

Pengana Global Volatility Fund

December 2008 Update (Australian Feeder Fund)



1 of 2

Fund Description

The Pengana Global Volatility Fund seeks to provide investors with a non directional actively traded derivative strategy focused on volatility. The Fund trades in North American equity index futures, options and other volatility-based instruments and derives returns from mispricing of these instruments due to changes in volatility. The strategy began trading in November 2007^{2,3} and is managed by a highly experienced team led by Alvin Wilkinson.

Fund Features

Style	Non-directional global volatility	Management Fees¹ (monthly)	Class A: 2.0% p.a. Class B: 0.5% p.a.
Investors	Wholesale Investors only	Performance Fees¹ (quarterly)	Class A: 20% Class B: 30%
Minimum Initial Investment Amount	A\$100,000	Trustee Fee¹	0.2% per annum of the net asset value of the Fund
Inception Date	November 2007 ^{2,3}	AUM at Month End	A\$61.3m

Fund Commentary

Fund Performance (Class A Units, in A\$, net of fees) ^{2,3,4}													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	3.5%	2.6%	1.1%	1.2%	2.1%	5.8%	1.8%	1.1%	-38.3%	-17.1%	68.2%	0.3%	4.3%
2007											1.6%	1.3%	2.8%

Fund Performance (Class B Units, in A\$, net of fees) ^{2,3,4}													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	3.5%	3.4%	0.7%	1.1%	1.9%	5.2%	1.7%	1.0%	-37.5%	-16.7%	66.7%	0.4%	4.6%

As discussed in previous commentaries the Fund was de-risked in late November by crystallising a number of the positions. Limited inventory was carried through December as a consequence of stabilizing the portfolio. Our prudence proved well founded as once again we witnessed unusual pricing activity on very low volumes at year end.

Now we are through the holiday period we will incrementally rebuild and develop the Fund's inventory. We expect continued elevated volatility as the slow repair of the financial system continues. Despite the massive fiscal and monetary stimuli, signs of improving liquidity and banking sector insurance, we doubt volatility will fall to more normal long term levels until there are much clearer signs of the end of the financial crisis. This remains an excellent trading environment for the strategy.

Net Returns to 31 December 2008		
	Class A Units	Class B Units
3 months	39.9%	39.5%
6 months	-11.2%	-10.5%
1 year	4.3%	4.6%
Since inception p.a.	6.2%	4.6%

¹ All percentages are on a GST inclusive basis less applicable reduced input tax credits. Please refer to the Information Memorandum for a more detailed explanation.

² The Fund began trading in May 2008. Performance for the period prior to May 2008 is the performance of all underlying assets managed in the Pengana Global Volatility Strategy. Performance from May 2008 is for the money managed in the Fund itself.

³ Inception Dates: Class A Units - 07 November 2007, Class B Units - 31 December 2007

⁴ Total return performance figures are derived from the Manager's records and are shown after management fees and performance fees, and assume reinvestment of income. Investments can go up and down. Past performance is not a reliable indicator of future performance.

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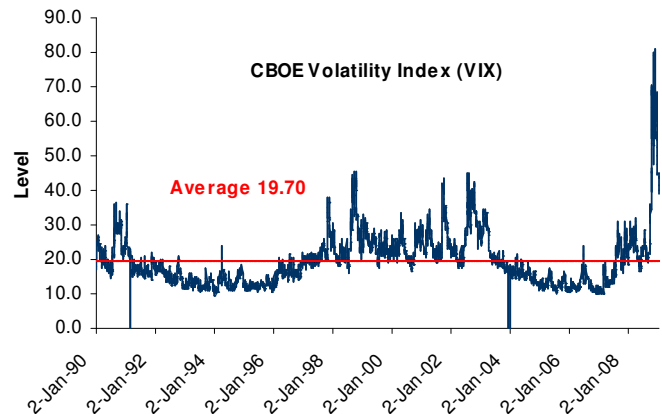
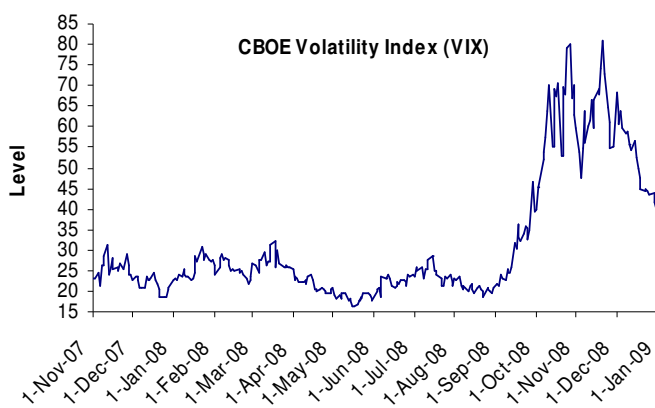


2 of 2

Market Commentary

Following a brief spike up to 68 in the first week of December, the VIX gradually subsided to end the month at 40, a fall of 40%. Although this represents a return to a relatively more rational market, it is still over 2x its long term average and at a level consistent with previous periods of great financial stress such as the Russian default, Asian crisis and bursting of the dot.com bubble. The S&P 500 rose slightly over the month (+0.8%) with the average daily movement still exceeding 2%.

CBOE Volatility Index (VIX)



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