

# Pengana Global Small Companies Solution

## November 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\$26.1 million
<b>Inception Date</b>	November 2005	<b>Application/ Redemption Price at Month End</b>	Application: A\$0.6222 Redemption: A\$0.6172
<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%	-3.2%	-1.3%		20.5%
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 -1.3% for the month of November, outperforming the benchmark index by 0.6%. Contributing to outperformance was European stock selection and the Fund's cash weighting. Small cap markets were largely flat for the month with the exception of Japan which produced a return of -8.3%. It is fair to say that many equity markets (with the notable exception of Japan) have entered a consolidation phase following the strong rebound in equity markets that has occurred for much of this year.

In a rather lacklustre news month, the Dubai World's debt moratorium received disproportionate market reaction relative to the scale of the problem. However Dubai's debt fiasco is a stark reminder that the global financial system is yet to fully purge itself of the excesses of cheap leverage of prior years. That said Dubai alone is unlikely to result in massive contagion risks or cause a downward spiral in markets that are akin to the dramatic meltdown that we witnessed last year.

#### Fund Performance to 30 November 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>	-1.3%	-1.4%	17.9%	7.6%	-8.3%	19.9%
<b>Benchmark</b>	-1.9%	-3.8%	27.9%	6.8%	-8.4%	19.5%
<b>North America</b>	1.9%	0.4%	35.1%	8.4%	-1.5%	22.6%
<b>Benchmark</b>	3.0%	1.3%	22.5%	14.1%	-5.6%	23.1%
<b>Europe</b>	-0.2%	2.9%	31.3%	19.1%	-5.2%	26.4%
<b>Benchmark</b>	-0.5%	2.1%	42.8%	19.0%	-2.7%	24.1%
<b>Asia</b>	-9.9%	-13.7%	10.9%	-7.1%	-15.2%	25.7%
<b>Benchmark</b>	-8.3%	-14.5%	15.8%	-11.1%	-18.2%	20.8%

<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	Cortina underperformed its benchmark in November delivering a return of 1.9% versus 3.0% for the Russell 2000.
Benchmark	Russell 2000	
Fund Allocation	34.2%	
Month Return <sup>2,3</sup>	1.9%	
Benchmark	3.0%	
<b>Top 5 Positions</b>		
2.9%	JDA software group	For the second month in a row and the third month in the past four, US small cap stocks have trailed US large caps. The small cap-based Russell 2000 rose 3.1% compared to the Russell 1000 advance of 5.9% in November and for the past three months, the large cap Russell 1000 has soundly trounced the small cap Russell 2000 with a gain of 7.8% vs. 1.7%, respectively. These results highlight investors search for robust international earnings growth amid a weakening US dollar. Not surprisingly, Energy and Materials stocks led the market over the past three months due to their weak dollar, foreign-influenced profile.
2.8%	WMS inds inc com	
2.8%	Skechers USA inc	
2.3%	Skillsoft plc	
2.2%	Carter's inc	
The US market is still in a recovery phase in which it is normal for the risk adjustment process to reward the weak and battered during the stock market recovery. The market is following a normal course by not only favouring lower quality stocks but also by migrating to higher market caps for liquidity and re-allocation purposes. However as the recovery progresses this will pass and higher quality stocks will outperform.		

Europe (including UK)		
Manager	Munros CM	Munros outperformed European small cap markets, returning -0.2% versus the index return of -0.5%.
Benchmark	HSBC Europe	
Fund Allocation	35.8%	
Month Return <sup>2,3</sup>	-0.2%	
Benchmark	-0.5%	
<b>Top 5 Positions</b>		
4.8%	Ramirent	European small cap markets traded sideways in November, consolidating the strong gains seen from March through September. However, day to day volatility continued to be a major feature accentuated by extremely low volumes on all exchanges.
4.9%	C&C Group	
4.2%	Tandberg	
3.5%	Trevi	
3.4%	Aberdeen AM	
Germany, Finland and Norway were the stand out performers while the smaller markets tended to underperform, led by Greece, Ireland and Portugal.		
November was an excellent month for Munro's leading German stocks with Rational (+18.5%), Wincor Nixdorf (+15.5%) and Bilfinger & Berger (+13.5%) all outperforming a strong local market. C & C (+11.0%) also rose on news of the acquisition of Gaymer Cider, which is expected to be earnings enhancing from year one. Hellenic Exchanges (-14.8%) fell in line with the weak Greek market while Lamprell (-12.4%) gave up some of last month's strong gains.		

Asia (including Japan)		
Manager	Sparx AM	Sparx underperformed the MSCI Japan Small Cap Index by 1.6%, returning -9.9% versus the index return of -8.3%. While optimism that the global economy is recovering pushed the overseas equity markets higher, Japanese stocks fell sharply in the month of November. Investors remained jittery about a continued strengthening of the JPY against the USD, and deteriorating demand and supply conditions as Japanese companies prepare to raise capital coupled with the start of year-end tax-related stock sales.
Benchmark	MSCI Japan Small	
Fund Allocation	17.6%	
Month Return <sup>2,3</sup>	-9.9%	
Benchmark	-8.3%	
<b>Top 5 Positions</b>		
3.3%	Macromill	Domestic-oriented stocks performed relatively better but machinery-related stocks plummeted due to a stronger JPY and growing concerns about their earnings outlook. In addition, some stocks in the portfolio slid as companies announced recapitalization plans.
2.9%	Message Co	
2.8%	SRA Holdings	
2.7%	Doshisha Co	
2.6%	Arcland Sakamoto	
During the month, Sparx took profits on those names that have performed relatively well in the recent months and sold names that are experiencing difficult business conditions and would be challenged to achieve their current fiscal year earnings forecast. Sparx bought oversold names and those names likely to benefit from an economic recovery.		

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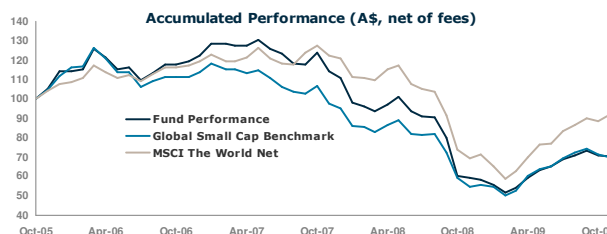
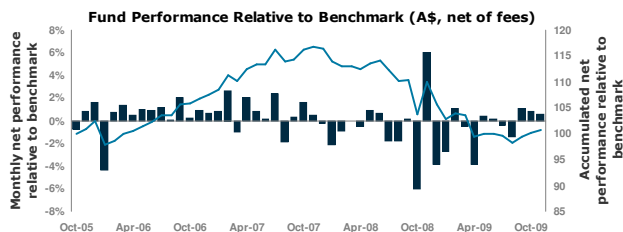
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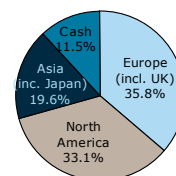
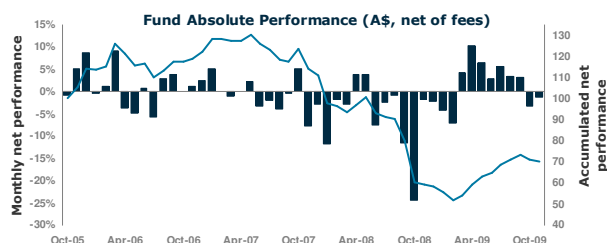
### Accumulated Fund and Benchmark Performance <sup>2,3</sup>

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



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

### Fund Allocation



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