

Pengana Global Small Companies Solution

October 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

Style	Multi manager investing in regional small company specialists	Management Fees¹ (monthly)	0.7688% p.a.
Benchmark	Equally weighted to the three major developed regions: North America, Europe including UK, and Asia including Japan	Performance Fees¹ (quarterly)	10.25% p.a. over benchmark hurdle (net of fees)
Investors	Open to Retail Clients	Underlying Manager Costs	Expected to be within the range of 0.5% p.a. to 1% p.a.
Minimum Initial Investment Amount	A\$25,000 (direct)	AUM at Month End	A\$26.5
Inception Date	November 2005	Application/ Redemption Price at Month End	Application: A\$0.6306 Redemption: A\$0.6256
Identification Code	ARSN 120 300 450		

Fund Commentary

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

	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%	-3.2%			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 Fund delivered a return of -3.2% for the month of October, outperforming the benchmark index by 0.8%. Outperformance was driven by managers in the US and Japan, both of which outperformed their respective regional markets. Small cap markets have now re-bounded strongly since the worst of the Global Financial Crisis in September/October 2008. For the year ending October 2009, the Fund's benchmark is up 20% driven primarily by strong performances from the European and Asian small cap markets. There was a notable shift in sentiment in equity markets in October. Most obviously, the market recorded a loss in the month; its first loss following seven consecutive months of gains. Perhaps less obvious was the end of the outperformance of low quality stocks. While the market recorded a broad based decline in the October, higher quality stocks declined far less. We would expect that through the next phase of the market, higher quality stocks should perform well and this should bode well for the Fund's relative performance.

Fund Performance to 31 October 2009 (A\$, net of fees)^{2,3}

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a. ⁴	Standard Deviation
Fund	-3.2%	3.3%	17.5%	9.1%	-8.2%	19.9%
Benchmark	-4.0%	2.8%	20.3%	8.9%	-8.1%	19.9%
North America	-6.0%	-2.2%	20.5%	6.4%	-2.0%	22.6%
Benchmark	-6.9%	1.1%	4.7%	10.7%	-6.4%	23.1%
Europe	-3.1%	12.5%	15.0%	19.3%	-5.3%	26.4%
Benchmark	-2.6%	11.5%	31.6%	19.6%	-2.6%	24.1%
Asia	-2.3%	-1.4%	32.6%	3.1%	-13.3%	25.7%
Benchmark	-2.6%	-4.1%	27.1%	-3.1%	-16.7%	20.8%

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

² 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.

³ The Fund's currency exposure was unhedged until 30 June 2007

⁴ Inception: November 2005

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Fund Commentary (cont'd)

North America		
Manager	Cortina AM	Cortina produced a return of -6.0% in October, outperforming the Russell 2000 by 0.9%. Portfolio relative performance was driven by a combination of third quarter earnings reports and weakness in lower quality stocks. Smaller companies began reporting their earnings in late October and after reporting better than expected results, stocks such as Skechers USA, HMS Holdings and Signature Bank all responded positively. Meanwhile, "lower quality sectors" such as Airlines, Biotechnology and REITs each performed poorly. The portfolio typically holds companies with the strong "franchise" qualities and therefore has little exposure to these industries, with their weakness boosting the portfolio's relative performance.
Benchmark	Russell 2000	
Fund Allocation	33.1%	
Month Return ^{2,3}	-6.0%	
Benchmark	-6.9%	
Top 5 Positions		
3.0%	WMS Inds	The US stock market remains volatile as it continues to search for evidence of a durable economic recovery. The 'hand off' from stimulated activity to organic activity remains the critical juncture of this economic recovery. While one month does not constitute a trend, the seven month period of low quality outperformance roughly matches historic, post market bottom action, following which, the market has migrated back to higher quality names.
2.8%	Skechers USA	
2.5%	JDA Software Group	
2.5%	Plantronics	
2.4%	Carter's	

Europe (including UK)		
Manager	Munros CM	Munros underperformed during October returning -3.0% against a market return of -2.6%. Sweden (+4.6%), Norway (+3.9%) and Greece (+3.6%) outperformed, the only three markets to register positive returns for October. Ireland (-13.6%), Spain (-8.7%) and Germany (-5.6%) underperformed, as recovering markets saw some profit taking. In general, recovery stocks underperformed and this was the key driver of performance. Examples include Spanish tube manufacturer, Tubacex (-16.44%), British oil and gas pipeline manufacturer, Wellstream (-16.07%), Irish retail building supplier, Grafton (-12.37%) and Swiss machinery manufacturer, Sulzer (-10.39%). On the positive side, Elxaxis (+16.91%) rose on valuation grounds after the microcap stock had been left behind in the strong rally. Lamprell (+16.75%) also rose after being severely de-rated over recent months, Hellenic Exchanges (+12.21%) outperformed a strong Greek market and Tandberg (+11.14%) rose as Cisco bid NOK 153.50 per share for the company.
Benchmark	HSBC Europe	
Fund Allocation	35.8%	
Month Return ^{2,3}	-3.1%	
Benchmark	-2.6%	
Top 5 Positions		
4.8%	Ramirent	
4.5%	C&C Group	
4.0%	Tandberg	
3.6%	Trevi	
3.6%	Hellenic Exchanges	

Asia (including Japan)		
Manager	Sparx AM	The MSCI Japan Small Cap Index (with dividends) fell -2.6% for the month of October with Sparx returning -2.3% to outperform by 0.3%. While Sparx outperformed, profit-taking as well as a slump in the shares of wholesalers and service industry-related companies weighed on performance. During the month, Sparx sold names that had either risen to unjustified levels or had jumped only on the basis of valuation despite the lack of signs suggesting an improvement in earnings. They bought oversold domestic-oriented companies and electric appliance makers. Sparx remain cautious however they believe that as there is more clarity on future corporate earnings and domestic economic policy, the Japanese equity market may experience a boost in the New Year. However gains prior to year end are likely to be muted as investors engage in year end profit-taking. Sparx's strategy is to continue to take advantage of oversold market conditions and pick names that will benefit from growth in developing economies, eco-friendly related business and domestic firms, which would benefit from policy changes.
Benchmark	MSCI Japan Small	
Fund Allocation	19.6%	
Month Return ^{2,3}	-2.3%	
Benchmark	-2.6%	
Top 5 Positions		
3.1%	Saizeriya	
3.1%	Macromill	
2.8%	Village Vanguard	
2.6%	Sbs Holdings	
2.5%	Arcland Sakamoto	

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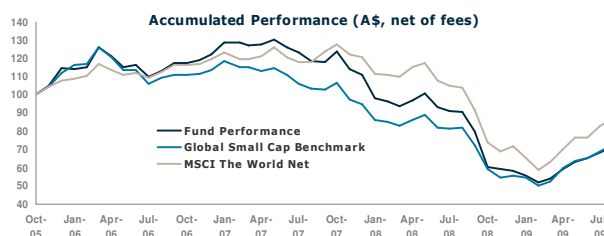
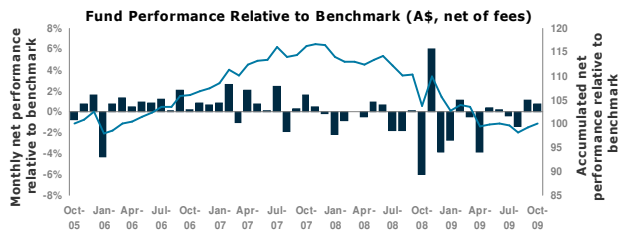
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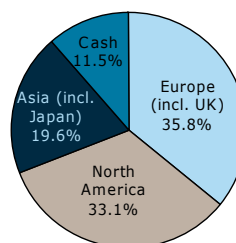
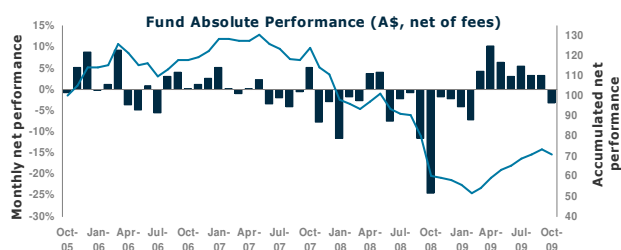
Accumulated Fund and Benchmark Performance ^{2,3}

Monthly Fund Relative Performance ^{2,3}



Monthly Fund Absolute Performance ^{2,3}

Fund Allocation



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