Pengana Asian Equities Long Short Fund February 2009 Update

Pengana Asian Equities Long Short Fund

The Pengana Asian Equities Long Short Fund (the "Fund") provides investors with equity exposure to companies within Asia, including Japan, India and China (through Hong Kong). The fund is managed out of Sydney, Australia, and supported by the Pengana Asia Research team based in Singapore. The Fund utilises the core strategy to be both long *and* short securities, to better manage market volatility and to seek absolute returns.

Fund Features

Style	Long/Short Equity	**Management Fees [1] (monthly)**	1.5% p.a.
Comparative Benchmark	MSCI AC Asia Index	**Performance Fees [1] (annually)**	20% of NAV above a prior high water mark
Investors	Wholesale Investors Only	**AUM at Month End**	A$2.2m
Minimum Initial Investment	A$100,000	**Application Price at Month End**	A$1.0845
Inception Date	01 July 2008	**Redemption Price at Month End**	A$1.0791

Fund Commentary

Fund Performance (A$, net of fees) [2]													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	**Since Incep. [3]**
2008/2009	-2.0%	-1.5%	3.3%	4.9%	4.0%	-0.3%	1.4%	-1.6%					**8.2%**
MSCI AC Asia Index (A$, gross)													
2008/2009	-0.3%	3.5%	-5.6%	-2.8%	-1.8%	1.6%	2.8%	-10.5%					**-13.1%**
MSCI Asia ex-Japan Index (A$, gross)													
2008/2009	1.1%	1.7%	-8.9%	-9.2%	-4.7%	2.6%	3.7%	-7.0%					**-19.8%**

The Fund was down 1.6% net of fees for February, compared to the -10.5% return for MSCI AC Asia Index (including Japan) and -7.0% for MSCI Asia ex-Japan Index. Since inception (in July 2008), the Fund has returned 8.2%[2] net of fees, compared to a loss of nearly 20% for the MSCI Asia ex-Japan index. The Fund's equity portfolio was the key contributor for the month, adding 0.9%, and substantially outperforming the MSCI Asia Index, which fell by -4% in local currency terms. The currency exposure of the Fund, however, lost 2.9% as the Japanese yen and Korean won depreciated sharply during the month against both the US dollar and the Australian dollar. The relatively low exposure in these currencies helped reduce the currency risks for the Fund but still off-set all of the gains from the equity exposure. The currency exposure in the MSCI Asia Index (in Australian dollar terms) lost over 6.5%.

The Fund's equity return was primarily driven by the strong positive returns in Japan and Taiwan, which offset the negative returns from Korea and China/HK. Our strategy in the previous month to be 'long' cyclicals with a relatively high net exposure has borne fruit. In Japan, the strategy to be 'long' cyclical sectors, in particular the auto part companies, and to be 'short' defensives and 'strong-yen' sensitive companies, such as pharmaceuticals

[1] All percentages are plus GST net of reduced input tax credits. Please refer to the Information memorandum for a more detailed explanation.

[2] Net performance, after all fees and charges, and assuming reinvestment of all income. Past performance is not a reliable indicator of future performance.

[3] Inception date: 01 July 2008

and paper companies, generated 87bp with 30% gross exposure. In China, however, exposures in the shipping companies off-set the positive performance from the financials.

	July 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09
Portfolio Structure								
Gross Exposure	44.2%	67.6%	40.4%	61.4%	12.9%	2.4%	37.9%	49.0%
Net Exposure	32.9%	10.4%	12.4%	6.0%	0.2%	2.4%	27.7%	34.9%
Performance Attribution [1]								
Fund, Gross Return (A$)	-1.9%	-1.4%	3.4%	6.2%	5.1%	-0.2%	1.8%	-1.8%
Currency Return	1.0%	4.8%	6.8%	10.9%	3.1%	0.3%	2.8%	-2.7%
Equity Return (local currency)	-2.9%	-6.2%	-3.4%	-4.7%	2.0%	-0.5%	-1.0%	0.9%
Comparative Gross Return (in local currencies)								
MSCI AC Asia Index	-1.5%	-3.9%	-13.5%	-21.3%	-3.9%	3.8%	-5.9%	-4.1%
MSCI Asia ex-Japan Index	-1.5%	-4.2%	-13.9%	-21.7%	-3.0%	5.5%	-2.8%	-3.2%

Market Outlook

While the global financial markets continue to be unstable and the short-term economic outlook remains uncertain, there are signs of stability in economic activity emerging, especially from China, following a sharp deterioration in the last quarter of 2008. Recent macro data from China, including new loan growth and fixed asset investment, suggests the initial implementation of China's stimulus package announced last November is being effective. While further evidence is required to confirm a recovery is indeed in progress and to become more positive on growth-oriented sectors (material, tech) and markets (Japan, Korea), the current low valuations of these sectors and markets high-light the risk of being aggressively short. However, defensive sectors, such as utilities and consumer staples, whose relative performance to cyclicals is at an all time high and exceeding that during the Asian financial crisis in the late 1990s, will offer attractive sources to fund the 'long' positions once the credit market starts to stabilise.

In China, we continue to stay 'long' capital goods and construction companies as main beneficiaries of government projects, but remain cautious on the property sector, following its recent strong performance and very rich valuations. The Chinese government's policy to develop public housing for low-income families is likely to hurt listed property developers' future profitability, which exceeded over 30% on average last year. We are also concerned about potential provisioning for the land bank acquired by these companies over the last two years (the peak of the recent property market cycle in China). During the month, we also raised our exposure to Korea mainly through sectors that can benefit from a stronger local currency, following the sharp depreciation of the Korean won during the month.

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 or contact:

Institutional Clients: Denis Carroll, +61 2 8524 9974, denis.carroll@pengana.com

Private Clients: Juliet Dunworth, +61 2 8524 9984, juliet.dunworth@pengana.com

Advisors: Justin Brooks, +61 3 8663 7906, justin.brooks@pengana.com