Pengana Asian Equities Fund (Onshore)
June 2010 Update

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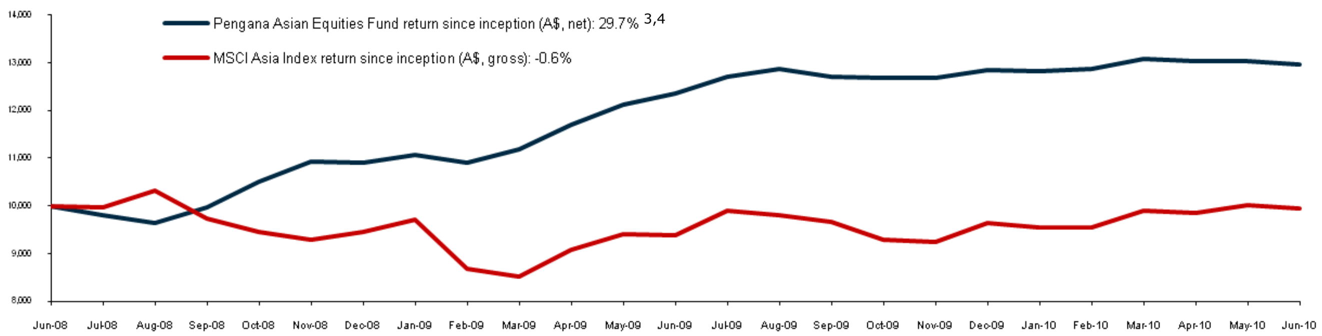
The Pengana Asian Equities Fund (Onshore) (the "Fund") provides investors with equity exposure to companies within the Asia Pacific region. The Fund is managed out of Sydney, Australia. The Fund utilises a core strategy of being both long and short securities in order to reduce volatility and generate 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$13.0m
Minimum Initial Investment	A$20,000	**Application Price at Month End**	A$1.0606
Inception Date	01 July 2008 [2,4]	**Redemption Price at Month End**	A$1.0554

Fund Commentary

Fund Performance (A$, %, net of fees) [3,4]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**YTD**
2010	-0.1	0.3	1.6	-0.3	-0.2	-0.4							**1.0%**
2009	1.4	-1.5	2.7	4.6 [4]	3.5	2.0	3.0	1.2	-1.3	-0.2	-0.1	1.3	**17.7%**
2008							-2.0	-1.5	3.3	5.4	4.1	-0.2	**9.1%**
MSCI AC Asia Index (A$, %)													
2010	-1.0	0.1	3.5	-0.5	1.8	-0.8							**3.1%**
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.

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	Fund Features since Inception	Index Features since Inception
Annualized Return	13.9%	-0.3%
Annualized Volatility	7.2%	12.9%
Sharpe Ratio [5]	1.2	-0.4
Maximum Drawdown [6]	-3.5%	-17.3%
Max. Recovery Period [7]	2 months	15 months + [8]
Best Monthly Return	5.4%	6.6%
Worst Monthly Return	-2.0%	-10.5%
% of Up Months	54%	42%
Correlation to Index	0.22	

The Fund returned -0.4%[3] net of fees for June 2010, compared to the -0.8% return of the MSCI Asia Index. Since inception in July 2008, the Fund has returned 13.9% p.a.[3,4] net of fees, compared to the Index's negative 0.3% p.a. return.

The Asian equity markets continued to be affected by concerns about a decelerating recovery in the US and the slowing of growth in China as a result of tightening policies in that country. The tech sectors were particularly impacted, while defensive sectors such as utilities and telecom outperformed. The Fund's equity portfolio was down 1.1% for the month, partly due to the negative returns from our exposure in the Japanese real estate sector. However, positive returns from short positions in stocks that substantially outperformed in previous months, such as Japanese truck maker Isuzu Motors, and Elpida Memory, Japan's largest DRAM manufacturer, offset some of the negative returns. Short positions in China including Dongfeng Motor and Anhui Conch, China's largest cement company, also helped absorb the poor performance of Lenovo, China's largest PC manufacturer.

During the month, we took profits in some of the short positions and increased our overall net exposure, while maintaining our net long exposure in Japanese financials.

Top Five Performers	Bottom Five Performers
DONGFENG MOTOR (China, Short)	SONY CORP (Japan, Long)
ISUZU MOTORS (Japan, Short)	LENOVO GROUP (China, Long)
ELPIDA MEMORY (Japan, Short)	MITSUBISHI ESTATE (Japan, Long)
HITACHI LTD (Japan, Short)	TOKYO TATEMONO (Japan, Long)
HUADIAN POWER (China, Long)	CHINA FOODS (China, 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] Time taken to eclipse prior peak following Maximum Drawdown
[8] Not yet returned to prior peak level

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PENGANA CAPITAL

Market Outlook

A June research trip to China included visits to a group of renewable energy companies, including wind power turbine makers and solar power manufacturers. In our view, the striking difference in valuation between both groups of companies reflects to some extent investors' current favouring of emerging economies to the detriment of developed markets. While most of the wind power related companies are traded between three to five times book value, the most expensive solar company is traded at one-and-a-half times book, with most of the others trading below book value. The difference lies in the markets they are exposed to. Wind power companies derive most of their earnings from China and expectations are that China will continue to develop the wind power industry. In contrast, most of the solar power companies' earnings rely on export, in particular to Europe and the US. Increasing concerns about government spending cuts in Europe and the weakening Euro have dampened expectations of these companies' earnings prospects. However, our research has revealed that the substantial investment in wind power over the last couple of years in China has created a bottleneck, with the power grid not having enough capacity to take on more wind farm power. The Chinese government investment going forward, we expect, will be more focused on upgrading power grids and increasing their capacity rather than expanding power generation itself. While it is too early to build a strong investment case for solar power companies, until China decides to develop solar farms, there are attractive trading opportunities once the Euro starts to appreciate, given their very low valuations and over-sold nature. On average, half of these companies' sales are from Europe.

With the European Central Bank (ECB)'s stabilisation program, implemented last year to inject liquidity into the financial system, now having expired, the ECB appears to be satisfied with the current temporary financial market stability and is reluctant to further inject liquidity. This is likely to lead to tight credit supply and a subsequent Euro appreciation. Recent developments in Europe have increased our concern that Europe may repeat Japan's mistakes from the mid-1990s, when the government withdrew support too early and the Bank of Japan kept its monetary policy too tight. This led to a strengthening of the Yen and prolonged deflation. As the strengthening Euro will hurt European manufacturers, it will improve the competitiveness of Asian companies, particularly Japanese technology and machine tool manufacturers. Following the recent sharp correction, we initiated long positions in Fanuc, THK and Yamaha in Japan and China's Sinotruck and Suntech Power, one of the world's largest solar cell manufacturers, all of which were sold off due to the Euro's weakness.

Over the longer term, however, we are monitoring the possible impact of weaker growth in Euro zone as it is one of the largest export destinations for many Asian economies, including China. We are particularly cautious about energy and material sectors. This is not only because of China's slower growth in coming quarters, but more fundamentally because of its increasing efforts to improve its energy efficiency and clamp down on inefficient manufacturing capacity in heavy industries such as steel and petrochemicals. Recent policy announcements about capping coal prices and imposing strict controls on waste disposal by steel companies are only the start of longer term government effort to move economic growth drivers from capacity expansion to quality and productivity gains. In contrast, we are positively inclined towards technology and capital goods. Ever since the IT bubble burst in 2000, the region's technology sector has been effectively de-rated to a low growth sector, trading at 2.1-times 2010 book value, compared to a 20-year average of 2.6-times book. In contrast, materials have been substantially rerated to a growth sector, trading at 2.2-times book, compared to its long term average of 1.9-times book. We anticipate that China will produce structural demand for IT and capital goods, offsetting expected weakness in developed markets.

Exposure by Sector	Gross	Net	Exposure by Country	Gross	Net
Growth Sectors			HK & China	27%	2%
Energy & Materials	6%	-1%	Taiwan	0%	0%
Ind., Con. Discretionary & Tech	25%	-1%	South Korea	0%	0%
Financial & Real Estate	24%	13%	Singapore	3%	0%
Defensive Sectors			EM ASEAN	0%	0%
Con. Staples & Healthcare	9%	1%	Japan	34%	16%
Telecom & Utilities	6%	4%	Australia	12%	4%
Futures	6%	6%	**Equities**	**76%**	**21%**
Total	**76%**	**21%**			

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