Pengana Asian Equities Fund (Onshore)
December 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.

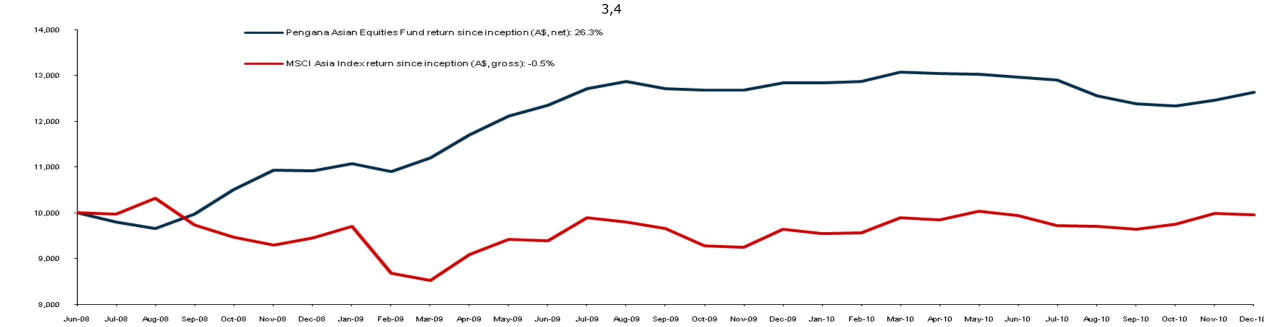
Fund Features

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$14.9m
Minimum Initial Investment	A$20,000	**Application Price at Month End**	A$1.0206
Inception Date	01 July 2008 [2,4]	**Redemption Price at Month End**	A$1.0155

Fund Commentary

Fund Performance (A$, %, net of fees) [3,4]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**YTD**
2010	-0.1	0.3	1.6	-0.3	-0.2	-0.4	-0.5	-2.6	-1.4	-0.4	1.1	1.3	**-1.6%**
2009	1.4	-1.5	2.7	4.6 [4]	3.5	2.0	3.0	1.2	-1.3	-0.2	-0.1	1.3	**17.7%**
2008							-2.0	-1.5	3.3	5.4	4.1	-0.2	**9.1%**
MSCI AC Asia Index (A$, %)													
2010	-1.0	0.1	3.5	-0.5	1.8	-0.8	-2.3	0.0	-0.7	1.1	2.4	-0.4	**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%**

3,4



[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.

	Fund Features since Inception[3,4]	Index Features since Inception
Annualized Return	9.8%	-0.2%
Annualized Volatility	7.1%	11.7%
Sharpe Ratio [5]	0.7	-0.4
Maximum Drawdown [6]	-5.7%	-17.3%
Max. Recovery Period [7]	2 months +[8]	21 months + [8]
Best Monthly Return	5.4%	6.6%
Worst Monthly Return	-2.6%	-10.5%
% of Up Months	50%	40%
Correlation to Index	0.22	

The Fund returned 1.3%[3] net of fees for December 2010, compared to a -0.4% return by the MSCI Asia Index. Since inception in July 2008, the Fund has returned 9.8% p.a.[3,4] net of fees, compared to the Index's -0.2% p.a. return.

The Fund continued to benefit from the Japanese equities' strong performance during the month, with the Japan portfolio contributing 2.4% of the total 3.8% return from the equity portfolio. The Japanese real estate sector was the main contributor, with Golcrest, a mid-sized condominium developer, Kenedix, a J-Reits manager and Aeon Mall as the top performers. HK/China equities also generated positive returns despite a negative month for the MSCI China Index, supported by the short positions in property and cement, as well as gaming companies such as Sands China.

The sharp appreciation of the Australian Dollar against the local currencies in Asia, detracted from the positive returns from the equity exposure. However, this negative impact was minimised by our relatively low exposure to Australian Dollars. The currency exposure had a -2.3% impact, compared to over -4% by the Index.

During the month, we took profits and reduced exposure in Japan and Taiwan and shifted to HK/China following the sharp correction in China. We also added Chinese solar power plays in the IT sector.

Top Five Performers	Bottom Five Performers
GOLDCREST (Japan, Long)	QINGLING MOTOR (China, Long)
AEON MALL (Japan, Long)	KOMATSU (Japan, Short)
KENEDIX (Japan, Long)	HUADIAN POWER (China, Long)
ORIX (Japan, Long)	CNINSURE (China, Long)
HARBIN POWER (China, Long)	CHINA RONGSHENG (China, Long)

Market Outlook

As the world is going through a rebalancing phase, where consumers in developed countries are deleveraging while consumerism is on the rise in developing nations (a reversal of the previous pattern of

[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

'consuming West / saving East'), the global economic recovery is unlikely to be smooth and investment returns for 2011 will be unpredictable. The biggest challenge for generating returns this year will be to anticipate and interpret government intentions and actions as increasing government involvement is distorting the way markets value securities. Investment targets can no longer be decided purely on the basis of fundamentals and valuations. As a result, sectors and asset classes such as commodities and currencies, whose performance are predominantly driven by macro events or government policies, will see volatile returns. Government intervention, through sovereign wealth funds, will play a role in rebalancing and mean-reverting extreme price movements. Stock selection focused on companies and industries that have limited exposure to the public sector and, in the case of China, that are among the strategic areas that the government is eager to promote, are likely to see stable returns. The key investment theme for Asia in 2011 will be China's economic restructuring to move from the 'Old China', where growth was driven by capital expansion, to the 'New China', which will produce long-term sustainable growth through rising productivity and growth in high value-add industries. In addition, we are cautious about the region's last year's top performers, while focusing on laggards. China for example, was the worst performer in 2010 in both US Dollar and local currency terms, returning less than 5%. Similarly, Japan returned 15% in US Dollar but was flat in local currency terms. Most of the emerging ASEAN markets have returned over 20% last year, with a 'double return' thanks to the performance of their currencies against the US Dollar.

While inflation will undoubtedly be a global focus, particularly from the second half of the year, its implications for the monetary policies of individual countries will determine currency performance, which in turn are likely to drive equity markets. In 2010, while most currencies in the Asia Pacific region appreciated sharply against the US Dollar, the Korean Won underperformed substantially, returning only 3% against the US Dollar, compared to a 15% return by the Japanese Yen. This underpinned the strong performance and rising global market share of Korean exporters such as Samsung Electronics and Hyundai Motor at the expense of their Japanese competitors, such as Toyota, Honda, Sony and Sharp. As rising inflation will now force the Korean central bank to tighten money supply by raising interest rates, concerns about a stronger Won weakening Korean exporters' global competitiveness (especially against Japanese companies) are likely to emerge. On the other hand, the performance of Japanese equities this year and beyond will be determined by whether China's 'inflation export' will make its way to Japan and lead to a weaker Yen. The Japanese Yen has been on an appreciation course against the US Dollar since its free float in the 1970s, from Y360 to the Dollar to currently Y83 to the Dollar. Whether a reversal in this trend materialises will decide Japan's economic and investment future.

2011 is a crucial year for Asia as it will possibly mark a turning point for both China and Japan's structural trends: the emergence of the New China and an end to deflation in Japan. We are cautious on Korea, likely to face rising competitiveness from both China and Japan, as well as emerging ASEAN (Malaysia, Thailand, and Indonesia) and India, which are facing an increasing risk of inflation.

We are turning more positive on China, following the recent sharp correction on the back of concerns about inflation and monetary tightening. While it is likely that there will be more tightening in the short term, the tightening cycle is approaching its peak and we expect it to run its course in the first half of this year. Since last year, the Chinese central bank has raised the banks' required reserve ratio seven times, to the highest level ever of 19% and has raised interest rates twice. With the high base in 2010, incoming macro indicators will likely show slowing economic activity and money supply growth towards the end of the first half. This will ultimately lead to an end of the current tightening cycle. We are shifting some of our Japan real estate exposure to China and reducing our overall exposure in Japan, particularly in exporters including auto and machinery.

Last month's market commentary highlighted the impact of China's monetary policy on global liquidity, and more specifically on Europe's. The potential peaking of China's tightening cycle could lead to an improved global and European liquidity environment going forward. In addition, recent announcements by the Chinese and Japanese governments that they will support the Eurozone governments' effort to deal with its fiscal crisis by offering to participate in their bond issuance has reinforced the importance of the sustainability of the Euro bloc. As Western Europe accounts for a third of the world's demand, a vulnerable Europe with a shaky currency will have serious implications for Asian economies such as China and Japan as their economic structures are still based on manufacturing and export. The currently popular trades built around extreme optimism for US recovery and contrasting negativity towards the Eurozone and the Euro are looking increasingly risky.

Our focus in the short term is on China's solar power sector. Due to the weak Euro and concerns about falling demand in Europe, the solar power sector has underperformed substantially in recent months. Despite the fact that it strategically is one of the most important industries for China in its efforts to develop alternative energy, the solar power sector is trading at very low valuations. Because of the poor sentiment towards Europe, most of the stocks in the sector are trading at 5x expected earnings and 1x price to book value. With European governments implementing fiscal control and cutting subsidies for solar power installation, short-term demand growth is indeed uncertain but in our view the market is underestimating demand growth from within China itself, together with the US the world's largest energy consumer. With oil prices renewing their upward trend, the need to develop alternative energy such as wind, solar, and nuclear power to diversify energy resources is again becoming a pressing issue. We have added Trina Solar and Yingli Green Energy, some of the largest integrated solar manufacturers in China, listed in the US, to our alternative energy plays.

Exposure by Sector	Gross	Net	Exposure by Country	Gross	Net
Growth Sectors			HK & China	56%	32%
Energy & Materials	16%	4%	Taiwan	0%	0%
Ind., Con. Discretionary & Tech	60%	21%	South Korea	5%	2%
Financial & Real Estate	32%	29%	Singapore	7%	7%
Defensive Sectors			EM ASEAN	0%	0%
Con. Staples & Healthcare	7%	5%	Japan	39%	6%
Telecom & Utilities	4%	0%	Australia	12%	12%
Futures	0%	0%	**Equities**	**120%**	**59%**
Total	**120%**	**59%**			

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