

# Pengana Global Small Companies Solution

## September 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>	Expected to 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\$27.3m
<b>Inception Date</b>	November 2005	<b>Application/ Redemption Price at Month End</b>	Application: A\$0.6516 Redemption: A\$0.6464
<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%	3.3%				26.2%
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 Fund generated a return of 3.3% for the month of September, outperforming the benchmark index by 1.1%. The managers in Japan and Europe both outperformed their respective indexes. The performance for the calendar year has now risen to 26.2%.

The performance differentials between the respective regions has been quite marked. Over 1 year, the return on US small cap index is negative: -11.1%. By contrast the recovery in the European market has been remarkable with the index now up 7.8% for the 12 month period. The Japanese market has also recovered but recent performance has significantly lagged the other markets.

We continue to expect strong returns from our managers in coming months as the performance of higher quality companies forms the basis for the next stage of the equity market rally.

#### Fund Performance to 30 September 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>	3.3%	12.7%	-8.2%	12.7%	-7.6%	20.0%
Benchmark	2.2%	13.4%	2.3%	13.4%	-7.4%	19.7%
<b>North America</b>	4.9%	13.3%	6.0%	13.3%	-0.5%	22.7%
Benchmark	5.6%	18.9%	-11.1%	18.9%	-4.8%	23.1%
<b>Europe</b>	6.4%	23.1%	-6.1%	23.1%	-4.6%	26.7%
Benchmark	5.3%	22.7%	7.8%	22.7%	-2.0%	24.4%
<b>Asia</b>	-2.0%	5.5%	2.2%	5.5%	-13.1%	26.0%
Benchmark	-4.3%	-0.5%	8.1%	-0.5%	-16.5%	21.0%

<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	33.9%
Month Return <sup>2,3</sup>	4.9%
Benchmark	5.6%
<p>Cortina generated a return of 4.9% for September, 0.7% below the Russell 2000 benchmark. The US small cap market has risen 19% in the last quarter and 45% in the last 2 quarters – the 3rd best 6 month period in history.</p> <p>The nature of the rally has not changed: smaller capitalization stocks with poor ROEs, speculative business models, low or non-existent earnings and low share prices have continued to perform well. For example, stocks with share prices below \$5 rose 11% last month, doubling the return of the benchmark index. This has not been a high quality rally, yet Cortina has succeeded in outperforming it. It bodes very well for their performance when fundamentals become more prevalent in subsequent stages of the equity market rally.</p> <p>Leading sectors in the month were Energy and Technology. The former benefited from rising natural gas and crude oil prices as supply shortages came into focus. The services component of the Technology sector has driven this industry as traditional hardware players such as Dell and Cisco have sought to acquire more consistent and visible cash flows.</p>	
Top 5 Positions	
3.1%	Wms Inds Inc Com
2.6%	JDA Software Group
2.6%	Plantronics Inc New
2.2%	ATMI INC COM
2.1%	SKECHERS U S A INC CL A

Europe (including UK)	
Manager	Munros CM
Benchmark	HSBC Europe
Fund Allocation	35.7%
Month Return <sup>2,3</sup>	6.4%
Benchmark	5.3%
<p>Munros performed well during the month, outperforming a strong market by 1.1%. While the markets maintained a positive mood, volumes remained low and daily volatility high as a result.</p> <p>All country markets appreciated during the month with France (+12%) and Ireland (+12%) the strongest, and Greece (+4%) and Denmark (+4%) the weakest. The UK also had a relatively poor month appreciating by just over 4%. The fund is currently 24% invested in this market.</p> <p>Trading activity was limited over the month. The fund's largest holding, Ramirent, appreciated strongly (+18%) as evidence from the Finnish construction market continued to suggest an improving environment. Holdings in Wellstream and Healthcare Locums also performed well.</p> <p>Poor performers for the month came from the more defensive sectors. Teleperformance and Ackermans &amp; Van Haaren both fell. Capital raising also negatively impacted some stocks. Kloeckner was one such example held by the fund.</p>	
Top 5 Positions	
5.2%	Ramirent
4.9%	C&C Group
3.6%	Trevi
3.5%	Tandberg
3.5%	Aberdeen AM

Asia (including Japan)	
Manager	Sparx AM
Benchmark	MSCI Japan Small
Fund Allocation	19.1%
Month Return <sup>2,3</sup>	-2.0%
Benchmark	-4.3%
<p>The Japanese market was, as has often been the case, the exception for the month. The MSCI Japan Small Cap index fell -4.3%. The main cause was the appreciation of the Japanese Yen and uncertainty regarding the new government's stance on the appreciating currency. Sparx also fell but outperformed by over 2%.</p> <p>The recent change in government heralds a time of significant change in Japan. At last the Japanese people have expressed their desire to change the status quo and participate in the resurgence of Asia. Inevitably there is debate regarding policy direction, but overall the belief is that Asian economic relations, the stock market and in particular the small cap market will benefit.</p> <p>As well as exporters, financial stocks fell over the month due to expected tighter regulations and the announced moratorium on the repayment of small company loans. The fund's best performers came from the retail and service industries, including internet companies, that are more focused on the domestic economy.</p> <p>Sparx believe that although second half earnings will pick up and the global economy continue to improve, much of the upside is priced in by the market. Risks remain on the downside and they do expect significant gains this year.</p>	
Top 5 Positions	
2.9%	MACROMILL Inc
2.9%	SAIZERIYA CO Ltd.
2.7%	SBS HOLDINGS Inc
2.6%	VILLAGE VANGUARD co ltd.
2.5%	ARCLAND SAKAMOTO co. Ltd

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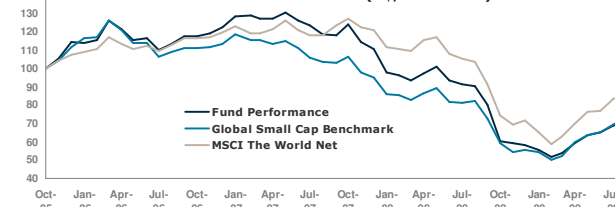
## Accumulated Fund and Benchmark Performance <sup>2,3</sup>

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

Fund Performance Relative to Benchmark (A\$, net of fees)



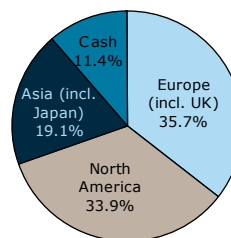
Accumulated Performance (A\$, net of fees)



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

## Fund Allocation

Fund Absolute Performance (A\$, net of fees)



## Contact Details

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