

Pengana Global Volatility Fund

May 2009 Update (Australian Feeder Fund)



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Fund Description

The Pengana Global Volatility Fund seeks to provide investors with a non directional actively traded derivative strategy focused on volatility. The Fund trades in North American equity index futures, options and other volatility-based instruments and derives returns from mispricing of these instruments due to changes in volatility. The strategy began trading in November 2007^{2,3} and is managed by a highly experienced team led by Alvin Wilkinson.

Fund Features

Style	Non-directional global volatility	Management Fees¹ (monthly)	Class A: 2.0% p.a. Class B: 0.5% p.a.
Investors	Wholesale Investors only	Performance Fees¹ (quarterly)	Class A: 20% Class B: 30%
Minimum Initial Investment Amount	A\$100,000	Trustee Fee¹	0.2% per annum of the net asset value of the Fund
Inception Date	November 2007 ^{2,3}	FUM at Month End	A\$83.7m

Fund Commentary

Fund Performance (Class A Units, in A\$, net of fees) ^{2,3,4}													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	0.7%	0.4%	1.1%	1.0%	1.2%								4.4%
2008	3.5%	2.6%	1.1%	1.2%	2.1%	5.8%	1.8%	1.1%	-38.3%	-17.1%	68.2%	0.3%	4.3%
2007											1.6%	1.3%	2.8%

Fund Performance (Class B Units, in A\$, net of fees) ^{2,3,4}													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	0.7%	0.4%	1.1%	1.1%	1.0%								4.4%
2008	3.5%	3.4%	0.7%	1.1%	1.9%	5.2%	1.7%	1.0%	-37.5%	-16.7%	66.7%	0.4%	4.6%

The A\$ Class A Units in the Fund generated a return of 1.2% in May. The annualized return since inception in November 2007 is 7.4%.

At the beginning of the month the volatility exposure of the Fund (vega) was positive and the sensitivity to market movements (delta) neutral. The Fund generated a positive return despite the falling volatility environment (see below) due to the portfolio's positive time decay (theta). One trade in the Fund is a time spread: short near term volatility and long far term volatility. This was increased slightly during the month. The Fund expects to profit from a number of June positions that will expire later this month.

Net Returns to 31 May 2009 ^{2,3,4}		
	Class A Units	Class B Units
3 months	3.4%	3.3%
6 months	4.8%	4.8%
1 year	-1.9%	-1.7%
Annualised since inception	7.4% p.a.	6.4% p.a.

¹ All percentages are on a GST inclusive basis less applicable reduced input tax credits. Please refer to the Information Memorandum for a more detailed explanation.

² The Fund began trading in May 2008. Performance for the period prior to May 2008 is the performance of all underlying assets managed in the Pengana Global Volatility Strategy. Performance from May 2008 is for the money managed in the Fund itself.

³ Inception Dates: Class A Units - 07 November 2007, Class B Units - 31 December 2007

⁴ Total return performance figures are derived from the Manager's records and are shown after management fees and performance fees, and assume reinvestment of income. Investments can go up and down. Past performance is not a reliable indicator of future performance.

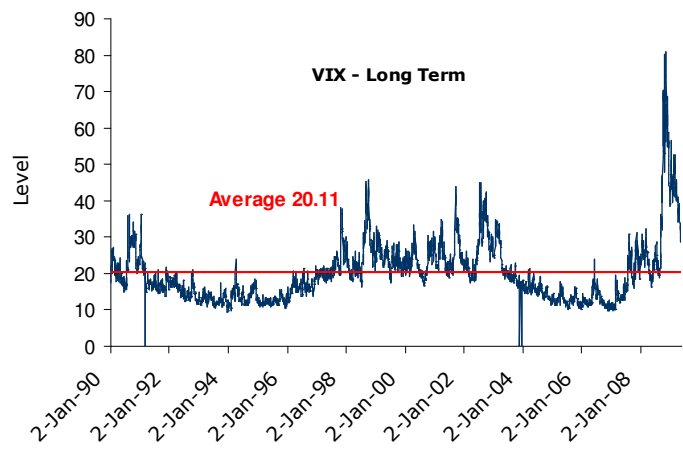
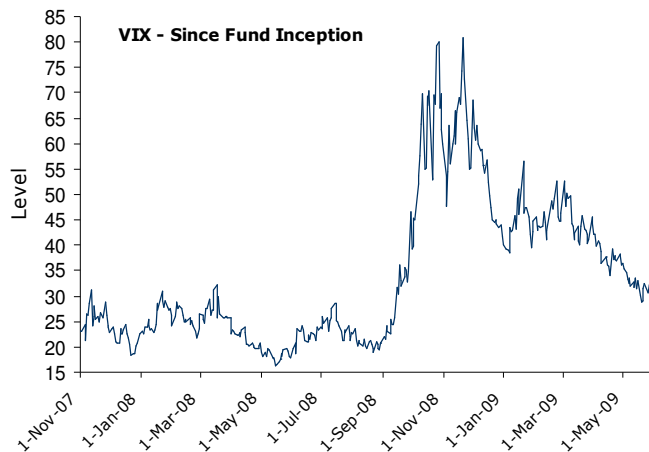
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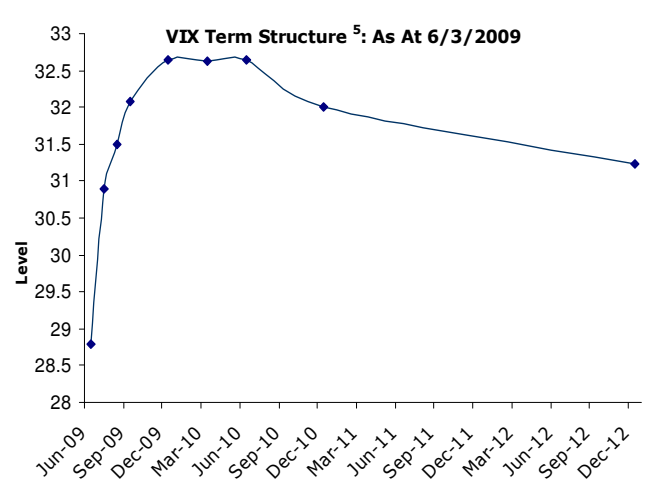
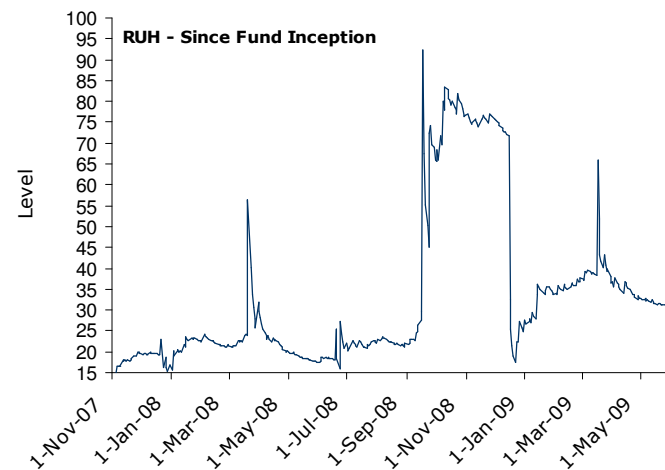
Market Commentary

The VIX fell 20.8% from 36.5 to 28.9 during the month of May whilst equity markets rallied further, with the S&P 500 gaining 5.3%. The term structure⁵ of the VIX increases over the next 6 months, then plateaus over 2010 and falls away in 2011. It remains well above the VIX's long term average of 20.1. The near term volatility is falling due to both a reduction in investors' hedging activity and a narrowing of daily stock-market swings. The average daily swing was 5.1% in the 4th quarter of 2008 and has been 2.9% since the beginning of 2009. The S&P 500 rose on 9 out of 20 trading days in April, however the average daily return for positive days of 2.0% was larger in absolute terms than the average daily negative return of -1.1%.

CBOE Volatility Index (VIX)



CBOE Realised Volatility (RUH) and Term Structure⁵



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⁵ Term Structure describes the level of implied volatility for options in different expiry dates.

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