

Pengana Global Small Companies Solution

March 2010 Update, by Greg Clarke



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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

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\$28.1 million
Inception Date	November 2005	Application/ Redemption Price at Month End	Application: A\$0.7073 Redemption: A\$0.7017
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%	8.5%										7.7%
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 delivered a strong return of 8.5% and performed in line with the benchmark. The major contributors to performance were stock selection in Japan and Asia with the US and Europe underperforming their respective benchmarks.

March was a strong month across the globe as sovereign risks continued to subside and moves towards an IMF/EU bailout of Greece progressed. Investors adopted a risk seeking stance and US, European and Asian small cap markets put on circa 8%, with Japan's Nikkei 225 being the best performer, delivering over 10%.

Fund Performance to 31 March 2010 (A\$, net of fees) ^{2,3}

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a. ⁴	Standard Deviation
Fund	8.5%	7.7%	47.8%	22.3%	-4.9%	21.0%
Benchmark	8.5%	7.9%	52.7%	22.8%	-5.9%	20.0%
North America	6.5%	5.6%	58.6%	25.4%	1.9%	22.4%
Benchmark	8.0%	8.5%	60.6%	33.5%	-2.1%	22.8%
Europe	7.8%	6.8%	72.5%	32.3%	-2.5%	25.5%
Benchmark	8.2%	8.3%	75.5%	35.5%	0.4%	23.4%
Japan	12.8%	11.9%	42.0%	9.1%	-11.0%	25.9%
Benchmark	9.9%	9.2%	27.0%	3.6%	-16.1%	20.9%
Asia ex Japan	9.8%	10.0%	n/a	n/a	n/a	n/a
Benchmark	8.9%	4.0%	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		<p>The US portfolio underperformed in March delivering a return of 6.5% versus the strong Russell 2000 return of 8.0%. Following a 4.5% return in February, US small cap stocks surprised with a strong advance in March. In a monotonic fashion that resembles the risk-loving beta bounce from 2009, small cap equity returns in March improved with each step down the quality scale. For example, stocks under \$5 appreciated by an average of 13% in March, while stocks over \$20 rose just 6%. Money losing companies jumped 10% alongside the lowest (i.e. worst) return on equity businesses.</p> <p>In March, the downtrodden Consumer Discretionary stocks surged 11.8% to close out a 17% first quarter return. On the other hand, Energy performed relatively miserably in March with a 1.7% return as weakening energy fundamentals met ruthless selling pressure; idle capital migrated to the laggards in the Consumer and Financial sectors.</p> <p>The portfolio's top holdings include WMS Industries, which manufactures gaming machines, JDA Software which produces logistics software, Websense which is a security software provider, Knology which is a telecommunications providers and insurance underwriter Argo Group.</p>
Manager	Cortina AM	
Benchmark	Russell 2000	
Fund Allocation	33.3%	
Month Return ²	6.5%	
Benchmark	8.0%	
Top 5 Positions		
0.90%	WMS Industries, Inc.	
0.87%	JDA Software Group	
0.77%	Websense, Inc.	
0.70%	Knology, Inc.	
0.67%	Argo Group International	

Europe (including UK)		<p>The European portfolio returned 7.8% and underperformed a strong European small companies market, which returned 8.2%. European equity markets had a strong month buoyed by a change in investor sentiment; a combination of better economic news across Europe and a much needed bail out for Greece. Ireland (+18.6%), Switzerland (+9.8%) and Sweden (+8.7%) were the better performing markets while Greece (+4.1%), Portugal (+6.3%) and Germany (+6.4%) underperformed but delivered positive returns.</p> <p>Grafton, a DIY retailer rose (+35.0%) as figures to 31 December 2009 confirmed a stabilisation in trading. The company is well placed to benefit from a recovery in the building materials sector in Ireland and the UK. Oil and gas and pipeline manufacturer, Wellstream, rose (+31.0%) on rumours of stake building by Italian market players and oil and gas marine service provider, Bourbon rose (+29.0%) on better than expected figures to 31 December 2009.</p> <p>Shanks (-13.5%) fell as the company announced termination of take-over talks. This was an initiative by the private equity group, Carlyle, rather than an industrial buyer. The stock remains cheap on fundamental valuation criteria.</p>
Manager	Munros CM	
Benchmark	HSBC Europe	
Fund Allocation	31.8%	
Month Return ²	7.8%	
Benchmark	8.2%	
Top 5 Positions		
1.70%	C & C Group	
1.61%	Ramirent	
1.32%	IFG Group	
1.16%	Trevi	
1.11%	Ansaldo	

Japan		<p>The Japan portfolio outperformed the MSCI Japan Small Cap Index, delivering a return of 12.8% versus 9.9%. The Japanese equity market performed strongly in March after the Bank of Japan eased monetary policy further, an uptick in the global equities markets and weakness in the Yen in response to monetary easing. Stocks which had been a laggards in 2009, recovered the most as momentum towards fiscal tightening in China continued.</p> <p>High-dividend yielding names jumped as investors rushed to buy these shares to become eligible to receive dividends for the fiscal year ended this month and exporters surged on the back of a weaker Yen. Meanwhile, last year's strong performers, which were mainly domestic oriented, contributed negatively to the Fund's performance due to profit-taking activities.</p> <p>The Japanese equity market continues to maintain an upward momentum; however there remain worries about a short term correction going forward. However, economic fundamentals in Japan appear to be on the mend as many companies consider compensating their employees through bonuses and other means, coupled with the government's plans to pay child allowance from June this year. Consumer spending should recover with a rise in household disposable income.</p>
Manager	Sparx AM	
Benchmark	MSCI Japan Small	
Fund Allocation	16.3%	
Month Return ²	12.8%	
Benchmark	9.9%	
Top 5 Positions		
0.42%	Fujitsu General Limited	
0.42%	Kito Corp.	
0.39%	Press Kogyo Co., Ltd	
0.39%	Sanden Corporation	
0.39%	Meiwa Estate Co., Ltd	

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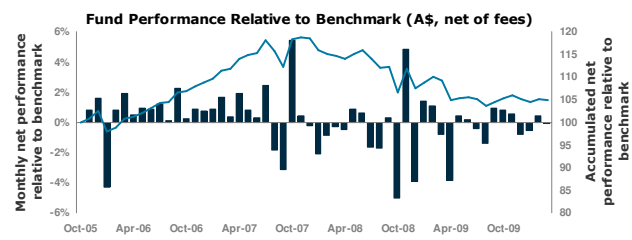
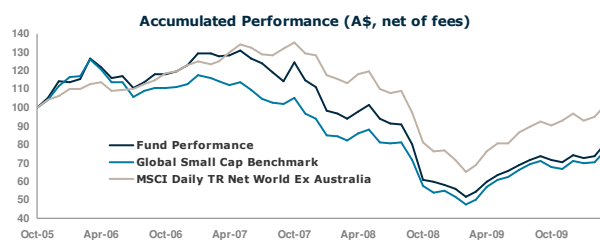
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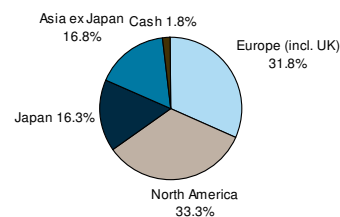
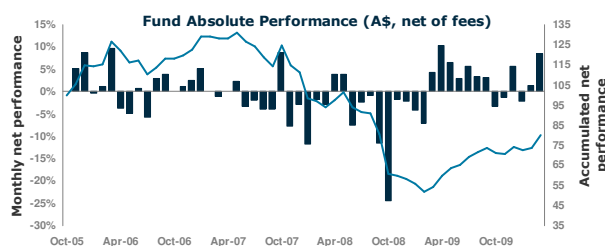
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Asia ex Japan	
Manager	Yeoman Capital
Benchmark	MSCI Asia Small
Fund Allocation	16.8%
Month Return ²	9.8%
Benchmark	8.9%
<p>The Asian portfolio outperformed the benchmark returning 9.8% versus 8.9% for the MSCI Asia Ex Japan Small Cap Index. While interest rates in the US remain at historical lows, in Asia the central banks of countries such as Australia, India and Malaysia announced rate increases as permitted by the better economic outlook. Hong Kong and Singapore have also announced measures to cool the resurgent property markets, another sign of how Asia is on the march again.</p> <p>China bashing has also taken on renewed fervour. However, as China continues to evolve in its economic growth trajectory road bumps are inevitable. However, secular trends remain intact, such as the rising sophistication of consumer demand patterns and the rapidly growing scale of key industries and companies.</p>	
<p>The portfolio's top Asian holdings include retailer Oriental Watches, car manufacturer Proton, computer distributor SIS International, Cheng Hsong which manufactures plastic injection moulding machines, and Samudera Shipping Line Limited, which owns and operates ocean-going ships</p> <p>There continues to be many cases of undervaluation across Asia. Although not quite the levels witnessed in the last quarter of 2009, nonetheless capable of generating good levels of outperformance.</p>	
Top 5 Positions	
0.87%	Oriental Watch
0.71%	Sis International
0.67%	Proton Holdings
0.67%	Chen Hsong Holdings
0.67%	Samudera Shipping

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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