Pengana Asian Equities Fund (Onshore)
February 2010 Update

Pengana Asian Equities Fund (Onshore)

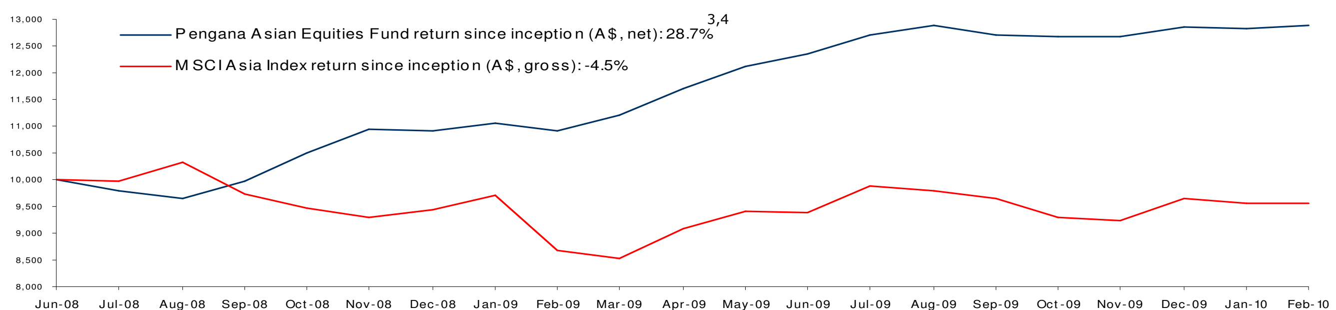
The Pengana Asian Equities Fund (Onshore) (the "Fund") provides investors with equity exposure to companies within the Asia Pacific region. The Fund is managed out of Sydney, Australia. The Fund utilises a core strategy of being both long and short securities in order to reduce volatility and generate 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 any increase in Net Asset Value subject to RBA target cash rate hurdle
Investors	Open	**AUM at Month End**	A$4.3m
Minimum Initial Investment	A$20,000	**Application Price at Month End**	A$1.0530
Inception Date	01 July 2008 [2,4]	**Redemption Price at Month End**	A$1.0478

Fund Commentary

Fund Performance (A$, %, net of fees) [3,4]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**YTD**
2010	-0.1	0.3											**0.2%**
2009	1.4	-1.5	2.7	4.6 [4]	3.5	2.0	3.0	1.2	-1.3	-0.2	-0.1	1.3	**17.7%**
2008							-2.0	-1.5	3.3	5.4	4.1	-0.2	**9.1%**
MSCI AC Asia Index (A$, %)													
2010	-1.0	0.1											**-0.9%**
2009	2.8	-10.5	-1.8	6.6	3.6	-0.3	5.3	-0.9	-1.5%	-3.8	-0.5	4.4	**2.1%**
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.

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Asian Equities Fund (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the Fund is subject to investment risk including possible delays in repayment, and loss of income and principal invested. Past performance is not a reliable indicator of future performance.

	Fund Features since Inception	Index Features since Inception
Annualized Return	16.3%	-2.7%
Annualized Volatility	7.6%	13.8%
Sharpe Ratio [5]	1.5	-0.6
Maximum Drawdown [6]	-3.5%	-17.3%
Max. Recovery Period	2 months	11 months + [7]
Best Monthly Return	5.4%	6.6%
Worst Monthly Return	-2.0%	-10.5%
% of Up Months	60%	40%
Correlation to Index	0.23	

The Fund returned 0.3%[3] net of fees for February 2010, compared to the -0.2% return of the MSCI Asia Index. Since inception in July 2008, the Fund has returned 16.3% p.a.[3,4] net of fees, compared to the Index's -2.7% p.a. return.

Stability returned to Asian equity markets after January's sharp correction as sovereign debt concerns subsided following the Greek government's efforts to gain support from the European Community for its new debt restructuring plan. The Fund's equity portfolio contributed most of the performance for the month with main contributors including short positions in Japanese exporters and long positions in China IT and financials. However, some of these gains were offset by losses in short positions in Australia.

In Japan, short positions in exporters such as Koito Manufacturing, one of the world's largest auto lamp manufacturers and Toyota's main supplier, and Komatsu, a major construction machinery company, generated strong performance. Both companies were impacted by the strong Yen while Koito was hit particularly hard after it emerged that its plane seat subsidiary had falsified records of its products in order to win orders.

In Asia ex-Japan, equity markets recovered, with China and Hong Kong rising 2-3% for the month. The Fund benefited from our tactical trade of moving from previous shorts to being long in Chinese banks after our technical analysis detected substantial oversold indicators. Shorts in Australia particularly in the materials sector, which rebounded following better-than-expected interim-results, did however offset some of these gains.

Top Five Performers	Bottom Five Performers
Koito (Japan, short)	Onesteel (Australia, short)
TCL Multimedia (China, long)	ASM Pacific Tech (China, short)
Komatsu (Japan, short)	Parkson Retail (China, short)
Bank of Communications (China, long)	Skyworth Digital (China, long)
Leighton (Australia, short)	Sanyo Electric (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

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Asian Equities Fund (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the Fund is subject to investment risk including possible delays in repayment, and loss of income and principal invested. Past performance is not a reliable indicator of future performance.

Market Outlook

For the first two month of 2010, the performance gap between Asia ex-Japan and Japan has widened, with the two markets' correlation turning negative on occasions. This is most pronounced in US Dollar terms: the MSCI Japan Index has returned 3% while the MSCI Asia ex-Japan Index lost 5.6%. As the Japanese equity market is increasingly driven by its currency's movement, the Japanese government and central bank's currency market intervention is likely to determine the Yen's mid-term direction. While the Bank of Japan is under a lot of pressure to loosen monetary policy and increase money supply, its indecisiveness could lead to high volatility, especially if external uncertainties related to emerging economies and sovereign debt issues re-emerge. However, unless another financial shock occurs, the Yen should stabilise and domestic production in Japan should recover throughout the year. This will benefit Japan's domestically focused companies such as financials and retailers, which, at about 0.6-0.8x book value, are traded at substantial discounts to export companies, trading at up to 1.5-2x book value.

Due to the substantial cuts in wages and work force that were part of last year's unprecedented restructuring efforts by Japanese manufacturing companies, the domestic sectors have experienced their most significant downturn in decades. For example, department stores registered a 15-20% drop in same store sales. A recovery in production will lead to at least stabilisation of employment and income, which in turn will help domestic companies recover. February data showing year-on-year growth in both employment and wages can become the catalyst of such a recovery.

In Asia ex-Japan, and in particular in China, we remain cautious until there is greater clarity around government policies. We see a risk that the current consensus forecast of GDP growth of 9-10% in China may have to be revised downward. At the National People's Congress, which started in the first week of March, the Chinese government set its growth and inflation targets for 2010 at 8% and 3% respectively. Fixed asset investment, which contributed over 90% of last year's growth, is expected to grow by 20%, down from last year's 30%. The government has altered its economic policy from a pure growth focus to one aiming for balanced and steady growth sustainable in the long term. We are cautious on materials and energy (primarily coal) as the steady increase in capital investment resulting from the housing reform - the main driver of China's growth over the last decade - is likely to have peaked. Growth demand for building materials is therefore likely to slow in the mid-term. In the National Development Reform Commission (NDRC) report, energy conservation and industry innovation have become key elements of China's continued reform. Earnings growth in Chinese banks and material companies may flatten and we see growth potential in electronics (Lenovo) and selective capital goods companies that will benefit from greater energy efficiency.

Exposure by Sector	Gross	Net	Exposure by Country	Gross	Net
Growth Sectors			HK & China	21%	3%
Energy & Materials	4%	-4%	Taiwan	0%	0%
Ind., Con. Discretionary & Tech	38%	-3%	South Korea	0%	0%
Financial & Real Estate	32%	22%	Singapore	6%	2%
Defensive Sectors			EM ASEAN	0%	0%
Con. Staples & Healthcare	8%	0%	Japan	42%	15%
Telecom & Utilities	2%	2%	Australia	20%	-4%
Futures	4%	-1%	**Equities**	**89%**	**16%**
Total	**89%**	**16%**			

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Asian Equities Fund (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the Fund is subject to investment risk including possible delays in repayment, and loss of income and principal invested. Past performance is not a reliable indicator of future performance.

Pengana Asian Equities Fund (Onshore) February 2010 Update

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

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Asian Equities Fund (the "Fund"). A product disclosure statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the Fund is subject to investment risk including possible delays in repayment, and loss of income and principal invested. Past performance is not a reliable indicator of future performance.