

Pengana Emerging Companies Fund Fact Sheet (September 2008)



Australian Equities - Small Caps

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Overview

Pengana seeks to combine the skills of highly experienced small company investors with a limited fund size to provide above market returns over the medium term. Our benchmark is the S&P/ASX Small Ordinaries Accumulation Index. The fund managers are part owners of the business and investors in the fund, providing a strong incentive to perform.

The Fund has strong research recommendations (please see last page for a more detailed explanation), with an "A" ⁱ rating from van Eyk, a "Highly Recommended" rating from Lonsec ⁱⁱ, and a 4 Star fund rating from Standard & Poor's ⁱⁱⁱ. The fund is also well rated by Mercer, and the strategy has been reviewed by Morningstar. The Fund is available to both direct investors and through a number of Master Trust or Wrap Account platforms, including Asgard, BT Wrap, Macquarie Wrap, MLC MasterKey Custom, Oasis and Symetry.

Award Winning Investment Team

A specialist small companies team manages the Fund. Steve Black and Ed Prendergast each have over 12 years of experience researching small companies.

Steve Black managed the award winning JBWere Emerging Leaders Fund for almost 7 years, a period over which the fund delivered an average return of 19% pa (around 10% pa above the fund's benchmark). The fund was voted the number one small companies fund in Australia in 2000 and 2001 by Personal Investor magazine before being closed to new investment in Nov 2001. Steve was a partner of Goldman Sachs JBWere before resigning to establish the Pengana Emerging Companies fund in Oct 2004.

Ed Prendergast has over 12 years experience in researching small companies with major stockbroking firms. From 1997 to 2004 he was an analyst at Citigroup and ABN Amro before leaving to establish the Pengana Emerging Companies Fund. Ed was ranked the number one small companies broking analyst in Australia in both 2003 and 2004 by BRW magazine.

Investment Philosophy

Pengana is an active stock picker with an underlying belief that smaller companies' share prices are often incorrectly priced due to a lack of broker coverage. Pengana has limited the funds under management to circa \$450m ¹ in order to capitalise on this inefficiency, which is often greatest in less liquid stocks.

Our fee structure is heavily geared to performance which aligns the interests of investors with fund managers. We have chosen a lower Ongoing Fee Measure (previously known as the MER) for the fund and added a performance based fee ². With this structure in place the principal motivation for a fund manager is to deliver strong performance above its benchmark. Once the fund is closed to new investments, this fee structure (and limited fund size) ensures the fund manager remains primarily incentivised on superior performance.

Stock Selection Process

Pengana's investment process is centred around a very active company visitation program in the belief that management is the most important factor in assessing investments in the sector. Over time we expect to visit most of the 800 companies in our universe. Qualitative based analysis focuses on management,

¹ The fund will raise no more than 0.5% of the S&P/ASX Small Ordinaries Accumulation Index.

² The performance fee is 20.5% (inclusive of GST less any applicable reduced input tax credits) of the performance above the S&P/ASX Small Ordinaries Accumulation Index, after the deduction of the ongoing management costs of 1.3325% and assuming reinvestment of all dividends.

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product/service quality, competitive advantage, growth prospects and financial position. Favoured stocks are then fully modelled providing the inputs for a standardised cashflow based valuation. We then cross check this valuation with other investment tools such as PE and EV/EBITA ratios and dividend yields.

As we will only invest in companies we can value with relative confidence we will not own resource companies or loss making biotech stocks.

We seek to lessen portfolio risk by holding around 50 to 60 stocks and having a maximum weight in any one stock of 7% above index weight. We will seek to hold a minimal cash holding in the fund at all times.

Fund Overview

Fund Investments	Securities listed on the ASX (outside the S&P/ASX 50 Leaders Index) and New Zealand
Fund Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Income Distribution	Half yearly (end June and December)
Entry/Exit Fee	Nil
Ongoing Fee Measure (OGFM)	1.3325% ³
Performance Fee	20.5% of the performance above the S&P/ASX Small Ordinaries Accumulation Index ⁴
Launch Date	1 November 2004
Fund Raising	Maximum of 0.5% of the S&P/ASX Small Ordinaries Index capitalisation.
Website	www.pengana.com

Net performance for periods ending 30 September 2008 ⁵

	3 months	6 months	1 year	2 years p.a.	3 years p.a.	Since inception p.a.
Pengana Emerging Companies Fund	-2.60%	-9.40%	-30.40%	+3.20%	+12.60%	+16.50%
S&P/ASX Small Industrials Acc Index ⁶	-4.10%	-17.00%	-37.10%	-10.80%	-3.00%	+1.80%
Outperformance	+1.50%	+7.60%	+6.80%	+14.00%	+15.60%	+14.70%
S&P/ASX Small Ordinaries Acc Index	-18.10%	-21.90%	-34.50%	-5.40%	+1.50%	+6.30%
Outperformance	+15.60%	+12.50%	+4.20%	+8.60%	+11.10%	+10.20%

³ The OGFM is capped at 1.3325% (including GST less applicable reduced input tax credits) of average annual Net Asset Value of the Fund for the life of the Product Disclosure Statement. This capped amount does not incorporate an allowance for a performance fee of which may be payable in excess of the capped amount. Please refer to the PDS for a more detailed explanation.

⁴ The performance fee is 20.5% (inclusive of GST less any applicable reduced input tax credits) of the performance above the S&P/ASX Small Ordinaries Accumulation Index, after the deduction of the ongoing management costs of 1.3325% and assuming reinvestment of all dividends.

⁵ Net performance figures are derived from Manager's records and are shown after both management fees and performance fees, and assume reinvestment of income. Past performance is not a reliable indicator of future performance.

⁶ The fund does not invest in resource stocks.

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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

ⁱ van Eyk Research Limited (ABN 99 010 664 632 AFSL 237917) (van Eyk) rates investment management capabilities rather than individual products. This rating is valid as at October 2008 but can change or cease at anytime and should not be relied upon without referring to the meaning of the rating, as well as the full manager report, available to subscribers at www.iRate.vaneyk.com.au. Past performance information given in this document is given for illustrative purposes only and should not be relied upon as it is not an indication of future performance. van Eyk has not directed the publication of Pengana Capital Limited's rating. The rating is not intended to influence you and your client's investment decision in relation to any products managed by Pengana Capital Limited and does not take into account your client's individual financial situation, needs or objectives. We recommend that you and your client do not rely on this rating in making an investment decision and instead you seek advice from an appropriate investment adviser and read the product disclosure statement before making such a decision.

ⁱⁱ Lonsec Limited ("Lonsec") ABN 56 061 751 102 rating (assigned May 2008) presented in this document is limited to 'General Advice' and based solely on the consideration of the investment merits of the financial product(s). It is not a recommendation to purchase, sell or hold the relevant product(s), and you should seek independent financial advice before investing in this product(s). The rating is subject to change without notice and Lonsec assumes no obligation to update this document following publication. Lonsec receives a fee from the fund manager for rating the product(s) using comprehensive and objective criteria.

ⁱⁱⁱ To the extent that any ratings, opinions or other information of Standard & Poor's Informational Services (Australia) Pty Ltd (ABN: 17 096 167 556, Australian Financial Services Licence Number: 258896) ("Standard & Poor's") constitutes general advice, this advice has been prepared by Standard & Poor's without taking into account any particular person's financial or investment objectives, financial situation or needs. Before acting on any advice, any person using the advice should consider its appropriateness having regard to their own or clients' objectives, financial situation and needs. You should obtain a Product Disclosure Statement relating to the product and consider the statement before making any decision or recommendation about whether to acquire the product. Past performance is not a reliable indicator of future performance. Ratings can change or cease at any time and should not be relied upon without referring to the meaning of the rating. For more information regarding ratings please call S&P Customer Service on 1300 792 553 and also refer to Standard & Poor's Financial Service Guide at www.assirt.com.au. Each analytic product or service of Standard & Poor's is based on information received by the analytic group responsible for such product or service. "S&P" and "Standard & Poor's" are trademarks of the McGraw-Hill Companies, Inc. ©2007 Standard & Poor's Information Services (Australia) Pty Limited.