

Pengana Australian Equities Core Fund

March 2011 Quarterly Update, by Rhett Kessler



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Fund Description

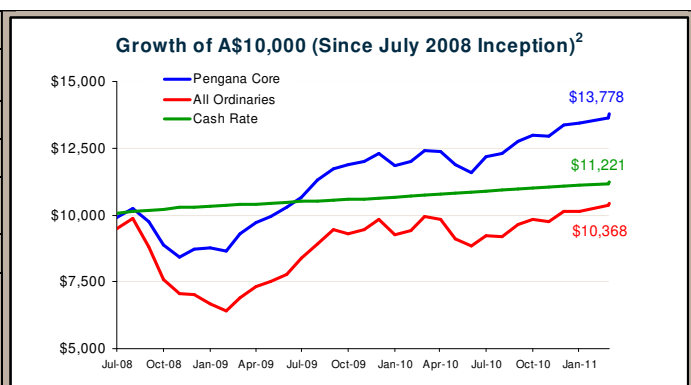
The Pengana Australian Equities Core Fund aims to provide investors with an annualised return of 12-15%¹ over the medium term via a concentrated core portfolio of principally listed Australian securities. The Fund is managed out of Sydney, Australia and uses fundamental research to evaluate investments capable of generating the target return over the medium term.

Since inception in June 2008 the Fund has consistently protected capital and provided investors with a robust total annualised return of 12.4%² versus the cash rate (4.3% annualised) and the flat market return generated by the Australian All Ordinaries (1.6% annualised).

The Fund generated a satisfactory return of **3.2%² during the March quarter**, net of all fees and costs. By way of comparison the Australian All Ordinaries was up 2.9% for the quarter and the prevailing cash rate stood at 1.1% during the same period.

As at March 31, the cash portion of the Fund's NTA stood at 15%, down from 30% at the beginning of the period. The top five holdings by value during the quarter were **DUET, CBA, NIB Holdings, Seven Group, and McMillan Shakespeare**. Large positive contributors to the quarter's performance included DUET, Credit Corp, McMillan Shakespeare, NIB Holdings and the Seven Group. The detractors included Resmed, CSG Group and Salmat. New holdings for the quarter included **Duet Group**, which provide exposure to a diversified Australian infrastructure fund that generates a 12% plus per annum pre-tax earnings yield. Another addition was **Mortgage Choice**, a well-managed player in the competitive residential mortgage market. Other significant purchases included increased holdings in DUET, Seven Group, CBA, CSL, Metcash, and Telstra. A prominent feature of the Fund's activity for the quarter was the high-level of purchases during the March market sell-off. The Fund disposed of its holdings in Graincorp, Westfield Retail Trust, and Ramsay Healthcare.

Net Returns to 31 st March 2011 ²					
	Pengana Core	Cash Rate	All Ords	Std Dev	Sharpe Ratio
1 Month	1.0%	0.4%	0.6%	N/A	N/A
3 Months	3.2%	1.1%	2.9%	N/A	N/A
6 Months	8.1%	2.3%	8.4%	N/A	N/A
1 Year	11.0%	4.5%	4.8%	8.6%	0.75
Annualised return since inception	12.4%	4.3%	1.6%	12.3%	0.67



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¹ This is not intended to be a forecast, but merely an indication of what the Fund aims to achieve over the medium to long term. The Fund may not be successful in meeting this objective. Returns are not guaranteed.

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