

Pengana Global Small Companies Solution

February 2009 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

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	Within the range of 0.5% p.a. to 1.0% p.a.
Minimum Initial Investment Amount	A\$25,000 (direct)	AUM at Month End	A\$19.5m
Inception Date	November 2005	Application/ Redemption Price at Month End	Application: A\$0.4589 Redemption: A\$0.4553
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
2009	-4.3%	-7.2%											-11.1%
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 performed relatively well in February but still fell -7.2%. This takes the performance for the financial year to -44.6%. Since inception the Fund has fallen -18.0% pa against the benchmark index which has fallen -19.6% p.a.

Clearly the economic backdrop is bleak with most developed economies in or nearing recessionary conditions and Asia and other emerging economies facing their own issues as they seek to generate domestic demand in the face of declining exports. Small caps are at the front of the queue with respect to assets that investors will sell in a bear market, but they are also the assets that many will buy when they sense recovery. We are starting to see pockets of activity and recognition that some companies will perform well (even if their share price hasn't) and that such conditions actually favour the strong and create opportunities for them.

Fund Performance to 28 February 2009 (A\$, net of fees)^{2,3}

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a.	Standard Deviation
Fund	-7.2%	-13.0%	-46.3%	-44.6%	-18.0%	20.9%
Benchmark	-8.0%	-11.7%	-43.4%	-41.0%	-19.6%	18.7%
North America	-9.7%	-10.3%	-36.4%	-31.3%	-13.2%	21.1%
Benchmark	-12.3%	-17.7%	-43.0%	-43.3%	-17.3%	21.5%
Europe	-9.0%	-16.1%	-59.3%	-55.6%	-18.1%	25.0%
Benchmark	-6.3%	-8.5%	-50.6%	-44.3%	-15.4%	21.6%
Asia	-8.4%	-12.3%	-43.7%	-44.8%	-23.9%	25.4%
Benchmark	-5.5%	-9.1%	-37.8%	-37.0%	-27.3%	20.3%

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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February 2009 Update



2 of 3

Fund Commentary (cont'd)

North America		
Manager	Cortina AM	The Russell 2000 fell again in February, dropping 12.3%. Cortina fared relatively well registering a return of -9.7%. Cortina is doing a good job in a difficult market and has outperformed the benchmark by 6.6% over the last year. Its annualised performance since it was hired by Pengana is 5.1%pa above benchmark.
Benchmark	Russell 2000	
Fund Allocation	29%	
Month Return ^{2,3}	-9.7%	
Benchmark	-12.3%	
The problems faced by US small companies are threefold: economic, fundamental and technical. On the macro economic side bad news continues to dominate, not helped by dramatic media reporting. Employment, GDP forecasts, exports and housing prices are all falling, and there appears to be no respite. The majority of companies provided disappointing earnings reports in the 4th quarter, and those that did demonstrate strength were treated with scepticism by investors.		
Technically, flows continue out of the sector as funds wind up and are forced to sell.		
It is important to remember that some companies will perform well in this environment. Strong companies use such periods to gain market share, acquire weaker rivals and grow stronger through internal cash generation. Technology and consumer discretionary sectors both outperformed in February - two of the sectors that typically lead the market as recessions near their end.		
Top 5 Positions		
3.4%	Argo Group	
2.8%	J2 Global Communications	
2.5%	Monro Muffler	
2.3%	Watsco	
2.2%	Copart	

Europe (including UK)		
Manager	Munros CM	The European small company market has been the weakest of those we invest in over the last year, and Munros has been our worst performing manager from both a relative and absolute perspective. Our mandate had an allocation to micro caps and these stocks have inevitably suffered most from liquidity issues. The performance remains disappointing and has not recovered relative to the benchmark.
Benchmark	HSBC Europe	
Fund Allocation	29%	
Month Return ^{2,3}	-9.0%	
Benchmark	-6.3%	
There is now very little buying interest in European small companies, as recession fears dominate and sentiment remains at very low levels. There is no light at the end of the tunnel in many investors' minds. Munros believes that the selling of small companies has become indiscriminate as former participants seek to exit the sector. Valuations are becoming so low that they bear no relation to corporate reality.		
Two examples dominated performance during February. Spice Holdings, the British infrastructure support services company fell -52% despite confirming that earnings are on track and trading currently on 5x prospective earnings. Munros recently performed a site visit and maintains its confidence in the stock's fundamentals. Shanks fell almost as far as recession fears hit the Dutch construction business.		
Top 5 Positions		
6.1%	Aberdeen AM	
4.8%	Ansaldo STS	
4.4%	Wincor Nixdorf	
4.4%	Ramirent	
4.3%	Grifols	

Asia (including Japan)		
Manager	Sparx AM	The Japanese market fell by -5.5% in February and Sparx fell a further -2.9% (-8.4%). Sparx has struggled over the last year, under performing the market by -5.9%. The performance since inception is also below benchmark.
Benchmark	MSCI Japan Small	
Fund Allocation	21%	
Month Return ^{2,3}	-8.4%	
Benchmark	-5.5%	
Japanese large and small cap markets face macroeconomic issues home and abroad. The US problems affect markets worldwide and in Japan domestic issues have further eroded market confidence with even the current political system being questioned. The only positive has been a recent fall in the Yen, but this favoured large cap exporters rather than the small cap domestic names held by Sparx.		
Sparx continues to focus on under valued domestic orientated companies. It also favours sectors such as electronic appliances and the auto industry that are showing signs of weathering the storm better than others. Sparx believes, as we do, that stronger companies will use this opportunity to buy back shares and also weaker rivals, which will favour companies with higher profitability and stronger balance sheets.		
March marks the end of the financial year in Japan and many companies exercise share buy back programs about this time. Trading and operating conditions are however expected to remain tough for sometime to come.		
Top 5 Positions		
5.3%	T-Gaia Corporation	
4.7%	Toridoll Corporation	
4.0%	SBS Holdings	
3.9%	Yushin Precision Equipment	
3.7%	Shinwa Kaiun	

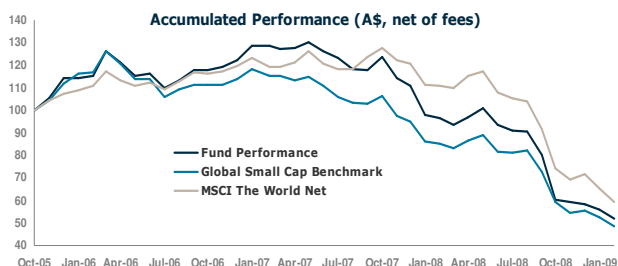
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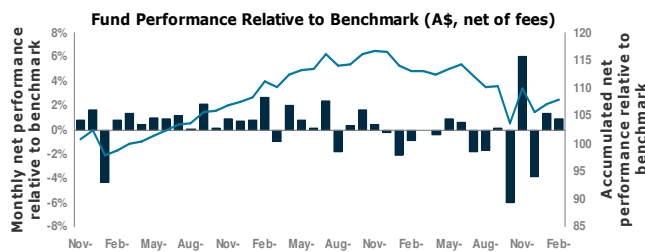


3 of 3

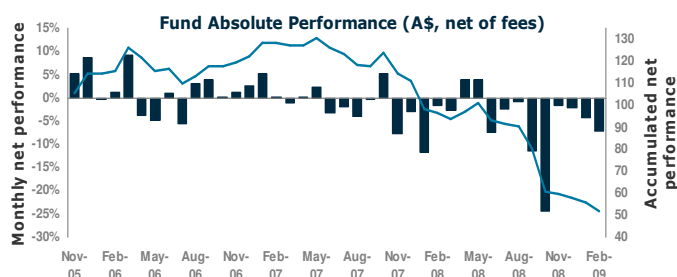
Accumulated Fund and Benchmark Performance ^{2,3}



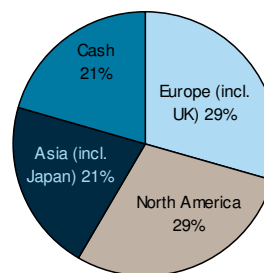
Monthly Fund Relative Performance ^{2,3}



Monthly Fund Absolute Performance ^{2,3}



Fund Allocation



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