

Pengana Asian Equities Long Short Fund

January 2009 Update



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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, 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\$1.0872
Inception Date	01 July 2008	Redemption Price at Month End	A\$1.0818

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	-2.0%	-1.5%	3.3%	4.9%	4.0%	-0.3%	1.4%						9.9%
MSCI AC Asia Index (A\$, gross)													
2008	-0.3%	3.5%	-5.6%	-2.8%	-1.8%	1.6%	2.8%						-2.9%
MSCI Asia ex-Japan Index (A\$, gross)													
2008	1.1%	1.7%	-8.9%	-9.2%	-4.7%	2.6%	3.7%						-13.8%

The Fund was up by 1.4% net of fees for January, bringing the return since inception (in July 2008) to 9.9%². This compares with the MSCI AC Asia Index, which was up by 2.8% for the month, but down by 2.9% since the Fund's inception. In local currency terms, the MSCI AC Asia Index fell nearly 6% as global financial concerns re-emerged to more than off-set a positive start to the month.

During the month, the Fund started building some long positions in certain cyclical names, including Japanese auto-parts company Exedy and selected Technology companies. While the immediate outlook for Technology end-demand remains clouded, there are encouraging signs emerging on the supply side. Key characteristics that the Fund looks for in Technology candidates in this environment are a solid market position in relatively consolidated industries and strong balance sheets or an improving funding environment.

Stocks added on the short side included certain defensive names, which have become relatively crowded trades and where the valuations are relatively full.

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

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The overall net exposure of the Fund remains relatively low, reflecting a continued cautious appraisal of current market conditions. However, the net exposure is higher than the recent history as the short exposure has been reduced – the Fund is wary of being too negative and feels that the risk in holding short positions has risen, especially in the more economically sensitive sectors.

Portfolio Structure							
	July 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09
Long Exposure	38.5%	39.0%	26.4%	33.7%	6.5%	2.4%	32.8%
Short Exposure	-5.7%	-28.6%	-14.0%	-27.7%	-6.3%	0%	-5.1%
Gross Exposure	44.2%	67.6%	40.4%	61.4%	12.9%	2.4%	37.9%
Net Exposure	32.9%	10.4%	12.4%	6.0%	0.2%	2.4%	27.7%

Market Outlook

The weakness in the local markets reflected concerns that the plans put forward to date by various governments have not been enough to comprehensively address the continuing problems of key global financial institutions. Also, a noted improvement in important risk indicators stalled at levels still well above 'normal' (i.e. at levels seen prior to the Lehmans' failure in September 2008) and this combined with deteriorating macro data and poor indications for 4Q corporate earnings to weigh on market sentiment through the month. These concerns may persist for some time.

However, this environment also presents opportunity and raises the risk of being too negative as current valuations already appear to be discounting difficult operating conditions for some time. We have seen market valuations across the region come down towards book value, with numerous companies trading at substantial discounts. The Fund will continue to look to take advantage of depressed valuations to build positions in attractively priced and globally-competitive companies throughout the region.

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