

Pengana Global Small Companies Solution

February 2011 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\$33.7 million
Inception Date	November 2005	Application/ Redemption Price at Month End	Application: A\$0.8607 Redemption: A\$0.8538
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
2011	0.6%	1.9%											2.5%
2010	-2.0%	1.4%	8.5%	4.6%	-8.4%	-1.4%	4.2%	-2.8%	9.8%	2.6%	3.2%	6.5%	27.8%
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 return of 1.9%² and marginally underperformed the benchmark return of 2.0%. Underperformance was driven by stock selection in the US portfolio, while all the other regional portfolios outperformed.

Globally equity markets posted another strong month however the strong result globally masked divergence at a regional level. The US market was firmly focused on the increasing strength of the economic recovery and so far has dismissed risks associated with the continuing Middle East political turmoil. This was not the case in Europe or Asia, with the latter also heavily weighed down by rising inflation in the region.

Fund Performance to 28 February 2011 (A\$, net of fees) ^{2,3}

	1 Month	3 Months	1 Year	Financial YTD	Since Inception p.a. ⁴	Standard Deviation
Fund	1.9%	9.2%	32.0%	28.6%	-0.5%	20.4%
Benchmark	2.0%	10.1%	24.1%	24.6%	-2.5%	19.6%
North America	4.0%	9.4%	30.1%	31.8%	5.4%	21.7%
Benchmark	5.4%	13.3%	31.0%	35.1%	1.9%	23.0%
Europe	1.6%	9.2%	27.9%	24.8%	1.1%	24.2%
Benchmark	1.2%	11.7%	25.4%	24.4%	3.1%	22.2%
Japan	4.3%	17.8%	17.6%	12.3%	-8.5%	25.2%
Benchmark	4.0%	13.4%	11.8%	11.9%	-13.2%	20.4%
Asia ex Japan	-4.0%	0.4%	54.3%	37.1%	45.3%	21.8%
Benchmark	-5.3%	-2.5%	18.4%	16.5%	11.1%	20.7%

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; January 2010 (Asia Ex Japan)

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Fund Commentary (cont'd)

North America

Manager	Cortina AM	The Russell 2000 rallied sharply finishing up 5.5% for the month. Unrest in the Middle East pushed the price of oil higher which, in turn, drove the energy sector on the Russell 2000 to nearly double the broader index return. On stronger economic reports, the technology sector also outpaced the benchmark by a wide margin. Each of the other industrial sectors in the index recorded positive returns but were in line or lower than the index's returns. Energy and technology are now the only two sectors outperforming the broader index year to date, each returning more than 10%. In narrowly driven market like this, when only two sectors beat the index, fundamental metrics mean little to investors.
Benchmark	Russell 2000	
Fund Allocation	32.1%	
Month Return ²	4.0%	
Benchmark	5.4%	
Top 5 Positions		
1.17%	Crocs Inc	In a narrow, rapid rally, like February, the US portfolio performed well in absolute terms, but trailed the index delivering 4% versus the benchmark's 5.4%. Several strong stocks helped the portfolio's energy stocks keep pace with the index's dramatic energy performance including Frontier Oil and Matrix Service. In the Technology sector, the portfolio did not fare as well due to some company specific situations. The other significant influence in the month was the Healthcare sector, where there were some company specific situations.
1.05%	CommVault Systems	
0.79%	Vocus Inc	
0.77%	NxStage Medical	
0.74%	Frontier Oil	

Europe (including UK)

Manager	Munros CM	The European portfolio outperformed in February returning 1.6% versus 1.2% for the benchmark. Markets had another volatile month reflecting escalating tensions in North Africa and the Middle East. Reporting season was broadly positive for portfolio holdings with no significant earnings disappointments. Over the month Ireland (+4.7%), Spain (+3.6%) and France (+2.2%) outperformed while Sweden (-3.1%), Denmark (-2.0%) and Austria (-0.6%) underperformed.
Benchmark	HSBC Europe	
Fund Allocation	31.8%	
Month Return ²	1.6%	
Benchmark	1.2%	
Top 5 Positions		Hellenic Exchanges (+21.8%) continued its strong recent run, benefiting in addition from merger activity amongst international stock exchange operators. Ramirent (+19.2%) responded positively to encouraging 4 th quarter figures and strengthening construction activity in the Nordic region. IFG (+13.7%) benefited from renewed investor interest and a generally stronger Irish market. Trevi (-15.2%) and Ansaldo (-8.0%) fell as Italian companies with Libyan interests were marked down. In both these cases, exposure to Libya is minimal but sentiment is weighing against the stocks. Elekta (-7.4%) underperformed a generally weaker Swedish market. There is no fundamental reason for the weakness.
1.35%	C & C Group	
1.21%	Ramirent	
1.18%	Aberdeen Asset Management	
1.08%	Lamprell	
1.06%	Spectris	

Japan

Manager	Sparx AM	Japanese equity market maintained its upward momentum in the first half of February but then fell from mid-February onwards as oil prices rose above USD 100 per barrel as the political turmoil in Libya raised concerns that oil supplies may be disrupted. Fears abated towards month end after Saudi Arabia stated that it may boost oil output to stem the price surge.
Benchmark	MSCI Japan Small	
Fund Allocation	15.7%	
Month Return ²	4.3%	
Benchmark	4.0%	
Top 5 Positions		The MSCI Japan Small Cap Index (with dividends) jumped 4.0% with both large and small cap stocks exhibiting strong absolute performance during the month. The Japanese portfolio gained +4.3%, outperforming the index. While information & communication-related firms, electric appliance makers and retailers contributed positively to the Fund's performance, construction firms, land transportation companies and real estate firms were among the laggards. During the month, the portfolio increased exposure to iron & steel-related companies as well as software firms. Also regional bank holdings were added to. During the month, concerns about inflation and political uncertainty in developing nations emerged. However, due to a less-than-expected decline in buy orders, small-cap stocks performed well. Despite mid-February decline the Japanese market's upward momentum is likely to continue. Additionally, investors may be prompted to buy Japanese shares ahead of the fiscal year ending March 2011 on dividend-capture and earnings hopes.
0.38%	Nippon Chemi-Con	
0.35%	Nippon Seiki	
0.34%	Anest Iwata	
0.34%	Tokyo Tekko	
0.34%	Nitto Boseki	

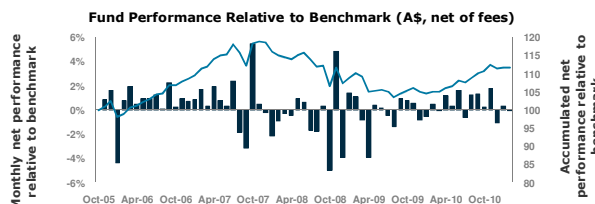
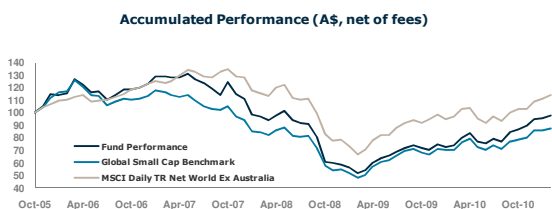
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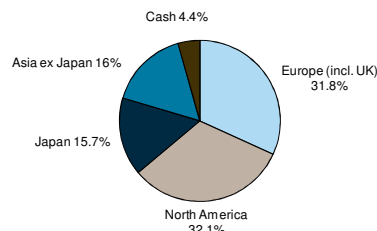
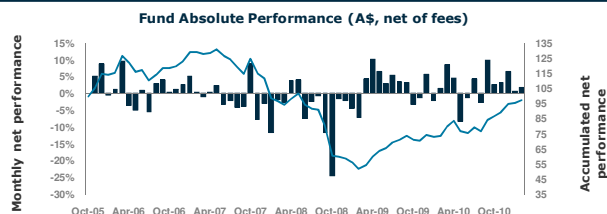


Asia ex Japan	
Manager	Yeoman Capital
Benchmark	MSCI Asia Small
Fund Allocation	16.0%
Month Return ²	-4.0%
Benchmark	-5.3%
<p>The Asian ex Japan small cap portfolio was down -4% in February as compared with the Index which was down -5.3% implying outperformance over 1.3%. While there were not many contributors in absolute terms, the following stocks contributing to performance included; Singapore based electronic components manufacturer, Frencken Group, Malaysian retailer Suiwah Corp and Elegance, a HK based optical company.</p> <p>Investors in Asia continue to be preoccupied with money flows reversing into Developed markets from Asian and emerging markets. In addition the fear of a "quiet" revolution spreading across the Middle East and North Africa ("MENA") region is exacerbating the already heightened concerns of inflation embattlement in Asia, and the corrective policies that have held Asian equities back. Furthermore, valuation of Asian stock markets has up until now not provided sufficient margin of safety for investors to wade back in, in light of the prevailing uncertainties.</p> <p>However despite some of these cyclical headwinds, the secular growth story in Asia is intact. Asia and most of the emerging world has underperformed developed nations significantly since October 2010 however it appears that this corrective action has largely run its course with valuation now at more attractive levels.</p>	
Top 5 Positions	
1.11%	SIS International
0.70%	Chen Hsong Holdings
0.56%	Hung Hing Printing Group
0.52%	Metro Kajang
0.52%	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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