Pengana Asian Equities Long Short Fund (Onshore) October 2009 Update

PENGANA CAPITAL

Pengana Asian Equities Long Short Fund (Onshore)

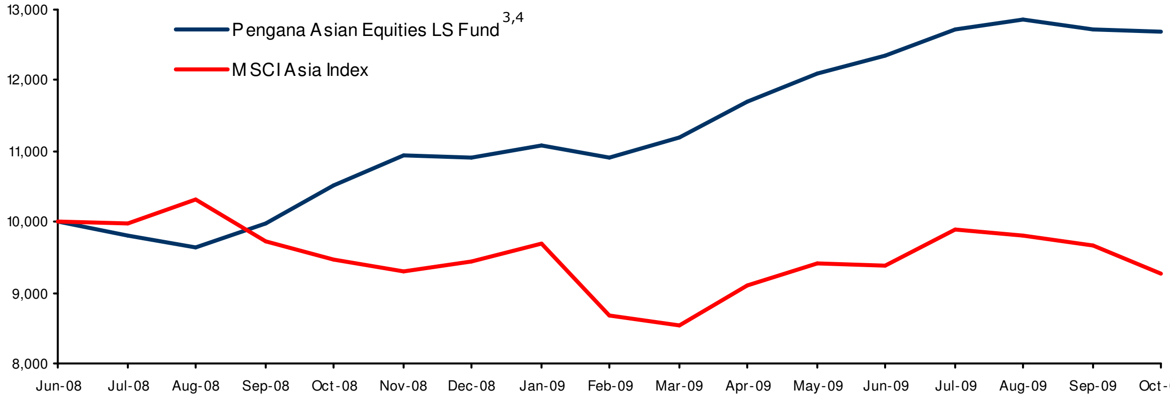
The Pengana Asian Equities Long Short Fund (Onshore) (the "Fund") provides investors with equity exposure to companies within the Asia Pacific region. The Fund is managed out of Sydney, Australia. The Fund utilises the core strategy to be both long and short securities, to attempt reduce volatility and to seek stable long term absolute returns.

Fund Features

Style	Long/Short Equity	**Management Fees** [1] **(monthly)**	1.54% p.a.
Comparative Benchmark	MSCI AC Asia Index	**Performance Fees** [1] **(semi-annually)**	20.5% of Net Asset Value subject to RBA target cash rate and High Water Mark
Investors	Open	**AUM at Month End**	A$2.9m
Minimum Initial Investment	A$20,000	**Application Price at Month End**	A$1.0373
Inception Date	01 July 2008 [2,4]	**Redemption Price at Month End**	A$1.0321

Fund Commentary

Fund Performance (A$, %, net of fees) [3,4]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**YTD**
2009	1.4	-1.5	2.7	4.6 [4]	3.5	2.0	3.0	1.2	-1.3	-0.2			**16.2%**
2008							-2.0	-1.5	3.3	5.4	4.1	-0.2	**9.1%**
MSCI AC Asia Index (A$, %)													
2009	2.8	-10.5	-1.8	6.6	3.6	-0.3	5.3	-0.9	-1.5%	-3.8			**-1.7%**
2008							-0.3	3.5	-5.6	-2.8	-1.8	1.6	**-5.6%**



[1] All percentages include GST net of reduced input tax credits. Please refer to the PDS for a more detailed explanation.

[2] On 26 August 2009 the Fund became a registered scheme, with a PDS. Identification codes for the Fund are: ARSN: 138 943 709; APIR: PCL 0002AU

[3] Net performance, after all fees and charges, and assuming reinvestment of all distributions. Past performance is not a reliable indicator of future performance.

[4] On 22 April 2009 the Fund expanded its investment universe from the Asia region to the Asia Pacific region.

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	Fund Features since Inception	Index Features since Inception
Annualised Return	19.5%	-5.4%
Annualised Volatility	8.3%	14.9%
Sharpe Ratio [5]	1.7	-0.7
Maximum Drawdown [6]	-3.5%	-17.3%
Max. Recovery Period	2 months	7 months + [7]
Best Monthly Return	5.4%	6.6%
Worst Monthly Return	-2.0%	-10.5%
% of Up Months	63%	38%
Correlation to Index	0.24	

The Fund returned -0.2%[3,4] net of fees for October 2009, compared to the -3.8% return by the MSCI Asia Index. Since inception in July 2008, the Fund has returned 19.5% p.a.[3,4] net of fees, compared to the Index's -5.4% p.a. return. During the month, the Fund's equity portfolio produced positive return of 0.6%, substantially outperforming the -1.1% return by the Index. The Fund's exposure in technology has contributed to much of the positive returns this month with best performers including Lenovo, China's largest PC manufacturer, Elpida, Japan's largest DRAM manufacturer, and Nippon Electric Glass, one of the world's largest glass substrate manufactures for LCD panels from Japan. By country, the Fund's exposure in most markets including Japan and HK/China, except Korea and Taiwan, produced positive returns, contrasting to the performance by the Index with most markets, except Hong Kong and China, returning negatively during the month. Careful management of currency exposure has also minimised the negative impact from currency exposure as the Australian dollar continued to strengthen against all regional currencies including the US dollar and the Japanese yen through the month.

During the month, we took profit in the technology and financial sectors, leading to lower overall exposure. While exposure in Japan has been maintained broadly in line with the previous month, exposure in other markets in particular in China/Hong Kong has been reduced further.

Top Five Performers	Bottom Five Performers
Lenovo Group (China, long)	Olympus (Japan, short)
Nippon Electric Glass (Japan, long)	Mitsubishi Electric (Japan, short)
Elpida Memory (Japan, long)	Dongfeng Motor (China, short)
Weiqiao Textile (China, long)	China Coal Energy (China, short)
Advantest (Japan, short)	Yamada Denki (Japan, long)

[5] Using 5% risk-free rate for Sharpe ratio
[6] The worst period of 'peak to valley' performance, regardless of whether or not the drawdown consisted of consecutive months of negative performance
[7] Not yet returned to prior peak level

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Market Outlook

As global financial markets continue to perform strongly, we hold the view that further gains from current levels will likely be driven by liquidity as global economic recovery has been mostly reflected in the current valuations, in our opinion. Liquidity may still remain favourable in the very short term; however, signs of risks are emerging following recent strong performance in crude oil prices. As rising oil prices will push up inflation globally, central banks worldwide, which are keen to see a more sustainable economic recovery before tightening monetary policies, may be forced to exit the currently very loose policies much earlier than they like. This may jeopardise the currently very fragile recovery.

In such an uncertain environment, it is not rewarding to take up more market risks but instead, a stock picking strategy focused on companies that survived last year's financial crisis without much government support and are emerging to become more competitive globally will likely produce strong returns for 2010. Japan houses such companies. China's strong auto sales year-to-date and its manufacturers aggressive plans to expand capacity and upgrade facilities next year may offer the future for Japan's very competitive auto parts and machinery industries.

Exposure by Sector	**Gross**	**Net**	**Exposure by Country**	**Gross**	**Net**
Growth Sectors			HK & China	5%	1%
Energy & Materials	1%	1%	Taiwan	2%	2%
Ind., Con. Discretionary & Tech	22%	14%	South Korea	0%	0%
Financial & Real Estate	26%	16%	Singapore	2%	2%
Defensive Sectors			EM ASEAN	0%	0%
Con. Staples & Healthcare	9%	-1%	Japan	31%	17%
Telecom & Utilities	0%	0%	Australia	18%	7%
Futures	0%	0%	**Equities**	**58%**	**29%**
Total	**58%**	**29%**			

Contact Details

Pengana Capital Limited ▪ Level 29, 20 Bond Street, Sydney, NSW 2000, Australia
T +61 2 8524 9900 ▪ F +61 2 8524 9901 ▪ ABN 30 103 800 568, AFSL 226566

For further information, please visit our website at **www.pengana.com** or contact:

Institutional Clients: Denis Carroll, +61 2 8524 9974, denis.carroll@pengana.com

Private Clients: Juliet Dunworth, +61 2 8524 9984, juliet.dunworth@pengana.com

Advisors: Justin Brooks, +61 3 8663 7906, justin.brooks@pengana.com