35.3%	-15.5%	21.7%
Benchmark	-18.4%	-27.2%	-44.4%	-27.6%	-16.1%	18.7%
North America	-17.2%	-19.4%	-39.9%	-15.5%	-8.7%	19.6%
Benchmark	-20.9%	-24.6%	-34.9%	-21.8%	-9.9%	19.6%
Europe	-20.9%	-32.8%	-58.8%	-39.4%	-11.5%	24.7%
Benchmark	-20.2%	-30.6%	-53.3%	-33.6%	-11.9%	22.1%
Asia	-24.7%	-39.3%	-52.0%	-43.1%	-26.0%	26.4%
Benchmark	-17.2%	-30.3%	-47.0%	-31.3%	-27.7%	21.0%

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

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Fund Commentary (cont'd)

North America		
Manager	Cortina AM	Throughout October the US portfolio fell -17.2%, while its benchmark fell -20.8%, in what has been the worst month for US small caps since the Great Depression. The portfolio's largest holding is now Argo Group International, a national underwriter of specialty insurance and re-insurance products in the property-casualty market. The Financials sector, which includes insurance companies like Argo Group, has been hit hard by the credit crunch and ensuing economic downturn. It has also been the subject of substantial government stimulus packages and guarantees, which should see a recovery in the near future. The portfolio continues to be overweight Information Technology and Telecommunications sectors. While it is unwise to ignore the de-leveraging process that is choking economic growth in the US and globally, the US portfolio manager has mapped out the market bottom over the next few months, and believes that the small cap market offers far greater opportunities than a year ago.
Benchmark	Russell 2000	
Fund Allocation	37.8%	
Month Return ^{2,3}	-17.2%	
Benchmark	-20.9%	
Top 5 Positions		
3.4%	Argo Group	
2.8%	J2 Global Communications	
2.7%	Carter Inc	
2.4%	Vasco Data Security Inc	
2.2%	Polycom Inc	

Europe (including UK)		
Manager	Munros CM	Fear remained the dominant sentiment in October, and European small cap markets proved no exception. The prospective PE of the European portfolio is now in single digits, reflecting the extremely low valuations in the market and continued forced selling that is placing downward pressure on prices. This month the fund fell -20.9%, slightly below its benchmark which lost -20.2%. Recession fears are spooking investors in Europe as is the case all over the world. Volatility continues to pervade all asset classes; equities, commodities and currencies alike. Newcourt bounced +50% this month after losing -55% last month as rumours circulated of a takeover. Also oversold last month were YouGov and Prosafe Production, which during October rallied +30.5% and +18.6% respectively. Oil prices fell sharply this month, to the detriment of the oil service companies Wellstream and Lamprell, both of whom reported solid earnings figures during October.
Benchmark	HSBC Europe	
Fund Allocation	30.9%	
Month Return ^{2,3}	-20.9%	
Benchmark	-20.2%	
Top 5 Positions		
6.6%	Spice Holdings	
6.4%	Grifols	
4.0%	Tandberg	
3.9%	Aryzta (formerly IAWS)	
3.9%	VT Group	

Asia (including Japan)		
Manager	Sparx AM	Japanese equity markets plunged throughout October, with investor sentiment weighed down by weak global markets and the negative economic outlook. The Japanese yen continues to appreciate as currency investors seek a safe haven, however this does not bode well for Japanese exporters' stocks. The fund fell -24.7% this month, lagging its benchmark which fell -17.2%. Small cap stocks continued to outpace large caps this month, as with the last 3 months. The portfolio's greatest contributions came from retailers and companies tied closely to domestic consumer spending as investors sought out shares less exposed to the harsh global economic environment. Small caps are facing the same selling pressure that all equities are facing, however the impact of this has been compounded by their less liquid nature.
Benchmark	MSCI Japan Small	
Fund Allocation	31.3%	
Month Return ^{2,3}	-24.7%	
Benchmark	-17.2%	
Top 5 Positions		
3.4%	T-Gaia Corporation	
3.3%	Kakaku.com Inc	
3.3%	Studio Alice Co.	
3.2%	Culture Convenience Club	
2.9%	Benefit One Inc	

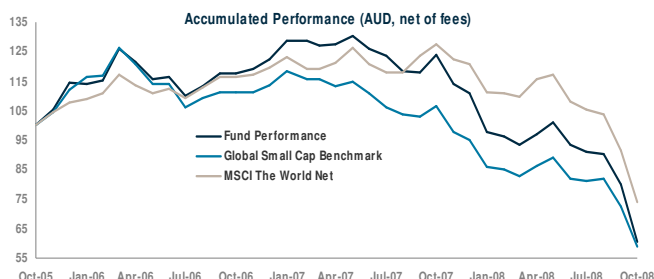
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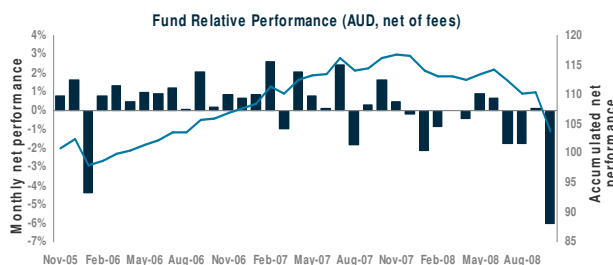


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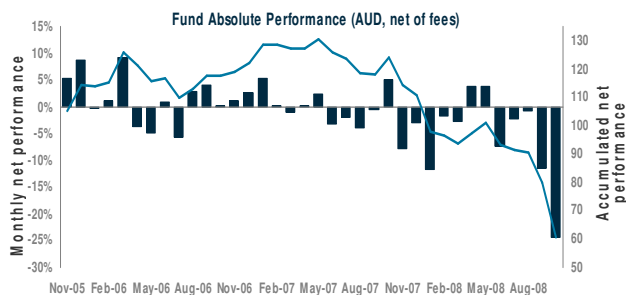
Accumulated Fund and Benchmark Performance ^{2,3}



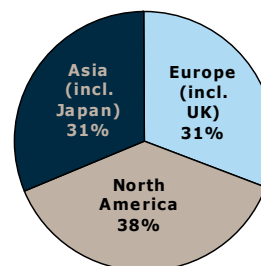
Monthly Fund Relative Performance ^{2,3}



Monthly Fund Absolute Performance ^{2,3}



Fund Allocation



Contact Details

Pengana Capital Limited • Level 29, 20 Bond Street, Sydney, NSW 2000, Australia • T +61 2 8524 9900 • F +61 2 8524 9901
ABN 30 103 800 568, AFSL 226566

For further information, please visit our website at www.pengana.com or contact:

Institutional Clients: Denis Carroll, +61 2 8524 9974, denis.carroll@pengana.com
Private Clients: Juliet Dunworth, +61 2 8524 9984, juliet.dunworth@pengana.com
Advisors & Retail Clients: Justin Brooks, +61 3 8663 7906, justin.brooks@pengana.com

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