

# Pengana Emerging Companies Fund

## August 2009 Update



1 of 2

### Fund Performance

Net performance for periods ending August 31 2009 <sup>1</sup>							
	1 month	3 months	6 months	1 year	2 years p.a.	3 years p.a.	Since inception p.a. <sup>2</sup>
<b>Pengana Emerging Companies Fund</b>	11.9%	24.1%	46.3%	-8.4%	-15.4%	3.5%	13.0%
<b>S&amp;P/ASX Small Industrials Acc Index<sup>3</sup></b>	9.4%	23.6%	56.7%	-14.5%	-21.8%	-7.7%	0.7%
<b>Outperformance</b>	<b>2.5%</b>	<b>0.5%</b>	<b>-10.4%</b>	<b>6.0%</b>	<b>6.4%</b>	<b>11.2%</b>	<b>12.3%</b>
<b>S&amp;P/ASX Small Ordinaries Acc Index</b>	6.4%	19.5%	60.6%	-14.0%	-16.8%	-2.7%	5.4%
<b>Outperformance</b>	<b>5.6%</b>	<b>4.6%</b>	<b>-14.3%</b>	<b>5.6%</b>	<b>1.4%</b>	<b>6.2%</b>	<b>7.7%</b>

### Fund Commentary

The Fund returned 11.9%<sup>1</sup> in August, versus a 6.4% rally in the Small Ordinaries and 9.4% in the Small Industrials. From the lows in early March, the Fund has returned 55%<sup>1</sup>.

We are particularly pleased with the returns in August as it occurred during "results season" where companies provide detailed profit reports and are available to chat about the outlook. During this time, share prices tend to be driven by fundamentals rather than sentiment. During August we met with 51 companies and listened to 18 conference calls.

Overall, the majority of our stocks reported results in-line or above expectations, and outlook comments were mildly upbeat given the tough economic conditions which prevail. In many cases, share prices have shown the capacity to run very hard notwithstanding falling profits, as investors look to the potential for a recovery over the coming 2-3 years.

We participated in a small number of capital raisings where the raising itself removed funding risk for the stock. In many cases the company must offer a healthy discount in order to complete the raising, which increases the investment appeal.

We remain far less defensively positioned than during the downturn. Many of the stocks which have worked best for us recently are those which we added earlier this year, on the basis that a far too pessimistic earnings outcome had been priced in. While we have sold down some of those which rose above our expectation, such stocks still form a reasonable portion of our portfolio.

The majority of our stocks, however, do not rely on an economic recovery for earnings growth. Companies such as Customers, REA Group, CSG Group, MacMillan Shakespeare, Slater & Gordon etc have clearly defined growth paths which have proven to be largely unaffected by the recent turmoil. Valuations in all instances are highly attractive in our view.

#### Key stock price moves

Key successes during the month included M2 Communications (+50%), Transfield Services (+45%), REA Group (realestate.com.au) (+34%), Webjet (+35%), Mineral Resources (+28%), and Customers (+20%). In every case these stocks reported a strong profit result and encouraging outlook during the month. Key detractors were Radio Rentals (-8%), Slater and Gordon (-7%), Pacific Bands (-6%), IOOF (-4%) and Asciano (-1%).

<sup>1</sup> Net performance figures are derived from Manager's records and are shown after all fees and expenses, and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance. The value of investments can go up and down.

<sup>2</sup> Since November 2004

<sup>3</sup> The fund does not invest in resource stocks.

# Pengana Emerging Companies Fund

## August 2009 Update



2 of 2

### Portfolio information

Top 10 Positions (in alphabetical order)	
Asciano	Premier Investments
CSG Group	REA (realestate.com.au)
Customers	Slater & Gordon
Mineral Resources	Transfield Services
McMillan Shakespeare	WHK Group

### Fund Description

The Pengana Emerging Companies Fund combines the skills of highly experienced small company investors (collectively 30 years experience) with a limited fund size and an objective of providing above market returns over the medium term. Our benchmark is the S&P/ASX Small Ordinaries Accumulation Index. The fund managers Steve Black and Ed Prendergast are part owners of the business and investors in the Fund, providing a strong incentive to perform. The Fund has strong research ratings from all major research houses and over the period since its inception has delivered returns well above benchmark.

### Fund Features

<b>Style</b>	Bottom up stock picker	<b>Management Fees</b>	1.3325%
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index	<b>Performance Fees</b>	20.5% of the performance above the Benchmark
<b>Investors</b>	Open	<b>Fund Raising</b>	Maximum of 0.5% of the Benchmark capitalisation
<b>Minimum Initial Investment Amount</b>	A\$25,000 (direct)	<b>FUM at Month End</b>	A\$ 271m
<b>Inception Date</b>	1 November 2004	<b>Application Price at Month End</b>	A\$ 1.4870
<b>Identification Code(s)</b>	APIR PER0270AU ARSN 111 894 510	<b>Redemption Price at Month End</b>	A\$ 1.4782

### 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](http://www.pengana.com) or contact:

**Institutional Clients:** Denis Carroll, +61 2 8524 9974, [denis.carroll@pengana.com](mailto:denis.carroll@pengana.com)  
**Private Clients:** Juliet Dunworth, +61 2 8524 9984, [juliet.dunworth@pengana.com](mailto:juliet.dunworth@pengana.com)  
**Advisors & Retail Clients:** Justin Brooks, +61 3 8663 7906, [justin.brooks@pengana.com](mailto:justin.brooks@pengana.com)