

Pengana Asian Equities Long Short Fund

August 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 the Asia Pacific region. The Fund is managed out of Sydney, Australia, and supported by the Pengana Asia Research team based in Singapore. The Fund utilises the core strategy to be both long and short securities, to reduce volatility and to seek stable long term absolute returns.

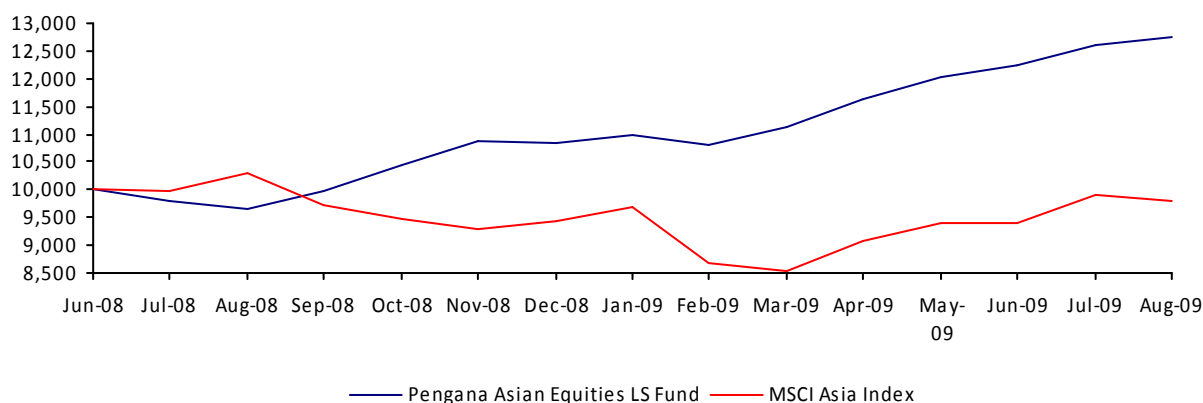
Fund Features

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	Open	AUM at Month End	A\$2.1m
Minimum Initial Investment	A\$20,000	Application Price at Month End	A\$1.0530
Inception Date	01 July 2008 ⁴	Redemption Price at Month End	A\$1.0478

Fund Commentary

Fund Performance (A\$, %, net of fees) ^{2,3}

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	1.4	-1.6	2.7	4.6 ³	3.4	1.9	2.9	1.2					17.7%
2008							-2.0	-1.5	3.3	4.9	4.0	-0.3	8.4%
MSCI AC Asia Index (A\$, %)													
2009	2.8	-10.5	-1.8	6.6	3.6	-0.3	5.3	-0.9					3.7%
2008							-0.3	3.5	-5.6	-2.8	-1.8	1.6	-5.6%



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 distributions. Past performance is not a reliable indicator of future performance.

³ On 22 April 2009 the Fund expanded its investment universe from the Asia region to the Asia Pacific region.

⁴ On 26 August 2009 the Fund became a registered scheme, with a PDS. Identification codes for the Fund are: ARSN: 138 943 709; APIR: PCL 0002AU

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The Fund returned 1.2%^{2,3} net of fees for August 2009, compared to the -0.9% return by the MSCI Asia Index. Since inception in July 2008, the Fund has returned 27.6%^{2,3} net of fees, compared to the Index's -2.0% return. China led the regional markets lower during the month, with the local Shanghai index falling over 20%, as investors worried that the Chinese authorities might tighten liquidity and adjust their supportive policy stance. While most other regional markets fell in sympathy, a better-than-expected reporting season helped Australia to a solid return, with Japan also positive as Developed Markets outperformed their Emerging counter-parts.

The Financial sector performed well for the Fund in August, with positions on the Long side and the Short side both generating positive returns. In Japan, leasing company Orix and property company Tokyo Tatemono both performed strongly. Japan had 'Lower House' elections at the end of August and the party in opposition (The Democratic Party of Japan) recorded a land-slide victory, ending fifty years of nearly uninterrupted rule by the incumbent Liberal Democratic Party. The result was largely expected, though anticipation of the result and the likely strong mandate for change, proved to be a supportive environment for equities in general and selected financial stocks in particular. Selected Financial stocks also performed well in Australia and Singapore, buoyed by better than expected earnings. The positive contribution on the Financials Short side was largely from China, where the weak equity market and disappointing earnings results weighed on insurer PICC. Selected China Property names were also weak, following stellar performance in the second quarter. These names were most at risk from any investor caution related to a change in policy by the Chinese authorities that might have impacted liquidity. As noted in the July report, a number of the property stocks in China had performed extremely well and were approaching levels last seen at the peak of the market in October 2007. A number of those companies also reported during the month and while transactions have been strong, pressure on margins prompted a more cautious appraisal, at least until there was more clarity on Government policy. While some policy adjustment appears likely, a wholesale change is not expected and Government action should remain broadly supportive.

Results from the Fund's growth sectors including industrials, materials and technology were less satisfactory and some of the positive returns from July were given back. While global macro-economic data has continued to improve, at least sequentially, concerns were raised about the pace of the recovery and whether stocks, particularly growth stocks, had run ahead of fundamentals. This was particularly the case across Asia, where commodity related names had a fairly subdued month and, in some cases, consolidated quite sharply. Individual names did better, with Japanese Tech stock Elpida, performing well as the underlying operating environment, particularly in pricing, continued to be supportive. Anecdotal reports continue to suggest that end demand is emerging, though with visibility still quite limited and valuations becoming less compelling, a number of Tech names consolidated after strong performance in July.

Top Five Performers	Bottom Five Performers
Elpida Memory (Japan, long)	Nippon Electric Glass (Japan, long)
Orix Corp (Japan, long)	Huadian Power (China, long)
Whitehaven Coal (Australia, long)	Goodman Group (Australia, short)
Tishman Speyer (Australia, long)	Telstra Group (Australia, long)
Tokyo Tatemono (Japan, long)	Shanghai Electric (China, long)

Market Outlook

The respective market movements in August went some way to rebalancing the noted laggard performance of Japan and the Fund slightly reduced its gross and net exposure as individual stocks performed strongly. However, Japan remains amongst the cheapest in the region in Price to Book Value terms and the Fund continues to believe that corporate earnings in Japan will be positively impacted by the recovery in the

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Western World, where economic data continues to show positive sequential improvement. While the Fund retains a positive exposure to companies that will benefit from the US auto and housing recovery, individual names with strong market positions are also favoured. Technology company Ibiden, which is a key component supplier to Intel, is set to benefit as corporates start replacing their ageing computers, which is expected to happen in 2010, following the launch of Windows 7, the new Microsoft Operating System, in October this year. The company trades at under 2x book value, with earnings expected to recover sharply into 2010.

A supportive reporting season in Australia also allowed the Fund to increase its Net exposure, as Long positions were selectively added. Telstra became more compelling following the sell-down from the Future Fund and now offers a fully-franked yield of over 10%. The Fund also participated in certain placements, where the discount offered was attractive.

China remains in particular focus and rumours abound that the authorities are about to tighten following an extraordinary period of stimulus-led and loan-fuelled growth. However, we believe it more likely that the authorities will fine-tune their supportive policies, rather than tighten too aggressively. A key aim of the Chinese Government is for balanced growth and to restore consumer confidence, combined with an increasing emphasis on environment protection and energy efficiency. The allocation of loans will be more pertinent than the overall size of loans, with capital aimed at the real economy. This is likely to favour Light Industrials and Consumption plays over Heavy Industrials and Materials. The Fund will look to increasingly implement an investment strategy that favours this medium term outlook. Through the month, the Fund maintained a low net exposure to China, with the long positions focused on consumption, while using Materials related names as a hedge.

Exposure by Sector	Gross	Net	Exposure by Country	Gross	Net
Growth Sectors			HK & China	29%	2%
Energy & Materials	14%	-14%	Taiwan	4%	4%
Ind., Con. Discretionary & Tech	40%	28%	South Korea	6%	1%
Financial & Real Estate	44%	23%	Singapore	10%	5%
Defensive Sectors			EM ASEAN	0%	0%
Con. Staples & Healthcare	11%	6%	Japan	42%	20%
Telecom & Utilities	9%	9%	Australia	27%	20%
Futures	0%	0%	Equities	118%	52%
Total	118%	52%			

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 or contact:

Institutional Clients: Denis Carroll, +61 2 8524 9974, denis.carroll@pengana.com

Private Clients: Juliet Dunworth, +61 2 8524 9984, juliet.dunworth@pengana.com

Advisors: Justin Brooks, +61 3 8663 7906, justin.brooks@pengana.com

Asia-based Clients: Douglas Isles +65 6593 6023 douglas.isles@pengana.com