

Pengana Global Small Companies Solution

June 2009 Update, by Nick Griffiths



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 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\$24.5m
Inception Date	November 2005	Application/ Redemption Price at Month End	Application: A\$0.5781 Redemption: A\$0.5735
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%	6.5%	2.9%							12.0%
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%	6.7%
2005											5.2%	8.8%	14.5%

Performance was mixed between the key regions during June; Japan being the strongest market while the US appreciated slightly and Europe lost ground. All the markets have had a strong second quarter, appreciating by more than 20%, but remain down significantly over the Australian financial year.

Cortina has been the standout manager during this period, outperforming its benchmark by in excess of 20% over the last 12 months.

Once again the Fund's high cash balance has held back performance. We expect to be invested in the new Asian small company manager during August.

Fund Performance to 31 May 2009 (A\$, net of fees) ^{2,3}

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a. ⁴	Standard Deviation
Fund	2.9%	20.8%	-30.2%	-30.2%	-11.0%	20.3%
Benchmark	2.9%	24.6%	-22.7%	-22.7%	-11.7%	19.6%
North America	3.6%	26.4%	-4.5%	-4.5%	-3.8%	22.8%
Benchmark	1.5%	20.7%	-25.4%	-25.4%	-9.3%	23.0%
Europe	0.2%	30.4%	-41.6%	-41.6%	-10.2%	26.7%
Benchmark	-0.5%	29.5%	-26.2%	-26.2%	-7.3%	24.2%
Asia	11.2%	30.1%	-24.9%	-24.9%	-15.1%	26.7%
Benchmark	7.5%	22.6%	-19.2%	-19.2%	-19.9%	21.4%

¹ Including GST less any reduced tax input credits. Please refer to the Product Disclosure Statement for a more detailed explanation.

² Total return performance figures are shown net of all fees and charges and assume reinvestment of income. Past performance is not a reliable indicator of future performance

³ The fund's currency exposure was unhedged until 30 June 2007

⁴ Inception: November 2005

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2 of 3

Fund Commentary (cont'd)

North America	
Manager	Cortina AM
Benchmark	Russell 2000
Fund Allocation	33%
Month Return ^{2,3}	3.6%
Benchmark	1.5%
<p>Cortina had another strong month, generating a return of 3.6% which was 2.1% above the Russell 2000's return for June. This was their 12th consecutive month of outperformance.</p> <p>June was relatively quiet in the US small cap market as many participants paused following the recent rally. Financials and Energy stocks lost some ground as questions arose towards the end of the month regarding the economic recovery. The better performers were the Healthcare and Technology sectors; Cortina invests heavily in both.</p> <p>Examples of stocks held that performed well during the month are NxStage medical and Orthovita Inc. Both provide advanced technological solutions to the healthcare market. NxStage makes a dialysis system that allows treatment in the patient's home. Orthovita supplies synthetic materials to the orthopaedic surgery market and has recently received FDA approval for a new implant to help with osteoporosis.</p>	
Top 5 Positions	
2.5%	Argo Group Intl Hldgs
2.2%	Micros Sys Inc
2.1%	Plantronics Inc New
2.1%	Wms Inds Inc Com
2.0%	Carter Inc Com

Europe (including UK)	
Manager	Munros CM
Benchmark	HSBC Europe
Fund Allocation	33%
Month Return ^{2,3}	0.2%
Benchmark	-0.5%
<p>The European small cap market lost a little ground over the month. Munros however out performed and generated a slight positive return. Their performance has improved significantly over the last 3 months although the annual return remains disappointing.</p> <p>The rally has been particularly strong in Europe and a pause in the rally was inevitable. The economic backdrop remains weak on one hand, but on the other is the fact that many institutions remain on the sidelines with considerable cash balances waiting to invest. Volumes are currently low and individual price movements can be exaggerated leading to high day to day volatility.</p> <p>The country markets had mixed fortunes with little discernable pattern. Norway was the strongest market while Sweden was the weakest. Similarly Spain performed well but Portugal fell -3.3%. The fund's biggest country exposure remains in the UK at 25%.</p> <p>One of the larger positions, Ansaldo, performed well during June as it benefitted from new order flow for its signalling systems. Sonova also performed well in a similar vein to some of Cortina's positions. Sonova distribute hearing aids.</p>	
Top 5 Positions	
6.0%	C & C Group
4.7%	Ansaldo
4.5%	Aberdeen Asset Management
4.4%	Ramirent
3.9%	Wincor Nixdorf

Asia (including Japan)	
Manager	Sparx AM
Benchmark	MSCI Japan Small
Fund Allocation	20%
Month Return ^{2,3}	11.2%
Benchmark	7.5%
<p>Japanese small companies performed extremely well during the month, outperforming their larger peers and the broader global small cap market. Sparx also succeeded in outperforming the market by a healthy margin, generating a return of 11.2%.</p> <p>Despite the recovery Sparx remains sceptical as to the longevity of the market rally. Even during the month some doubts were cast on the strength of the global economy by faltering news from the US and the increased reliance on China's economic expansion. China's fortunes are particularly relevant to Japan as its biggest trading partner.</p> <p>Sparx prefers to focus on domestic orientated stocks that are less reliant on macro economic success either at home or abroad. They have identified good opportunities in smaller companies that are trading on low price to book ratios while demonstrating the prospect of improved profitability.</p> <p>During the month positions in real estate firms and electrical appliance makers contributed positively to fund performance. Industrial names however under performed due to depressed capital expenditure.</p>	
Top 5 Positions	
3.2%	Tamura Corp
3.0%	Message Co Ltd
3.0%	SBS Holdings, Inc
2.7%	Nihon Dengi Co. Ltd
2.5%	Shoei Company

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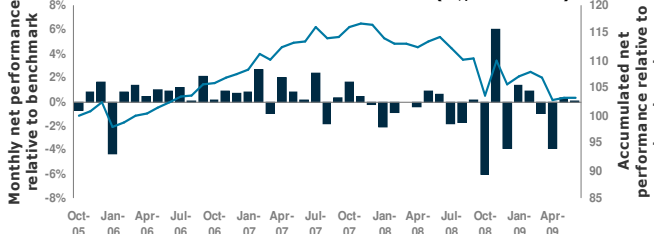
June 2009 Update, by Nick Griffiths



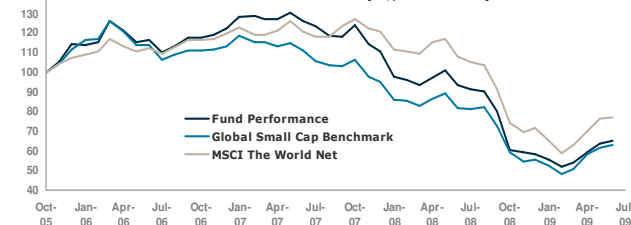
Accumulated Fund and Benchmark Performance ^{2,3}

Monthly Fund Relative Performance ^{2,3}

Fund Performance Relative to Benchmark (A\$, net of fees)



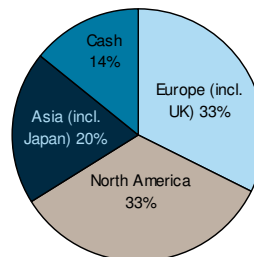
Accumulated Performance (A\$, net of fees)



Monthly Fund Absolute Performance ^{2,3}

Fund Allocation

Fund Absolute Performance (A\$, net of fees)



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