Pengana Asia Special Events Fund Onshore Quarterly Report 3Q 2011

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Fund Description

The Pengana Asia Special Events Fund (the "Fund") fully invests in the A$ Class of the Pengana Asia Special Events (Offshore) Fund ("the Offshore Fund"). The Offshore Fund employs an event-driven investment strategy that seeks to exploit the mispricing of securities of companies involved in corporate transactions within the Asian (including Japan and Australia) region. The Offshore Fund invests in events such as mergers and acquisitions, corporate reorganisations, capital management initiatives, index changes, earnings surprises, equity-capital structure arbitrage, holding company arbitrage and directors' trades. Where appropriate, investments in these situations will be combined with the systematic hedging of broad market risk. The Fund aims to provide investors with consistently positive annual returns irrespective of Asian stock market conditions.

Fund Features

Style	Asia-Pacific event-driven	**Management Fees [1]**	1.50% p.a. (charged at the Offshore Fund level)
Comparative Benchmark	-MSCI Asia Pacific Index -HFR Event Driven Index	**Performance Fees [1] (annually)**	20.5% p.a. of any increase in the NAV greater than the hurdle (the average of the daily RBA cash rate for the relevant month)
Investors	Retail and Wholesale	**AUM (Fund/Strategy)**	A$8.3 Million/US$43.7 Million
Minimum Initial Investment	A$20,000	**Identification Codes**	APIR: PCL0004AU ARSN: 145 116 810
Inception Date Fund/Strategy	1st Sep 2010 / 1st Dec 2006	**A$ Price at Month End**	A$1.0596

Performance Summary Onshore Fund A$ share class (net of fees)[2]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	0.8%	0.9%	0.2%	1.1%	1.3%	0.5%	1.7%	-0.4%	-1.1%				**5.2%**
2010									2.8%	1.3%	0.9%	-0.1%	**5.0%**

The Fund has been operating since 1 September 2010. To give a longer term view of our performance in this asset class we have included below the since inception returns for the Australian dollar denominated class of the Offshore Fund (into which the Fund is fully invested) adjusted to reflect the different fees which apply to the Fund.

Performance Summary Offshore Fund A$ share class (net of fees)[2]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.3%	-1.0%	0.9%	1.5%	-2.3%	1.0%	1.0%	1.8%					**4.2%**
2009	0.7%	1.8%	0.0%	2.3%	4.4%	0.7%	1.4%	0.7%	-1.0%	0.5%	1.9%	1.1%	**15.4%**
2008										11.8%	2.1%	-0.7%	**13.4%**

Fund Commentary

The Fund finished the 3rd quarter 2011 in positive territory +0.2%[2] , compared to the MSCI Asia Pacific Index which closed down -16.2% and the HFR Event Driven Index (Peers) which closed down -6.8%. We are pleased to announce that the Strategy AUM has grown significantly to US$43.7m during the course of the quarter. As at 1 October an offshore subscription into the strategy, sees the strategy FUM at US$ 46.1 million.

Please see below for the stock specific commentary and risk-/return analysis relating to the strategy of the Pengana Asia Special Events (Offshore) Fund A$ Class. The performance figures included in the below analysis have been adjusted to reflect the fees which apply to the Fund.

[1] Please refer to the Private Placement Memorandum for a more detailed explanation.

[2] Total return performance figures are shown after all fees and charges. Past performance is not a reliable indicator of future performance. The value of investments can go up and down.

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Fund Commentary Offshore Fund A$ share class

Concerns from the quarter over the health of European banks, slowing US economy and tightening in China spilled into September, presenting a more challenging trading environment for the Fund. Volatility, as measured by the VIX index, spiked and remained elevated as the MSCI Asia Pacific Index continued setting new 52 week lows. To reflect increased risk aversion and some M&A deals completing during the quarter, the Fund lowered overall gross exposure to 135% from 190%, while keeping net exposure around 0%. The current gross exposure is mostly concentrated in M&A sub-strategy, as exposures in directional event-strategies (earnings surprise and capital management) were significantly reduced. Apart from Japan, we witnessed a widening of M&A deal spreads in all other countries. To reflect the extent of dislocation, median annualised spreads in Australia and rest of Asia traded at annualised ~25% and ~35% respectively, a phenomenon not observed since the earthquake tragedy in Japan in March 2011. Within the directional sub-strategies, the Fund had to remain nimble in switching from market hedges to highly correlated pairs in certain situations.

M&A Events

Despite the general volatility, the M&A book closed the quarter +1.4%. Due to extreme market volatility, we observed M&A deal spread widening in the first 2 weeks of August. Part of this negative impact was mitigated through our long position in the VIX futures contracts, a hedge implemented to manage the synthetic short volatility exposure within the M&A sub-strategy. As part of our internal risk management, the Fund avoided all deals that were non-binding in nature and opportunistically deployed capital towards deals that offered a compelling rate of return. The Fund exploited market dislocation to gross up Fund exposure to Macarthur Coal (MCC AU), Gold One (GDO AU), Thainox Stainless (INOX TB), International Mining (1683 HK), the mergers involving Atlas Iron (AGO AU)/ Ferraus (FRS AU) and Santos (STO AU)/ Eastern Star (ESG AU). All these transaction offered low execution risk, absence of MAC clauses that could be triggered and deals that were strategic in nature for the acquirer. By quarter-end, spreads in all these deals had tightened significantly from levels the Fund exploited to gross up positions. The Fund also deployed capital towards new position in Coal and Allied (CNA AU), C&O Pharmaceutical (COPT SP) and Ranhill (RANH MK).
The Fund deployed capital opportunistically towards high quality deals that offered superior risk adjusted rate of return, and exploited the dislocation to size up position in Hunnu Coal (HUN AU) despite the concerns over "market out" clauses in the transaction. Our checks with acquirer Banpu (BANPU TB) revealed that they were strategic buyers with no intention of invoking the clause with a good track record in executing deals historically. The Fund was also active in other Australian deals with Macarthur Coal (MCC AU), Bow Energy (BOW AU) and Gold One (GDO AU). The common factor in all these transactions is the strategic nature of the deals along with the absence of onerous conditions, presenting low execution risk from our perspective. Outside of Australia, the Fund initiated new positions in China Resources Microelectronics (597 HK), DXN Holdings (DXN MK) and SP Setia (SPSB MK). While China Resources and DXN offer low risk rate of return trades, we see potential price tension on SP Setia due to the hostility in the transaction. One trade that did not work during the quarter was our short position in Foster's Group (FGL AU) after SABMiller returned with a higher offer of A$5.40/share, against the expectation of the Fund. Our short position was premised on the fact the market was too optimistic in pricing a significantly higher offer on the back of macro headwinds and negative sentiment in the brewery sector. We feel this is a great outcome for Foster's shareholders and the deal should be fairly straightforward from here. On the back of this, we covered our short realising a 10bps negative impact for the Fund.

Overall, the M&A sub-strategy demonstrated resilience and positive return contributions in July, August and September.

Capital Management

Our positions within Capital Management struggled with market volatility during the month, negatively impacting the book. Cosco International (517 HK) and CST Mining (985 HK) were punished heavily during the quarter with the absence of any immediate catalysts. Both significantly underperformed their hedging instruments without any clear direction from management over use of excess cash on the balance sheet. The Fund reduced our position in CST Mining on the back of this uncertainty.

Stubs

The Fund initiated a new short position in PCCW (8 HK), hedged with a long in Hutchison Telecom (215 HK), on the back of plans to spin off the mature telecom business as a separately listed business trust. Our assessment was that PCCW would underperform from being perceived as a holding company by the market leading up to the proposed spin-off. Since initiation, this pair trade had captured ~10% realised return. The Stubs sub-strategy in general performed well during the dislocation despite elevated volatility, contributing to 20bps to overall performance. The significant contributors were Jardine Cycle & Carriage (JCNC SP), Indofood Agri Resources (IFAR SP) and Salim Ivomas Pratama (SIMP IJ).

Earnings Surprise

The Fund is currently not very active in the earnings sub-strategy due to heightened market volatility presenting challenges in implementing effective hedging. The book was negatively impacted by -90bps as existing positions continued to underperform the hedges as the market ignored underlying fundamentals completely. The largest underperformer was our long exposure in China Coal (1898 HK), which tumbled almost -17% in a single day due to a suspension of mine production in Shanxi province. The Fund decided to cut exposure, which resulted in a -20bps loss to the Fund. On a positive note, the Fund realized significant outperformance of 13% in DCM Holdings (3050 JT) after the company announced a positive profit alert. The company raised net profit guidance by 30% on the back of strong reconstruction demand post the March earthquake and earnings multiples of 12x were not fairly reflecting this strong performance.

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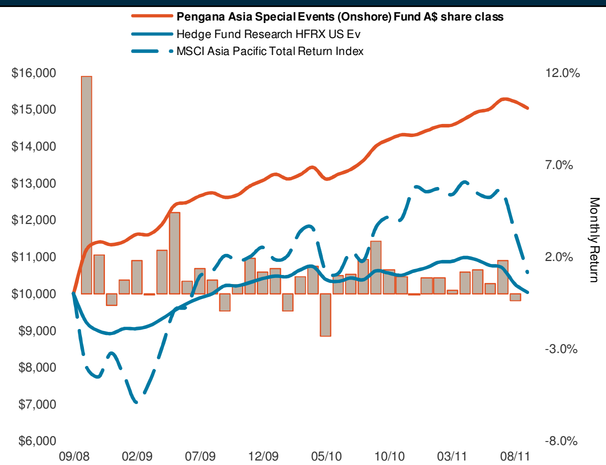
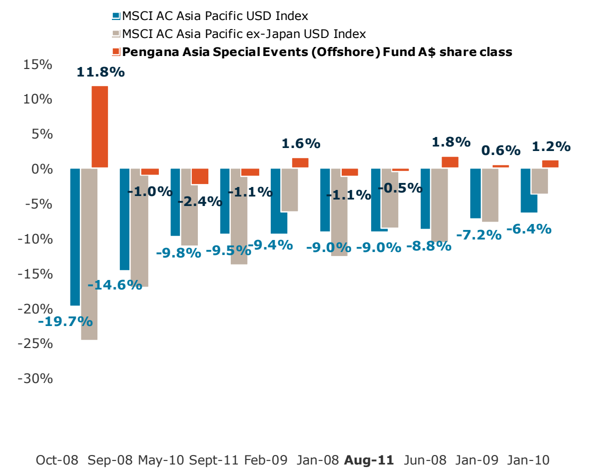
Performance Summary and Risk Statistics Offshore A$ share class (net of fees)[3]

1 month return [3]	-1.1%	Volatility	6.3%
3 month return [3]	0.2%	Sharpe Ratio: (ØRfr=4.2%) Risk Reward Ratio:	1.7 2.3
6 month return [3]	3.2%	Max drawdown	-2.3%
1 year return [3]	7.4%	Positive months	78%
Annualised return [3]	14.5%	Beta [4]	0.11

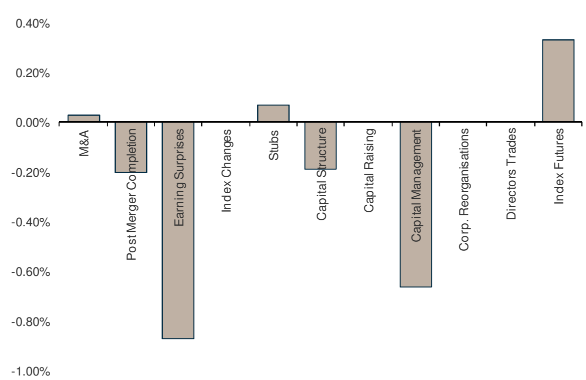
Monthly Returns Since Inception [3]



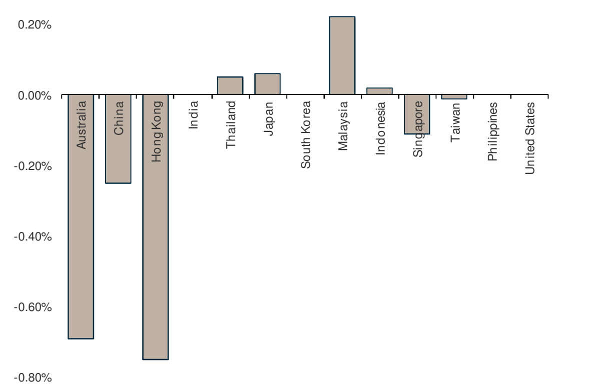
Comparison During Down Months [3]



Monthly Contribution by Strategy



Monthly Contribution by Region



[3] These performance figures show the returns of the Pengana Asia Special Events Fund (Onshore) ("Fund") from inception on 1 September 2010 to the current date and, for the period prior to 1 September 2010, the since inception returns for the Australian dollar denominated shares issued by the Pengana Asia Special Events (Offshore) Fund ("Offshore Fund") adjusted to reflect the different fees which apply to the Fund. The Fund is fully invested into the Offshore Fund. Total return performance figures are shown after all fees and charges. Past performance is not a reliable indicator of future performance.
[4] MSCI Asia Pacific Total Return Index

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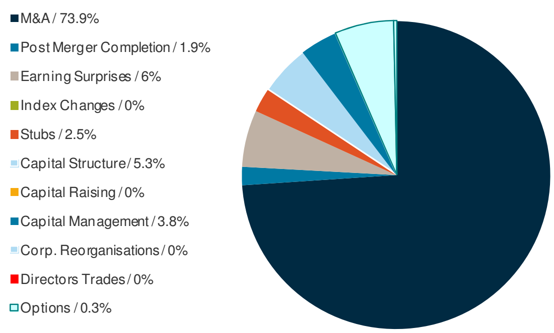
Gross Exposure by Strategy



Exposure by Region as a Percentage of NAV

Country	Gross	Adj Gross*	Net	Adj Net*
Australia	71.2%	6.7%	48.6%	0.4%
China	9.7%	1.7%	8.1%	0.0%
Hong Kong	11.2%	10.8%	0.6%	0.5%
India	0.0%	0.0%	0.0%	0.0%
Indonesia	3.4%	3.4%	0.6%	0.5%
Japan	2.2%	2.0%	-1.0%	-1.1%
Korea	0.0%	0.0%	0.0%	0.0%
Malaysia	20.4%	0.6%	20.4%	0.7%
New Zealand	0.0%	0.0%	0.0%	0.0%
Singapore	16.4%	5.8%	8.4%	-2.2%
Philipines	0.0%	0.0%	0.0%	0.0%
Taiwan	0.5%	0.5%	0.0%	0.1%
Thailand	0.0%	0.0%	0.0%	0.0%
United States	0.0%	0.0%	0.0%	0.0%
Total	**135.0%**	**31.5%**	**85.7%**	**-1.2%**

*** Excluding M&A and capital structure arbitrage and not beta adjusted**

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