

# Pengana Global Small Companies Solution

## August 2009 Update, by Nick Griffiths



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### 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

<b>Style</b>	Multi manager investing in regional small company specialists	<b>Management Fees<sup>1</sup> (monthly)</b>	0.7688% p.a.
<b>Benchmark</b>	Equally weighted to the three major developed regions: North America, Europe including UK, and Asia including Japan	<b>Performance Fees<sup>1</sup> (quarterly)</b>	10.25% p.a. over benchmark hurdle (net of fees)
<b>Investors</b>	Open to Retail Clients	<b>Underlying Manager Costs</b>	The costs will be within the range of 0.5% p.a. to 1% p.a.
<b>Minimum Initial Investment Amount</b>	A\$25,000 (direct)	<b>AUM at Month End</b>	A\$26.6m
<b>Inception Date</b>	November 2005	<b>Application/ Redemption Price at Month End</b>	Application: A\$0.6308 Redemption: A\$0.6258
<b>Identification Code</b>	ARSN 120 300 450		

### Fund Commentary

#### Fund Performance (A\$, net of fees)<sup>2,3</sup>

	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%	5.5%	3.4%					22.2%
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%

The Global Small Companies Solution returned 3.4%<sup>2</sup> in August, 1.4% below the performance of the composite index. The return for the year has increased to 22.2%<sup>2</sup> with the last 6 months contributing 37.5%<sup>2</sup>.

The rise in the US and Japanese small cap markets slowed during the month as positive corporate and economic data was counterbalanced by fears regarding the fall in the Chinese equity market and profit taking activities after the 5 month rally. The fall in China may be a forewarning of the market's assessment of anticipated reductions in the recent stimulus. Similar fates may befall other markets as policy makers seek to withdraw spending and encourage organic growth.

Unfortunately our intended investment in the Asia ex Japan market was thwarted last month as the portfolio manager resigned to establish a hedge fund. We remain committed to this market and will allocate to an alternative manager in the near future.

#### Fund Performance to 31 August 2009 (A\$, net of fees)<sup>2,3</sup>

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a. <sup>4</sup>	Standard Deviation
<b>Fund</b>	3.4%	12.3%	-21.4%	9.1%	-8.5%	21.3%
Benchmark	4.8%	14.1%	-11.6%	11.0%	-8.0%	20.2%
<b>North America</b>	-0.7%	11.9%	-6.2%	8.0%	-1.7%	22.8%
Benchmark	2.8%	14.1%	-22.6%	12.6%	-6.3%	23.1%
<b>Europe</b>	9.1%	15.9%	-26.1%	15.7%	-6.3%	26.7%
Benchmark	8.7%	16.0%	-13.6%	16.5%	-3.4%	24.5%
<b>Asia</b>	2.9%	19.7%	-8.4%	7.6%	-12.9%	26.3%
Benchmark	2.8%	11.7%	-0.9%	4.0%	-15.9%	21.2%

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

<sup>2</sup> Total return performance figures are shown net of all fees and charges and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance. The value of investments can rise and fall.

<sup>3</sup> The fund's currency exposure was unhedged until 30 June 2007

<sup>4</sup> Inception: November 2005

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### Fund Commentary (cont'd)

North America	
Manager	Cortina AM
Benchmark	Russell 2000
Fund Allocation	31.5%
Month Return <sup>2,3</sup>	-0.7%
Benchmark	2.8%
<p>Cortina generated a return of -0.7% for the month, below the Russell 2000 that was up 2.8%. Year to date and since inception comparisons relative to benchmark remain very favourable.</p> <p>Cortina points to the nature of the rally thus far by way of explanation for the poor relative performance this month. The rally has been very broadly based (75% of small caps have risen since July 1<sup>st</sup>) and has included many poor quality companies perceived to have significant upside because they are starting from a lower base. Private investors are betting on "losers becoming winners", not an institutional investment strategy.</p>	
Top 5 Positions	
3.1%	Wms Inds Inc Com
2.9%	Argo Group Intl Hldgs
2.4%	JDA Software Group
2.4%	Plantronics Inc New
2.2%	Micros Sys Inc
<p>Cortina continues to focus on franchise companies with access to capital and the ability to generate growth throughout the cycle. This has led them to higher market cap, higher quality stocks with strong cash flows and clean balance sheets. We believe this will place them in good stead over the medium to long term. In the short term risks remain in this market but the higher quality nature of Cortina's portfolio should prove more resilient to shocks than the broader market.</p>	

Europe (including UK)	
Manager	Munros CM
Benchmark	HSBC Europe
Fund Allocation	33.2%
Month Return <sup>2,3</sup>	9.1%
Benchmark	8.7%
<p>The European small cap market continued to rally hard in August, and has now risen over 50% since the low in March. Munros performed well during the month, outperforming the benchmark with a return of 9.1%.</p> <p>The Irish small cap market continued its recovery with a remarkable return of 26% for the month. The weakest market, Norway, still generated a positive return.</p> <p>Many of the portfolio's stock holdings demonstrated significant gains. Lamprell, a specialist in oil rig upgrade and refurbishment, rose 50.4% after solid results surprised investors after heavy selling due to the poor economic environment. Ramirent, the portfolio's largest holding, generated a return of 14%. Ramirent rents large equipment and machinery to clients in most of the continental European countries.</p> <p>The biggest negative impact came from the position in Hellenic Exchanges which fell -7.7% after a strong run. Profit taking has been a feature of this market recently as many investors seek to lock in gains from the recent rally ahead of the traditionally risky months of September and October.</p>	
Top 5 Positions	
4.7%	Ramirent
4.7%	C&C Group
3.7%	Trevi
3.7%	Ansaldo
3.5%	Aberdeen AM

Asia (including Japan)	
Manager	Sparx AM
Benchmark	MSCI Japan Small
Fund Allocation	20.2%
Month Return <sup>2,3</sup>	2.9%
Benchmark	2.8%
<p>The Japanese small cap market performed in line with the US small cap market, returning 2.8% for the month. Sparx slightly outperformed, taking their relative performance over the last 3 months to positive 8%.</p> <p>As with the other markets volumes were low in Japan due to the northern hemisphere holiday season. Investors focused on a handful of newsworthy stocks that announced favourable earnings or capital restructuring plans. Internet related companies were the worst performers after a period of strong performance led to profit taking. SBS Holdings remains the manager's largest position; SBS provides an outsourcing service to corporate clients covering logistical, marketing, IT and financial services.</p> <p>The macro political environment in Japan is going through a period of change with a new Government and an appreciating currency that threatens export orientated companies. Sparx's focus is on stocks with domestic demand characteristics, limited downside and growth prospects more dependent on developing economies than the US or Europe. It remains concerned regarding the prospects for real sustainable growth required to maintain the recovery.</p>	
Top 5 Positions	
2.9%	SBS Holdings, Inc
2.7%	Amcromill Inc
2.5%	NOF Corporation
2.4%	Village Vanguard Co
2.3%	Message Co Ltd

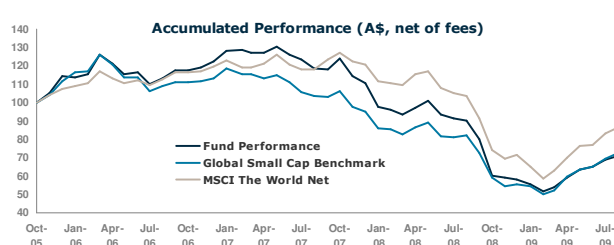
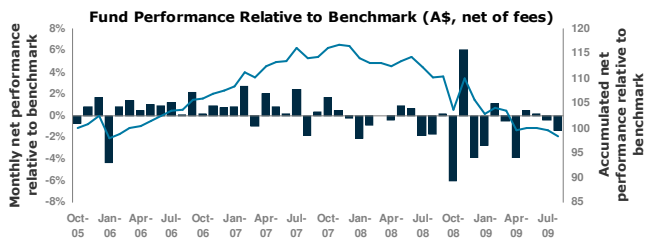
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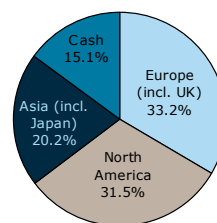
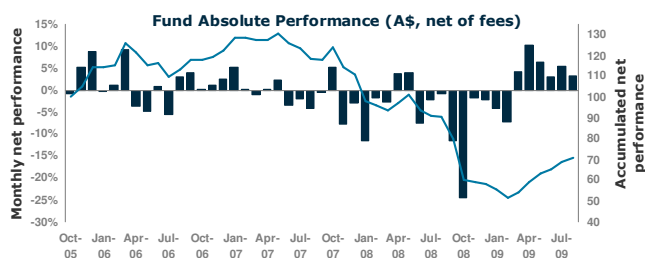
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### Accumulated Fund and Benchmark Performance <sup>2,3</sup>      Monthly Fund Relative Performance <sup>2,3</sup>



### Monthly Fund Absolute Performance <sup>2,3</sup>      Fund Allocation



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