

Pengana Global Small Companies Solution

April 2009 Update, by Nick Griffiths



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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 Fees ¹ (monthly)	0.7688% p.a.
Benchmark	Equally weighted to the three major developed regions: North America, Europe including UK, and Asia including Japan	Performance Fees ¹ (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	A\$25,000 (direct)	AUM at Month End	A\$22.4m
Inception Date	November 2005	Application/ Redemption Price at Month End	Application: A\$0.5276 Redemption: A\$0.5234
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%	4.3%	10.2%									2.2%
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 generated a return of 10.2% during April. Since inception the Fund has fallen -13.8% p.a. against the benchmark index that has fallen -14.4% p.a.

Munros and Sparx failed to keep up with their respective indexes during April. Small cap markets rallied hard on improving economic data and a sense that they had been oversold in the pessimism that marked the early months of the year. The managers do not believe, and nor do we, that this marks the turn in equity markets. It has all the hallmarks of a bear market rally from oversold positions, fuelled by short covering. The economic backdrop remains poor and we expect markets to retreat again before fundamentals improve and the markets achieve a sustained rally.

Fund Performance to 30 April 2009 (A\$, net of fees) ^{2,3}

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a.	Standard Deviation
Fund	10.2%	6.7%	-38.8%	-36.3%	-13.8%	21.5%
Benchmark	14.1%	10.5%	-32.9%	-29.1%	-14.4%	20.4%
North America	15.4%	14.6%	-20.7%	-12.8%	-6.5%	23.1%
Benchmark	15.5%	10.3%	-31.3%	-28.7%	-10.9%	23.5%
Europe	19.5%	9.7%	-51.5%	-46.5%	-12.8%	26.8%
Benchmark	22.2%	17.2%	-37.5%	-30.4%	-9.1%	24.5%
Asia	2.8%	-1.5%	-39.1%	-40.7%	-21.3%	25.1%
Benchmark	4.7%	3.5%	-32.4%	-31.0%	-24.2%	20.5%

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	The US small company market, as represented by the Russell 2000 Index, rallied hard in April. Its rise of 15.5% was the strongest single month return since February 2000. Cortina did well to post a similar return.
Benchmark	Russell 2000	
Fund Allocation	30.5%	
Month Return ^{2,3}	15.4%	
Benchmark	15.5%	
Top 5 Positions		
2.7%	Argo Group Intl Holdings	The recovery has been sharp and in significant contrast to the very weak markets at the turn of the year. Economic data has improved, but not dramatically. US companies continue to face significant issues: limited access to capital and declining asset values among them. Unemployment remains high and the credit bubble continues to unwind. The stock market rally has all the characteristics of a bear market rally, and has been propelled in part by short sellers covering their positions. Low quality names therefore have also participated in the short term appreciation.
2.1%	Blackboard Inc Com	
2.1%	JDA Software Group	
2.0%	Amerigroup Corp Com	
2.0%	Copart Inc.	
		Cortina remains cautious and focused on individual company fundamentals: cash flows and access to capital. A number of their stocks had been sold off heavily in January and February and came back strongly in April. They have not made substantial portfolio changes, although the Technology exposure has increased with the addition of some new names.

Europe (including UK)		
Manager	Munros CM	Not to be outdone by the US, the European small company market rose 22.2% during the month; the strongest month since records began. Munros also had a very good month but trailed the Index, returning 19.5%.
Benchmark	HSBC Europe	
Fund Allocation	31.4%	
Month Return ^{2,3}	19.5%	
Benchmark	22.2%	
Top 5 Positions		
5.0%	Aberdeen Asset Management	Within the strong Index return, regional performance differed considerably. The Irish market, one of the hardest hit in the current downturn given its dependence on financial services and tourism, rose by 35.9%. However other markets continued to fall: the Spanish market was down -18.6% and the Italian market -18.5%.
4.8%	C & C Group	
4.7%	Ansaldo	
4.1%	Wincor Nixdorf	
4.0%	Ramirent	
		Stock returns also differed dramatically. The strongest performer in the portfolio was the long term holding Newcourt which rose 275%. There were however negative performers: VT Group fell -1.9% and Suisse National -1.2%.
		As with the other managers, Munros are not being swept up in the market excitement and remain true to their bottom up process. They continue to run a balanced portfolio with a mild tilt towards recovery situations.

Asia (including Japan)		
Manager	Sparx AM	The Japanese equity market also rallied in April but the focus was more on the larger export orientated names. The Tokyo Stock Exchange rose by 8.3% while the Fund's reference index, the MSCI Japan Small Cap Index, rose a more modest 4.7%. Sparx has favoured domestic focused stocks in anticipation of weak demand from overseas. This strategy did not pay off over the month as the Fund rose just 2.9%.
Benchmark	MSCI Japan Small	
Fund Allocation	22.4%	
Month Return ^{2,3}	2.8%	
Benchmark	4.7%	
Top 5 Positions		
3.8%	SBS Holdings, Inc.	The Japanese stock market has been a major beneficiary of the improved economic outlook, particularly in the US. Sparx however does not support the new sense of optimism and believes that consumer spending may deteriorate further, that unemployment will rise and corporate fundamentals will continue to weaken.
3.5%	Shinwa Kaiun Kaisha, Ltd.	
3.3%	Nihon Dengi Co., Ltd.	
3.2%	Risa Partners, Inc.	
3.2%	K's Holdings Corporation	
		Sparx's strategy is to continue to invest in companies with balance sheet strength that are well placed to emerge in a better position from today's difficult environment. They favour domestic construction, finance and real estate names that should benefit from the Japanese government's stimulus packages.

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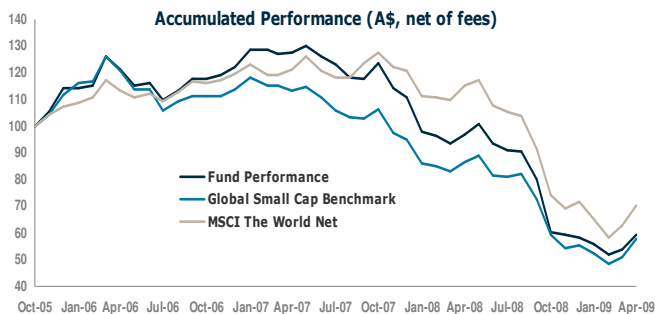
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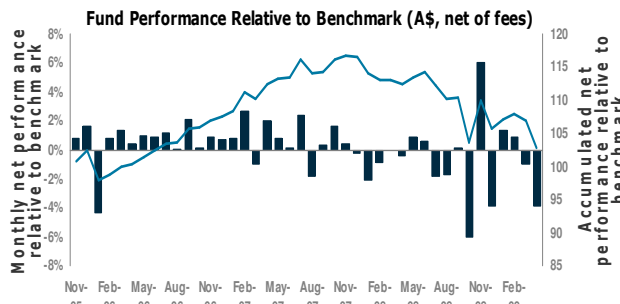


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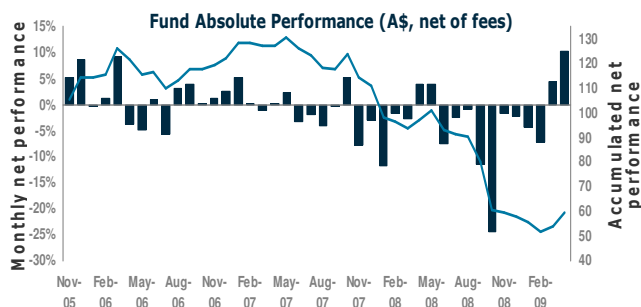
Accumulated Fund and Benchmark Performance ^{2,3}



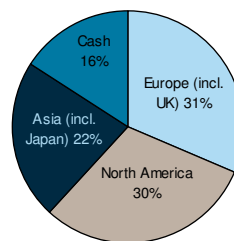
Monthly Fund Relative Performance ^{2,3}



Monthly Fund Absolute Performance ^{2,3}



Fund Allocation



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