

Pengana Global Volatility Fund

July 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\$86.2m

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%	1.7%	1.3%						7.6%
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%	1.4%	1.3%						7.2%
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 1.3%⁴ in July. The annualised return since inception in November 2007 is 8.5%^{2,3,4}.

During July the Fund continued to generate consistent profits from the trading of shorter term option positions. Relative value positions with a short volatility bias have contributed to performance through positive time decay. Exposures to market moves and rapid changes in volatility are carefully controlled and combinations of stop orders are used to provide additional risk control.

This month we will expand the range of contracts managed by the Fund beyond the S&P500 complex as part of our diversification plans, which will be achieved through a small allocation initially.

Net Returns to 31 July 2009 ^{2,3,4}	Class A Units	Class B Units
3 months	4.3%	3.7%
6 months	6.9%	6.5%
1 year	-6.2%	-5.6%
Annualised since inception	8.5% p.a.	7.5% p.a.

¹ All percentages are on a GST exclusive basis net of 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 distributions. Investments can go up and down. Past performance is not a reliable indicator of future performance.

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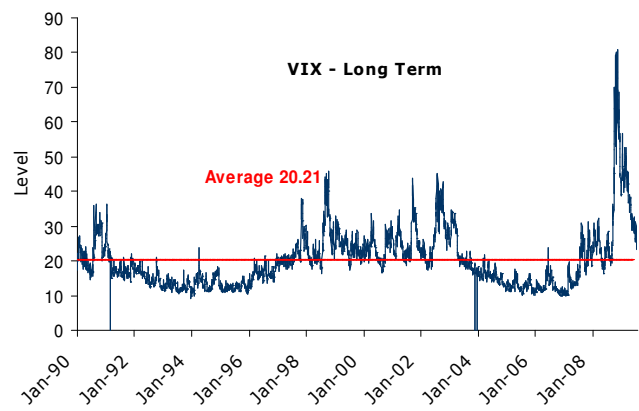
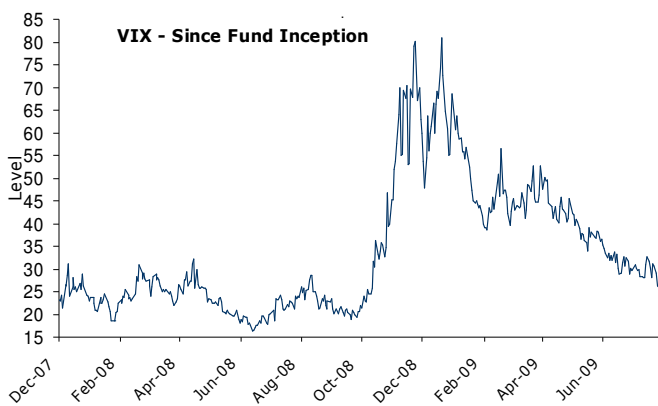
Market Commentary

The VIX fell 1.6% from 26.4 to 25.9 during the month of July, remaining above its long term average of approximately 20. It has now fallen 35% this year. As equity markets continue to 'normalize' so do volatility markets. However during the month of July there were several occasions when the VIX shared direction with the market upward, suggesting that there is a degree of concern regarding equity markets edging ever higher.

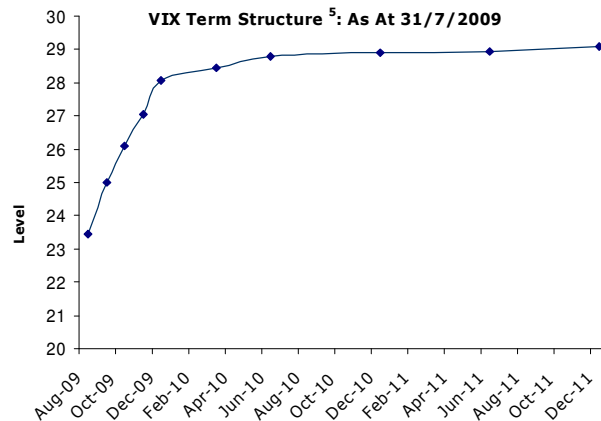
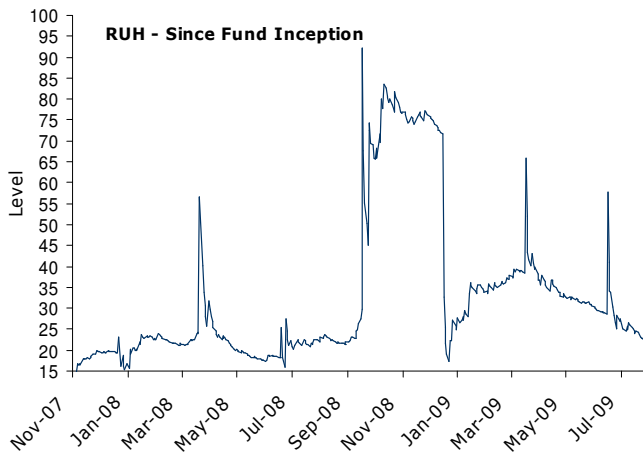
Realised volatility fell by 16.4% over the month, much more than the fall in implied volatility, indicating that option prices accurately predicted the actual return to stability. The term structure of the VIX remains flat after December 09 expiries. Longer term implied volatility has fallen but not to the same degree as shorter term volatility.

The S&P 500 had a strong month, gaining 7.4%, during the 22 trading days, 14 of these were positive. Volumes in the S&P were quiet for the month of July, indicating that institutions were not the ones chasing prices higher.

CBOE Volatility Index (VIX)



CBOE Realised Volatility (RUH) and Term Structure ⁵



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

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