

# Pengana Global Volatility Fund

## October 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<sup>2,3</sup> and is managed by a highly experienced team led by Alvin Wilkinson.

### Fund Features

<b>Style</b>	Non-directional global volatility	<b>Management Fees<sup>1</sup> (monthly)</b>	Class A: 2.0% p.a. Class B: 0.5% p.a.
<b>Investors</b>	Wholesale Investors only	<b>Performance Fees<sup>1</sup> (quarterly)</b>	Class A: 20% Class B: 30%
<b>Minimum Initial Investment Amount</b>	A\$100,000	<b>Trustee Fee<sup>1</sup></b>	0.2% per annum of the net asset value of the Fund
<b>Inception Date</b>	November 2007 <sup>2,3</sup>	<b>FUM at Month End</b>	A\$88.15m

### Fund Commentary

Fund Performance (Class A Units, in A\$, net of fees) <sup>2,3,4</sup>													
	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%	0.3%	0.9%			<b>9.7%</b>
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%	<b>4.3%</b>
2007											1.6%	1.3%	<b>2.8%</b>

Fund Performance (Class B Units, in A\$, net of fees) <sup>2,3,4</sup>													
	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%	0.3%	0.9%			<b>9.3%</b>
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%	<b>4.6%</b>

The Performance for the AUD Class A shares of the Fund in October was 0.9%<sup>3,4</sup> the 12th consecutive month of positive returns. The annualised return since inception in November 2007 is 8.5%.

Arguably October 2009 was the toughest month to date for the Fund given the shifting nature of equity and option markets. The S&P500 started October at 1057, fell to 1025, then ground its way to 1097 and ended the month at 1036; the VIX started the month at 25.6, fell to 20.7, rose to a high of 30.7 and ended the month at 29.8. Despite the market gyrations we were able to deliver another positive monthly return whilst maintaining an element of protection should there be a catastrophic market event.

During the month the Fund was slightly long short term volatility and short medium term volatility whilst maintaining a short delta position – it needs to be noted that none of the greek exposures were materially significant.

Net Returns to 31 October 2009 <sup>2,3,4</sup>	Class A Units	Class B Units
3 months	1.9%	1.9%
6 months	6.3%	5.7%
1 year	85.1%	82.9%
<b>Annualised since inception</b>	<b>8.5% p.a.</b>	<b>7.6% p.a.</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Inception Dates: Class A Units - 07 November 2007, Class B Units - 31 December 2007

<sup>4</sup> 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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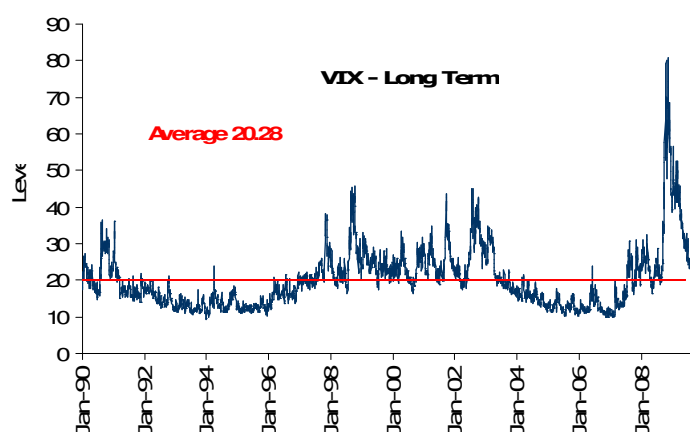
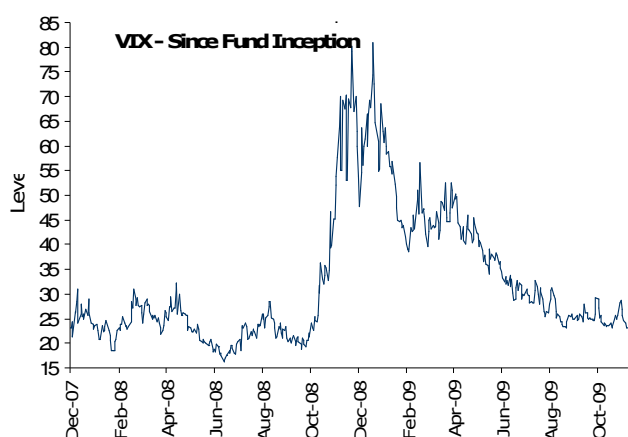


### Market Commentary

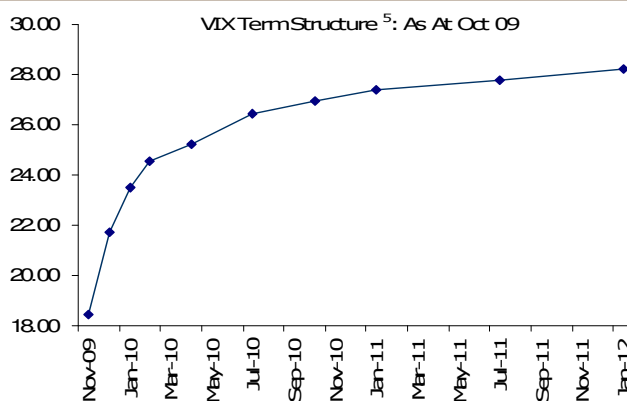
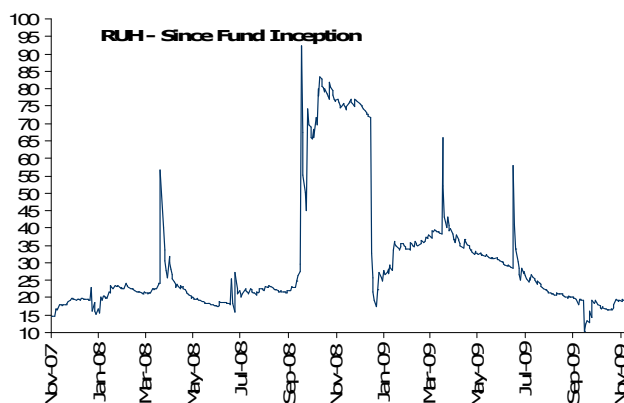
As noted above both the S&P500 and VIX shifted dramatically throughout the month with the S&P500 down -0.2% and the VIX up 16.4%.

Equity option volumes in October whilst higher than September were low in a relative sense to historical averages and also this time last year. We feel that at the current level of the S&P500, risk continues to be greater on the downside than the upside. 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.

### CBOE Volatility Index (VIX)



### CBOE Realised Volatility (RUH) and Term Structure <sup>5</sup>



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<sup>5</sup> Term Structure describes the level of implied volatility for options in different expiry dates.

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