

Pengana Global Small Companies Solution

December 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 Fees¹ (monthly)	0.7688% p.a.
Benchmark	Equally weighted to the three major developed regions: North America, Europe including UK, and Asia including Japan	Performance Fees¹ (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\$21.4m
Inception Date	November 2005	Application/ Redemption Price at Month End	Application: A\$0.5163 Redemption: A\$0.5121
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%	-1.7%	-2.2%	-47.5%
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 Fund fell -2.2% in January, well below the benchmark return of 1.7%. Sparx and Munros under performed while Cortina outperformed by a significant margin. Looking back over the year, all the managers under performed their respective benchmarks, which fell between -35% and -53%. It has been an extremely difficult environment to perform well in. We are more concerned with how the managers are positioned to deal with the current volatility while bearing in mind the prospect of recovery.

As investors know, the Fund is fully hedged between the Australian Dollar and the three currencies in which it invests: US\$, Euro and Yen. The sharp depreciation of the Australian dollar meant that, although the A\$ value of our investments was protected, a margin payment needed to be met on the currency hedge. Some selling of positions was therefore required in December, which impacted performance.

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

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a.	Standard Deviation
Fund	-2.2	-27.3	-47.5	-37.7	-16.1	20.9
Benchmark	1.7	-23.4	-41.5	-32.1	-17.4	18.6
North America	9.4	-17.9	-36.5	-16.2	-8.5	20.5
Benchmark	5.6	-26.4	-34.5	-27.2	-11.7	20.4
Europe	-5.9	-34.9	-60.5	-50.2	-16.4	25.3
Benchmark	-2.9	-28.9	-52.8	-40.8	-14.9	21.9
Asia	0.6	-18.3	-41.1	-36.7	-22.2	25.8
Benchmark	2.5	-14.4	-37.3	-29.0	-26.3	20.7

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
Benchmark	Russell 2000
Fund Allocation	31.1%
Month Return ^{2,3}	9.4%
Benchmark	5.6%
<p>The US small cap market finished the year strongly with the Russell 2000 gaining 5.6% in December. This did not prevent 2008 from being its worst year ever. Cortina performed admirably, generating a return 3.8% above benchmark, and has now outperformed the index for each of the last 6 months.</p> <p>The Energy sector was the only one to fall during the month, Real Estate being the strongest with a return of 13%. Broadly speaking the lower the market cap band the better the performance as investors sought to take on greater risk. Cortina believes that this is unlikely to be a sustained rally as losses in the real economy become apparent following the well documented economic and investment issues faced by corporate America.</p> <p>The two largest holdings each represent 3.4% of the portfolio. Argo Group is an underwriter of speciality insurance in the property market. J2 Global offers communication services to corporate clients through its global telephony and messaging network.</p>	
Top 5 Positions	
3.4%	Argo Group
3.4%	J2 Global Communications
2.2%	Monro Muffler
2.2%	Vasco Data Security Inc
2.1%	Thoratec

Europe (including UK)	
Manager	Munros CM
Benchmark	HSBC Europe
Fund Allocation	30.0%
Month Return ^{2,3}	-5.9%
Benchmark	-2.9%
<p>By contrast to the US the European market did not enjoy a year end rally, falling a further -2.9%. This takes the loss on the HSBC Europe Index to -52.8% for the year, the worst of the 3 markets in which we invest. Munros has failed to outperform in this environment with the micro cap exposure being particularly hard hit. The monthly return was also adversely affected by liquidations necessary to meet a margin call on the Fund's currency hedge.</p> <p>Country performance was mixed. Some markets, for example Germany, performed well while others, such as Greece and Denmark, fell. The portfolio has a significant investment in Ireland of 9.5%, which has suffered from significant selling in the micro cap sector. Newcourt for example, once one of the portfolio's largest positions, fell by 83% and now has a market cap of just Euro3m. On a positive note the portfolio's largest position, Aberdeen Asset Management, rose 33% on news that it had acquired Credit Suisse's asset management business. Tullow Oil, the biggest company held in the portfolio, was also up following favourable exploration results.</p>	
Top 5 Positions	
4.5%	Aberdeen AM
4.2%	Tandberg
3.9%	Bilfinger & Berger
3.8%	Wartsila
3.8%	Teleperformance

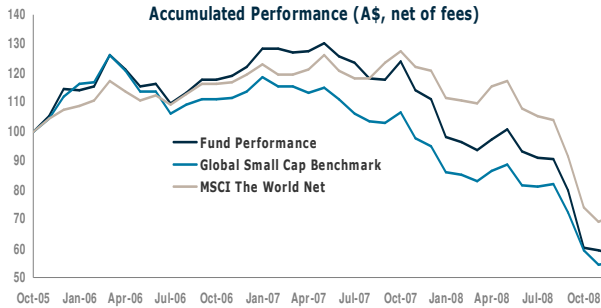
Asia (including Japan)	
Manager	Sparx AM
Benchmark	MSCI Japan Small
Fund Allocation	32.0%
Month Return ^{2,3}	0.6%
Benchmark	2.5%
<p>The Japanese small cap market followed the US and rallied into the New Year, despite the real economy continuing to show a downward trend. It was not the small/cheap/low quality/high risk stocks that rallied, but more those anticipated to benefit from an improving environment in 2009. Emerging and micro cap stocks held back the performance, as demonstrated by the lagging performance of the JASDAQ during the month.</p> <p>The Fund underperformed during December, largely due to profit taking in names that had risen in previous months. It is focused on attractively valued companies with growth potential that are levered to domestic consumption.</p> <p>Concerns remain in the Japanese market regarding the credit crisis and the strengthening Yen, however the real estate market appears to have bottomed and most Japanese companies are cash rich. Sparx anticipates a better year through its focus on companies that demonstrate strong balance sheets and resilience to Yen appreciation.</p>	
Top 5 Positions	
3.7%	T-Gaia Corporation
3.5%	Toridoll Corporation
3.2%	Message Co. Ltd
3.2%	Nihon Dengi Co. Ltd
3.0%	SRA Holdings

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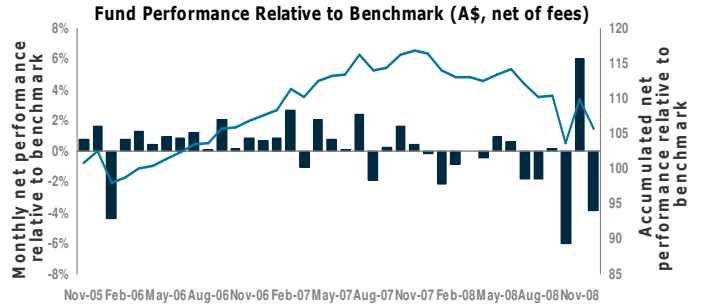


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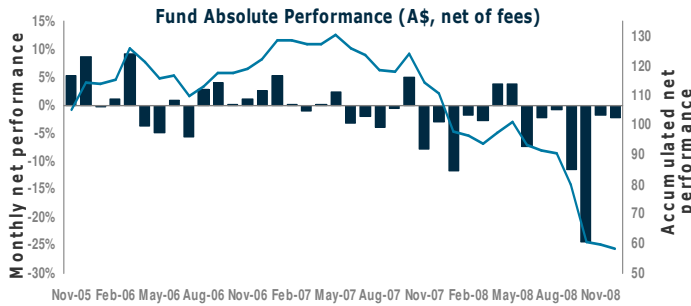
Accumulated Fund & Benchmark Performance ^{2,3}



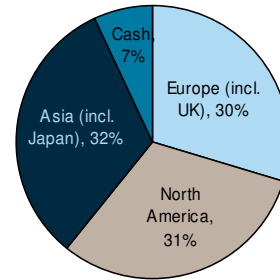
Monthly Fund Performance relative to Benchmark ^{2,3}



Monthly Fund Absolute Performance ^{2,3}



Fund Allocation



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