

Pengana Global Volatility Fund

August 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\$88.2m

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%	0.7%					8.4%
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%	1.4%	1.3%	0.9%					8.2%
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 0.7%⁴ in August - the 10th consecutive month of positive returns. The annualised return since inception in November 2007 is 8.6%^{2,3,4}.

The Fund continued to generate profits primarily through the trading of shorter term positions, including selling volatility as a result of skew (relative price of long term and short term volatility) being mispriced in the market and from cross exchange arbitrage.

The majority of inventory is held in shorter term (<3month) expirations. The Fund positioning during the month was broadly long short term volatility, short slightly longer dated volatility with some longer dated positions also being held by the Fund. The Fund also generated returns 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.

Net Returns to 31 August 2009 ^{2,3,4}	Class A Units	Class B Units
3 months	3.8%	3.6%
6 months	7.3%	7.0%
1 year	-6.5%	-5.7%
Annualised since inception	8.6% p.a.	7.7% 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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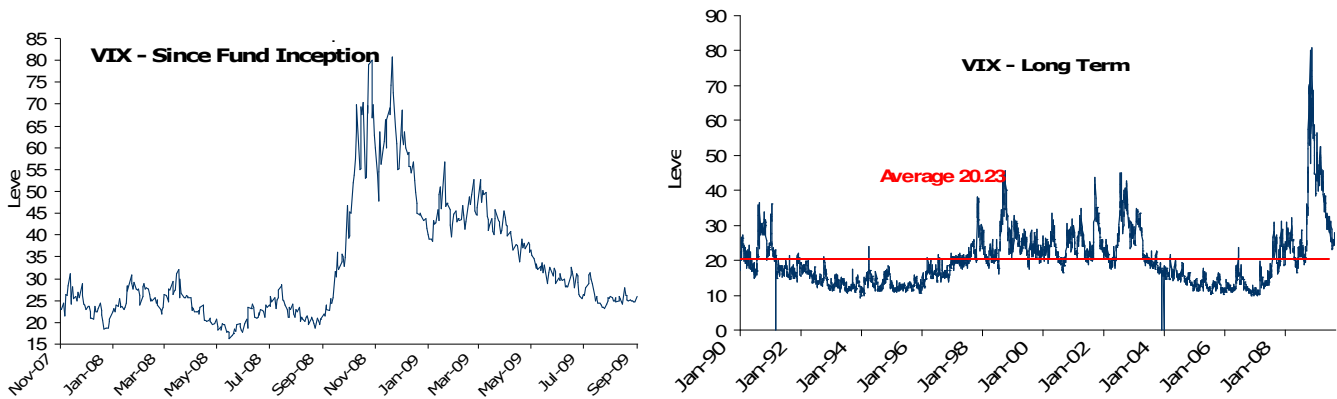
Market Commentary

The S&P500 was positive and the VIX flat for the month as markets continued to trade in a relatively tight range, with the S&P500 up 3.4% and VIX up 0.35% respectively. This is not to say that there was a lack of volatility in markets - as an example, the VIX saw a +14.90% movement on 17 August vs. a -2.4% fall for the S&P500. Market/investor sentiment suggests that there is uncertainty as to whether the current (short term) recovery is genuine or is just a pause prior to another fall in equity markets.

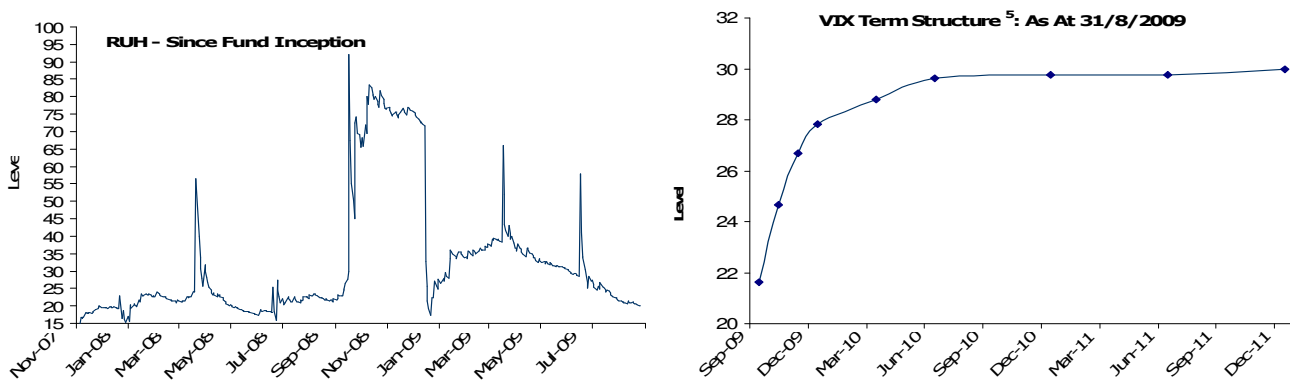
However in terms of volumes August has followed July in that they have been around historic lows. Our expectation is that this will continue until mid-September at the earliest when markets typically pick up post the northern hemisphere summer holidays. We expect that equity markets in the short term will continue to be rangebound with the risk on the downside being greater than the upside. Consequently the risk profile of the Fund is engineered so that the outcomes are broadly similar regardless of whether the market falls or rises in the short term.

Realised volatility fell by 10.5% over the month. 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.

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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