Pengana Global Small Companies Solution
February 2010 Update, by Greg Clarke

PENGANA CAPITAL

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 Fees [1] (monthly)**	0.7688% p.a.
Benchmark	Equally weighted to the three major developed regions: North America, Europe including UK, and Asia including Japan	**Performance Fees [1] (quarterly)**	10.25% p.a. over benchmark hurdle (net of fees and subject to High Water Mark)
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$26.0 million
Inception Date	November 2005	**Application/ Redemption Price at Month End**	Application: A$0.6521 Redemption: A$0.6469
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**
2010	-2.0%	1.4%											-0.7%
2009	-4.3%	-7.2%	4.3%	10.2%	6.5%	2.9%	5.5%	3.4%	3.3%	-3.2%	-1.3%	5.6%	27.2%
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 outperformed in February returning 1.4%[2] versus a benchmark return of 0.9%. The major contributor to performance was stock selection in Asia with all other regions performing roughly in line with benchmark.

Stock markets had a relatively benign month considering there are continuing concerns over sovereign default risks in a number of European countries and the impact that a monetary tightening stance in China will have on the global economy. Economic news continues to be mixed and consequently investors have adopted a cautious stance to company earnings reports in the absence of economic clarity.

Fund Performance (A$, net of fees) [2,3]

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a. [4]	Standard Deviation
Fund	1.4%	4.8%	42.1%	12.8%	-6.8%	20.8%
Benchmark	0.9%	5.3%	47.4%	12.7%	-7.8%	19.7%
North America	4.5%	8.6%	63.5%	17.8%	0.4%	22.5%
Benchmark	4.4%	8.4%	61.6%	23.7%	-3.8%	22.7%
Europe	-1.8%	3.1%	61.4%	22.8%	-4.3%	25.5%
Benchmark	-1.8%	5.3%	65.8%	25.2%	-1.4%	23.3%
Japan	-0.5%	4.1%	31.6%	-3.2%	-13.6%	25.3%
Benchmark	-0.1%	5.4%	20.7%	-5.8%	-18.2%	20.4%
Asia ex Japan	2.0%	n/a	n/a	n/a	n/a	n/a
Benchmark	0.3%	n/a	n/a	n/a	n/a	n/a

[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
Benchmark	Russell 2000
Fund Allocation	33.5%
Month Return [2]	4.5%
Benchmark	4.4%

Top 5 Positions

1.04%	WMS Industries, Inc.
0.87%	JDA Software Group
0.87%	Plantronics, Inc.
0.74%	ATMI, Inc.
0.70%	SkillSoft PLC

The US portfolio performed in line with the benchmark returning 4.5%. The Russell 2000 Index (4.4%) of small cap stocks posted the strongest February in ten years.

Consumer discretionary stocks advanced 8% and were the best performing sector for the second month in a row. Energy and technology companies also outpaced the market last month, but have not kept pace with the consumer and financial sectors which have made strong starts to the year.

Most notably, the past two months have temporarily halted the year end transition toward higher quality growth companies in the US. The current US earnings season hasn't rewarded companies which have reported good earnings. Favorable earnings surprises are generating a meagre 1.4% average advance over the following 20 days; the historical norm is a 2.8% appreciation. Conversely, negative earnings surprises this year are driving stocks down by 5.0% on average; the historical norm is a 2.4% decline.

The market's renewed affinity with weaker companies is puzzling as there are few other signs of renewed risk taking. The manager sees this as a temporary phenomenon and does not expect a renewal of last year's strong recovery rally.

Europe (including UK)

Manager	Munros CM
Benchmark	HSBC Europe
Fund Allocation	32.1%
Month Return [2]	-1.8%
Benchmark	-1.8%

Top 5 Positions

1.50%	C & C Group
1.49%	Ramirent
1.31%	IFG Group
1.23%	Lamprell
1.14%	Trevi

The European portfolio performed in line with the benchmark in February delivering a return of -1.8%. European markets had a very volatile month as doubts persisted about the strength of the European recovery. Volumes continue to remain very low and volatility high. Belgium (+1.2%), Switzerland (+0.7%) and Germany (+0.6%) outperformed while Ireland (-10.1%), Portugal (-6.9%) and Greece (-6.1%) underperformed. Spain (-4.6%) and Italy (-4.1%) also underperformed as investors dumped stock in the so called PIIGS markets.

Stocks that contributed to performance include Lamprell (+28.4%) which rose on good contract wins including North Sea applications (Fred Olsen). VT Group (+24.3%) also rose as Babcock made a bid approach which has thus far been rejected by the Board. Ipsos (+12.2%) rallied on better than expected Q4 numbers despite a difficult overall environment.

Detractors included Spice (-23.9%) which fell as the CEO departed the business. This should be seen as a positive as it means an end to the acquisition led growth and a return to a focus on organic growth which remains sound. Additionally, Healthcare Locums (-12.8%) ran into some profit taking after its recent strong performance.

Japan

Manager	Sparx AM
Benchmark	MSCI Japan Small
Fund Allocation	17.9%
Month Return [2]	-0.5%
Benchmark	-0.1%

Top 5 Positions

0.46%	M3, Inc.
0.44%	Fujitsu General Limited
0.42%	Macnica, Inc.
0.40%	Amiyaki Tei Co. Ltd.
0.39%	Yushin Precision Equipment

The Japanese portfolio marginally underperformed in February returning -0.4% versus -0.1% for the MSCI Japan Small Cap Index. In addition to market concerns regarding Greece's ballooning public debt, locally the Japanese market was weighed down by a slump in auto-related companies on deepening worries over the impact of Toyota's recent recalls. However, a flow of positive economic data during the month helped erase some of the losses.

Investors favoured names that were either heavily sold off last month or reported better-than-expected earnings. Conversely, those that had announced their intent to raise capital via a public offering of their stock or had risen too much were penalised. Overall, the market showed little direction and it was difficult to discern any meaningful trends especially within sectors. Given the uncertain outlook for the global economies, a greater emphasis on company specific factors is warranted.

Domestic demand in Japan has continued to experience little growth as it continues to struggle with deflation and the world's economic woes. While consumer spending has been dormant for a long period of time there are signs that a bottom is near. Moreover, while auto- and TV-related sales in Japan may indeed decline in the short term, the weaker Yen and global cyclical replacement demand should support Japanese manufacturers going forward.

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Asia ex Japan

Manager	Yeoman Capital
Benchmark	MSCI Asia Small
Fund Allocation	16.4%
Month Return [2]	2.0%
Benchmark	0.3%

Top 5 Positions

0.80%	Oriental Watch
0.70%	Samudera Shipping
0.67%	King Fook Holdings
0.64%	SIS International
0.64%	Chen Hsong

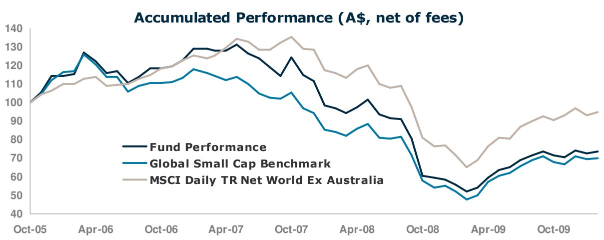
For the month of February, the Asian portfolio outperformed the benchmark returning 2% versus 0.3% for the MSCI Asia Ex Japan Small Cap Index. Asian markets started the month poorly as investors digested the sovereign debt problems at the PIIGS nations in the EU and interest rate directions with the US Fed. Of particularly concern was the credit tightening stance adopted by China and the impact on the region.

Portfolio activity included the sale of Malaysian brokerage Kenanga, which has risen 41% since its purchase. There are several other positions that have made good gains but these are still below valuation targets.

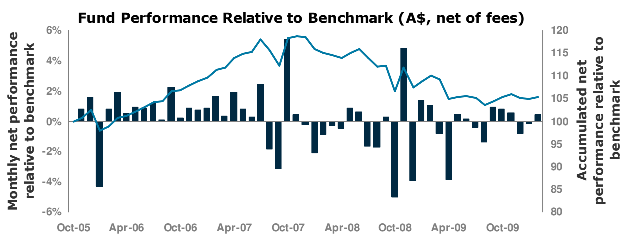
The portfolio's top Asian holdings include retailers Oriental Watches and King Fook, computer distributor SIS International, Cheng Hsong which among other things manufactures plastic injection moulding machines, and Samudera Shipping Line Limited, which owns and operates ocean-going ships.

The portfolio is significantly exposed to Singapore and Hong Kong. As a result of strong performance in these markets, the expectation is that capital will be trimmed and redeployed into other countries which represent better value.

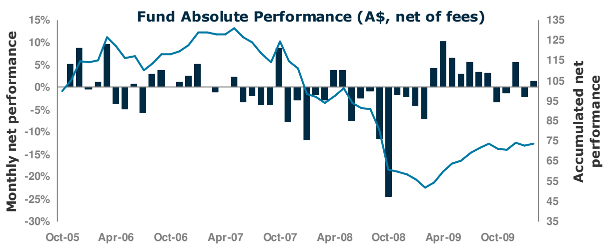
Accumulated Fund and Benchmark Performance [2,3]



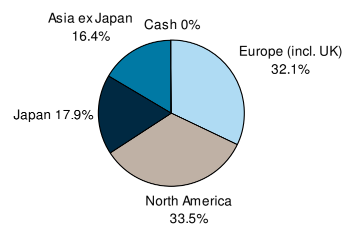
Monthly Fund Relative Performance [2,3]



Monthly Fund Absolute Performance [2,3]



Fund Allocation



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