

NEWS RELEASE

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PENGANA LAUNCHES SMALL CAP FUND

Exceptional team combined with capped fund size provides unique opportunity for outperformance

Pengana Capital Limited today announced the launch of a new small cap fund, the Pengana Emerging Companies Fund. This fund will be managed by Steve Black and Ed Prendergast who have a combined 18 years experience in small cap investing, encompassing funds management and institutional research. Importantly, the fund will be initially capped at \$300m, which should materially enhance performance potential. The fund is expected to be open in early November and will target clients of financial planners.

From January 1998 to September 2004, Steve Black was the Portfolio Manager of the highly successful JB Were Emerging Leaders fund. Over this period the fund was ranked the 2nd best performing small company fund in Australia and was awarded The Australian Small Company Fund of the Year by Personal Investment Magazine in both 2000 and 2001 when it was closed to new investment. Under Steve's management the fund grew from less than \$30m to in excess of \$900m.

Ed Prendergast has 10 years experience researching listed small companies for institutional investors. From April 2000 to September 2004, Ed was the team leader of the top rated Small Cap analyst team at Citigroup. The recently published 2004 BRW survey of fund managers ranked Ed number 1 small cap analyst in Australia for the second year running.

Russel Pillemer, CEO of Pengana Capital, said the combination of Steve Black and Ed Prendergast was unequalled. "We are thrilled to be able to add such a high quality team. The unique blend of skills and experience of Steve and Ed in the selection and management of a small cap Australian equity portfolio is amongst the best in the market," Mr Pillemer said.

The Pengana Emerging Companies Fund will invest in listed small companies outside the S&P/ASX 50 Leaders Index. The team will use a disciplined bottom up approach to stock selection that will involve a rigorous company visitation program and detailed valuations using discounted cash flow techniques.

The size of the fund will initially be limited to \$300m at which point it will not accept further funds from investors. Over time the capacity will only increase in line with the growth of the small cap market.

"To maximise the level of outperformance that a small cap fund can consistently generate we firmly believe it needs to have a limited size so that it can remain nimble and take advantage of smaller opportunities. The expertise of the Pengana small cap team combined with the capping of the fund at a low dollar amount will provide for a clear opportunity to outperform" Mr Pillemer said.

Pengana Capital Limited is an investment management business focusing on delivering high quality products in both the traditional and hedge fund segments of the market. Pengana Capital currently manages the Pengana Property Securities Fund and the listed investment company Pengana Managers Limited. In addition it represents four Australian single strategy hedge funds and has exclusive Australian distribution for the HFRX investable hedge fund indexes.

For further information, please see the Pengana website at www.Pengana.com.au or contact Russel Pillemer on (02)8248-3907 or Louise Thomas (National Distribution Manager) on 0419-137-191.

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