



**MEDIA RELEASE**  
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## **Pengana Capital's top investment opportunities for 2010**

**Sydney:** Diversified funds manager Pengana Capital has released a list of its top investment opportunities to look out for in 2010.

Commenting on the list, which takes into consideration Australian and Asian equities, plus the Small Cap, Resource and Volatility sectors, Nick Griffiths, Chief Investment Officer at Pengana Capital said, "We expect companies which have been resilient during the Global Financial Crisis to present significant opportunities for investors in the New Year, however investors need to be both disciplined and patient to capitalise on these opportunities.

"We believe that a successful investment outcome for 2010 will rely heavily on stock picking rather than time in the market," said Mr Griffiths.

Pengana's top investment opportunities for 2010 are:

### **Theme 1: Economic Darwinism**

Rhett Kessler, Fund Manager for the Pengana Australian Equities Core Fund identifies Economic Darwinism as major theme which will generate significant opportunities for investors reviewing Australian equities.

"Companies with robust balance sheets, resilient brands and business models are using the volatile economic environment to expand their market share and consolidate their already strong positions," Mr Kessler said.

"The scarcity of capital is exaggerating the speed of growth for the already strong companies. This opportunity will allow companies that are dominant players in their markets to generate above market profit growth. Examples include the grocery, banking and engineering sectors," said Mr Kessler.

### **Theme 2: Super Charged Small Caps**

Steve Black, Fund Manager for the Pengana Emerging Companies Fund believes that Australia's strong economic recovery will have a significant impact on small companies.

Mr Black said, "The Global Financial Crisis has given companies an excuse to drive down costs within their organisations. Now these small companies have profits which are far more leveraged to revenue growth.

"The Small Cap market is still down around 50% from its high in 2007. Considering this, we believe that there is still good value to be found; we are finding we can still buy high quality stocks with good growth prospects on single digit price-earnings ratios. Throughout our fifteen years of researching Small Cap

stocks, this has been rare. There is still good value to be found if people take a top down consideration,' concluded Mr Black.

### **Theme 3: Continued Resource Strength**

Ric Ronge, Manager for the Pengana Global Resources Fund believes a strong year of growth can be expected for resources markets as a result of fairly valued and sustainable earnings driven largely by consumption.

Mr Ronge said, "Although appetite for commodity and resource investment may decline as confidence of an economic recovery in the US and Euro-Zone rises, this should be seen as an opportunity to invest.

"Commodity demand will become more fundamentally consumption driven, which will be a pre-requisite to sustain a rally in resource equities. Oil in particular will be one of the most leveraged mainstream commodity exposures if investors embrace the global economic recovery in 2010."

### **Theme 4: Return to Infrastructure**

Steve Goldberg, Manager for the Pengana Australian Equities Long Short Fund, views market sentiment towards a global economic recovery as a key driver to both public and private sector investments in infrastructure.

"With the backdrop of an ongoing recovery of the Western World, we expect the workload for the infrastructure service companies to grow strongly. Companies have used the GFC as a platform for streamlining operating procedures and reducing costs. Australia's need for infrastructure remains acute across every sphere and we expect this structural growth to commence sometime in the first half of 2010," said Mr Goldberg.

### **Theme 5: Markets search for direction**

Al Wilkinson, who is widely credited with the commercialisation of the VIX (Volatility Index) and is the Fund Manager of Pengana's Global Volatility Fund believes, globally, the markets will be searching for direction over the next year. According to Al, this will become more apparent as Government spending stimuli start to wind back and investor confidence becomes exposed to the full brunt of market forces.

"Currently, volatility is at its lowest level for around 18 months and it would be difficult for this trend to continue indefinitely. Ironically, with our non-directional market neutral strategy, this should be very beneficial for the way we invest in volatility," Mr Wilkinson added.

### **Theme 6: Emerging and Developed Performance in Asia**

There will be two distinct themes driving strong performance in Asia, according to Diane Lin, Fund Manager for the Pengana Asian Equities Long Short Fund.

"Medium term growth outlook for China remains promising, particularly for industries such as electronics, auto and consumption, and more so than heavy industry, as the economy continues to move away from a fixed asset investment focus to a more balanced and consumption driven model. Domestic demand is expected to provide strong earnings growth across these sectors," says Ms Lin.



Ms Lin believes Japan is also worth keeping an eye on in 2010.

"A noticeable laggard in 2009, valuations in Japan are compelling and we expect strong corporate earnings growth, led by the manufacturing sector, to spur investor interest. Whilst equity raisings early in the year may cap near term market performance, they may also act as the catalyst for value to be realised later in 2010," concluded Ms Lin.

**END**

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**NOTES TO THE EDITORS:**

**About Pengana Capital Ltd**

Pengana Capital Ltd ("Pengana") is a diversified funds management business focused on delivering exceptional long term returns to its investors. It has approximately AUD1 billion in funds under management through ten funds, focusing on three central investment strategies – equities, volatility and bonds.

Pengana is headquartered in Sydney, Australia, with additional offices in Melbourne, Singapore, Edinburgh, Chicago and Lakeville (Connecticut). Pengana has approximately 50 staff members including over 35 investment professionals. The National Australia Bank is a significant minority shareholder in Pengana, with the remaining shares majority owned by Pengana's directors and staff.

For further information visit [www.pengana.com](http://www.pengana.com).