

# Pengana Global Small Companies Solution

## November 2008 Update



1 of 3

### 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

<b>Style</b>	Multi manager investing in regional small company specialists	<b>Management Fees <sup>1</sup> (monthly)</b>	0.7688% p.a.
<b>Benchmark</b>	Equally weighted to the three major developed regions: North America, Europe including UK, and Asia including Japan	<b>Performance Fees <sup>1</sup> (quarterly)</b>	10.25% p.a. over benchmark hurdle (net of fees)
<b>Investors</b>	Open to Retail Clients	<b>Underlying Manager Costs</b>	The costs will be within the range of 0.5% p.a. to 1% p.a.
<b>Minimum Initial Investment Amount</b>	\$A25,000 (direct)	<b>AUM at Month End</b>	A\$20.5m
<b>Inception Date</b>	November 2005	<b>Application/ Redemption Price at Month End</b>	Application: A\$0.5276 Redemption: A\$0.5234
<b>Identification Code</b>	ARSN 120 300 450		

### Fund Commentary

<b>Fund Performance (A\$, net of fees) <sup>2,3</sup></b>													
	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%	-1.7%		-46.4%
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%

In a relative sense the Fund had a good month, outperforming its benchmark by 6%. However, its return of -1.7% represents the sixth consecutive month of negative performance. Evidence suggests that many small companies are now very attractively priced, however there does not appear to be a commensurate change in sentiment as the markets continue to fall.

Pengana has conducted research on Asian (ex Japan) small company managers during the month. The falls in Asia have been severe while earnings have remained relatively strong. We see good potential in this region and will look to add an additional Asian small cap specialist to the Fund in the coming months.

<b>Performances to 30 November 2008 (A\$, net of fees) <sup>2,3</sup></b>						
	<b>1 Month</b>	<b>3 Months</b>	<b>1 Year</b>	<b>Financial YTD</b>	<b>Since Inception p.a.</b>	<b>Standard Deviation</b>
<b>Fund</b>	<b>-1.7%</b>	<b>-34.2%</b>	<b>-48.0%</b>	<b>-36.3%</b>	<b>-2.2%</b>	<b>16.4%</b>
Benchmark	-7.7%	-33.4%	-44.1%	-33.2%	-4.7%	14.4%
<b>North America</b>	<b>-9.1%</b>	<b>-30.1%</b>	<b>-42.3%</b>	<b>-23.2%</b>	<b>1.4%</b>	<b>19.0%</b>
Benchmark	-11.8%	-35.9%	-38.1%	-31.1%	-2.9%	19.7%
<b>Europe</b>	<b>-12.5%</b>	<b>-42.0%</b>	<b>-58.4%</b>	<b>-47%</b>	<b>-1.5%</b>	<b>22.7%</b>
Benchmark	-8.3%	-38.3%	-52.6%	-39.1%	-3.2%	18.0%
<b>Asia</b>	<b>7.9%</b>	<b>-28.6%</b>	<b>-44.9%</b>	<b>-37.0%</b>	<b>-7.5%</b>	<b>23.0%</b>
Benchmark	0.8%	-26.8%	-42.1%	-30.7%	-10.0%	22.4%

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

<sup>2</sup> Total performance figures are shown after all fees and charges, and assume reinvestment of income. Past performance is not a reliable indicator of future performance

<sup>3</sup> The fund's currency exposure was unhedged until 30 June 2007.

# Pengana Global Small Companies Solution November 2008 Update



## Fund Commentary (cont'd)

North America		
Manager	Cortina AM	The US market suffered a broad sell off following the culmination of the US election and a refocus on the economic realities faced by the country. The Russell 2000 was down 11.8%, underperforming large caps as investors moved to increase defensive positions.  The Cortina portfolio outperformed thanks to strong relative performance in the Technology, Financial Services and Consumer Discretionary sectors. On the whole however these sectors struggled, as did Energy due to the falling oil price. The only sector to post a positive return for the month was Utilities, with defensive Consumer Staples and Healthcare sectors also outperforming the broader market.
Benchmark	Russell 2000	
Fund Allocation	34%	
Month Return <sup>2,3</sup>	-9.1%	
Benchmark	-11.8%	
Top 5 Positions		
3.8%	J2 Global Communications	Cortina have continued their search for franchise companies that dominate their markets. They believe that due to the significant fiscal and monetary surplus in the US and the possibility that the recession started as long ago as December 2007 (National Bureau of Economic Research), the market will soon begin to show signs of recovery. They have used the recent volatility to reweight positions and are now seeking to further reduce cash balances and invest capital in appropriate opportunities.
3.4%	Argo Group	
2.4%	Vasco Data Security Inc	
2.3%	HMS Holdings Corp	
2.3%	Watsco Inc Com	

Europe (including UK)		
Manager	Munros CM	The European small company market had another tough month, falling by 8.3%. Munros underperformed by a further 4.2%. While all small company markets have fallen significantly in the bear market, Europe has been the worst, falling almost 60% over the last year.  Spice Holdings (diversified industrial goods) and Grifols (health) remain the most significant positions in the Fund. Country exposure favoured Spain and Switzerland on the Continent, with the UK exposure currently at 28.4%. Spain and Switzerland proved to be two of the better performing markets but still lost ground over the month.
Benchmark	HSBC Europe	
Fund Allocation	27%	
Month Return <sup>2,3</sup>	-12.5%	
Benchmark	-8.3%	
Top 5 Positions		
6.5%	Spice Holdings	European investors' fears of a global recession have increased despite concerted interest rate cuts. Companies such as Newcourt have fallen dramatically with very little volume and no company specific news to point to. Such events suggest forced selling activity as investors close positions to meet redemptions or other cash flow commitments. Until this unwinding relents it is unlikely we will witness a return to fundamentals or a recovery in small company stock prices.
6.4%	Grifols	
4.2%	VT Group	
3.8%	Tandberg	
3.6%	Wincor Nixdorf	

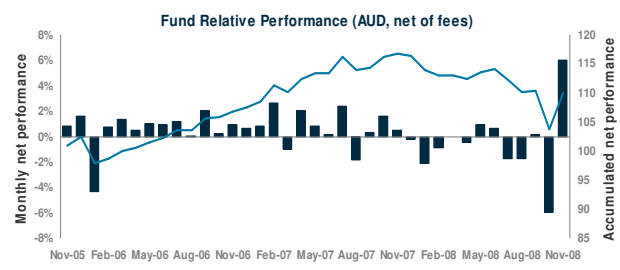
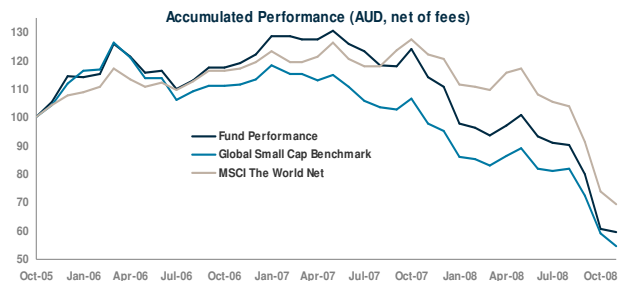
Asia (including Japan)		
Manager	Sparx AM	Our Japanese investment manager Sparx had an excellent month, generating a return of 7.9%, 7.2% above its benchmark. The Japanese market fell at the commencement of the month but then rallied following the news that Citigroup would be bailed out. Many small cap stocks rose significantly as investors sought bargains with, in some cases, little regard for earnings outlooks.  The biggest contributor to the Fund's performance was Japan Wind Development, a developer of wind power generators. Demand is expected to increase and the stock should benefit from its listing on the newly established non CO2 emissions market. Companies that are relatively immune from the appreciating Yen, especially versus the US dollar also performed well, particularly those in the services and wholesale sectors.
Benchmark	MSCI Japan Small	
Fund Allocation	39%	
Month Return <sup>2,3</sup>	7.9%	
Benchmark	0.8%	
Top 5 Positions		
3.9%	Culture Convenience Club	Detractors from performance included machinery and electronic appliance related stocks which fell due to a combination of profit taking and concerns regarding constrained investment. Sparx increased its investments in the more heavily sold off cases, and reduced positions in others that it believed had risen too fast.
3.8%	T-Gaia Corporation	
3.6%	Kakaku.com Inc	
3.0%	Benefit One Inc	
3.0%	Fujistaff Holdings	

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.

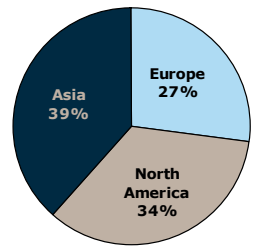
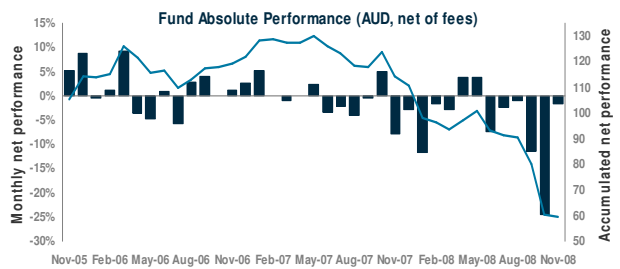
# Pengana Global Small Companies Solution November 2008 Update



## Accumulated Fund and Benchmark Performance <sup>2,3</sup>      Monthly Fund Relative Performance <sup>2,3</sup>



## Monthly Fund Absolute Performance <sup>2,3</sup>      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](http://www.pengana.com) or contact:

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

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.