

Pengana Asian Equities Fund (Onshore) Monthly Update (April 2011)



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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\$14.4m
Minimum Initial Investment	A\$20,000	Application Price at Month End	A\$0.9305
Inception Date	01 July 2008 ^{2,4}	Redemption Price at Month End	A\$0.9259

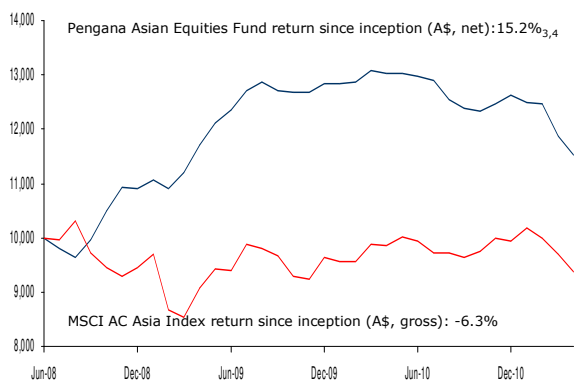
Fund Commentary

Fund Performance (A\$, %, net of fees) ^{3,4}

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	-1.1	-0.3	-4.6	-3.1									-8.8%
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\$, %)

2011	2.3	-2.0	-2.8	-3.4									-5.8%
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%



Since Inception	Fund ^{3,4}	Index
Annualised Return	5.1%	-2.3%
Annualised Volatility	7.8%	11.4%
Sharpe Ratio ⁵	0.0	-0.6
Maximum Drawdown ⁶	-11.9%	-17.3%
Max. Recovery Period ⁷	0 mths+ ⁸	25 mths+ ⁸
Best Monthly Return	5.4%	6.6%
Worst Monthly Return	-4.6%	-10.5%
% of Up Months	44%	38%
Correlation to Index	0.28	

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.

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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The Fund returned -3.1% net of fees for April 2011, compared to -3.4% by the MSCI inc. Japan Index. With the Fund remaining unhedged, the positive return from its equity portfolio was offset during the month by the sudden sharp appreciation of the Australian Dollar against the US Dollar and other Asian currencies. The Australian Dollar appreciated by nearly 6% against the US Dollar over the month and by 18% over the last year. The equity portfolio returned 0.8% in local currency terms, outperforming the Index's 0.5%. However, the Fund's currency exposure had a negative 3.8% impact, compared to -3.9% by the Index.

For the equity portfolio, exposure in HK/China was the main performance driver, contributing over 2% in local currency terms. Exposure in other markets, including Japan, Taiwan and Korea, affected performance negatively. On a sector basis, both long and short positions in Technology and Financial sectors generated positive returns, driven by long positions in internet gaming and solar power companies in China as well as both long and short positions in semiconductor companies in Japan. On the other hand, materials and consumer discretionary sectors produced negative returns due to the short positions in China cement and Korean auto stocks.

Following the strong performance in HK/China, the Fund reduced its long exposure in energy and property during the month and initiated short positions in Chinese property stocks. Shorts in China cement stocks were maintained. As a result, net long exposure in HK/China was reduced to 29% from 50% at the beginning of the month and that in Japan to 15% from 21%. Portfolio construction this month was focused on managing the risks of potential US Dollar strength and an acceleration of appreciation of the Chinese currency.

The month of April saw euphoria about oil and commodities, in particular precious metals such as gold and silver, both of which hit historical highs. As a result, currencies highly correlated to commodities prices such as the Euro, Australian Dollar and Canadian Dollar appreciated sharply against the US Dollar, with the Australian Dollar reaching its highest level since its free float at 1.10 to the US Dollar. The sharp appreciation since late 2010 in commodity and oil prices as well as in currencies of resource-rich countries has been driven primarily by the weakness of the US Dollar as during this period, many emerging economies, including China and Brazil, tightened their monetary policies to slow down their economies. China's economy has shown clear signs of slowing down recently, with recently released economic data (including industrial production and corporate survey indices such as the Purchasing Manager Index) showing deceleration in the shape of sequential negative growth. In fact, many economists are revising down their China GDP forecasts for 2011 to below 9% from over 10% at the beginning of this year. We expect these forecasts to be revised down further if summer power shortages intensify and start impacting domestic production.

We have long argued that if central banks in developed countries such as the US and Europe gradually normalise their monetary policies (e.g. the end of the US' QE2 program) and stop releasing further liquidity into the system, the overall liquidity supply will slow and eventually shrink. This will be amplified if emerging countries allow their currencies to appreciate against the US Dollar in order to fight inflation. Recent comments by Chinese officials sparked speculation that China may accelerate its currency's appreciation in order to control import inflation. Indeed, while monetary tightening by the Chinese central bank over the last six months has slowed economic activities, it has failed to control inflation, with energy and material costs accelerating continuously and compressing profitability of the country's manufacturing industries. Observers are starting to realise that the Renminbi's (RMB) appreciation will help ease the pressure created by rising commodities prices. We believe the trend of declining liquidity supplies is here to stay. This means we will see increasing volatility in asset classes that benefited from ample liquidity to-date, including commodities, currencies in resource-rich countries, and equities in emerging markets such as India and emerging ASEAN (Indonesia, Thailand and the Philippines).

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In Asia, energy and material sectors are likely to underperform and export sectors such as technologies in Taiwan and Japan will outperform. The competitiveness of Korean exporters, particularly against their Taiwanese and Japanese peers, will face some pressure as they have benefited from the substantial underperformance of their currency against the Japanese Yen and the Taiwan New Dollar. Over the last 12 months, the Japanese Yen has appreciated by 16% against the US Dollar, the Taiwan New Dollar by 10%, but the South Korean Won only by 4%. We remain cautious on the material and financial sectors in Asia ex-Japan and positive on technology stocks, in particular IT services companies in China. The portfolio will remain unhedged to manage volatility.

Top Five Performers	Bottom Five Performers
PERFECT WORLD (China, Long)	ASIAINFO-LINKAGE (China, Long)
DAINIPPON SCREEN (Japan, Short)	TDK CORP (Japan, Long)
SOLARGIGA ENERGY (China, Long)	SINO-AMERICAN (Taiwan, Long)
ELPIDA MEMORY (Japan, Long)	CHINA NATL BDG (China, Short)
SKYWORTH DIGITAL (China, Long)	TOKYO STEEL (Japan, Long)

Exposure by Sector	Long	Short	Net	Exposure by Country	Long	Short	Net
Growth Sectors				HK & China	41%	-14%	27%
Energy & Materials	7%	-7%	0%	Taiwan	5%	0%	5%
Ind., Con. Discretionary & Tech	50%	-15%	35%	South Korea	0%	-3%	-3%
Financial & Real Estate	21%	-10%	11%	Singapore	2%	0%	2%
Defensive Sectors				EM ASEAN	0%	0%	0%
Con. Staples & Healthcare	4%	0%	4%	Japan	28%	-13%	14%
Telecom & Utilities	1%	0%	1%	Australia	7%	-11%	-4%
Futures	0%	-10%	-10%	Equities	83%	-42%	41%
Total	83%	-42%	41%				

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