Pengana Asian Equities Fund
Monthly Update (November 2011)

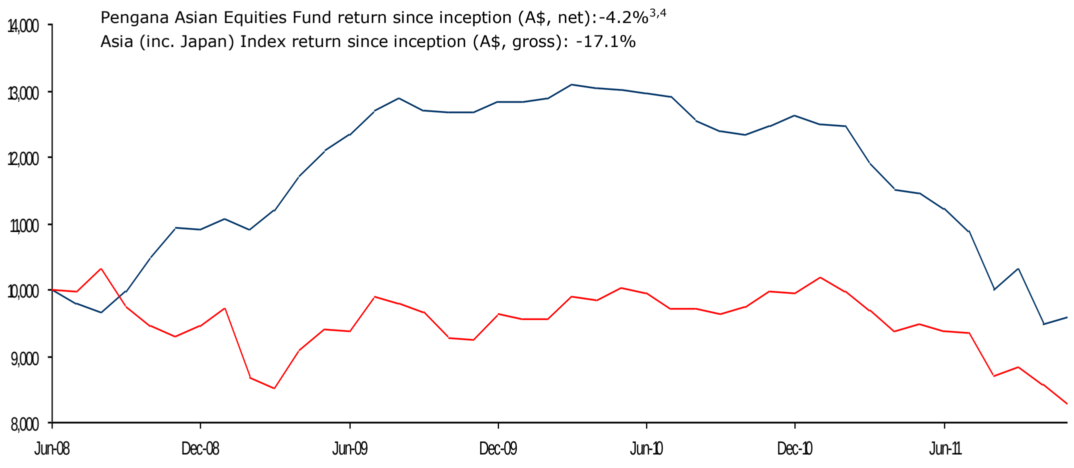
PENGANA
CAPITAL

Fund Features

Style	Long/Short Equity	**Management Fees [1] (monthly)**	1.54% p.a.
Comparative Benchmark	Asia (inc. Japan) 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$11.2m
Minimum Initial Investment	A$20,000	**Application Price at Month End**	A$0.7740
Inception Date	01 July 2008 [2,4]	**Redemption Price at Month End**	A$0.7701

Fund Commentary

Fund Performance (A$, %, net of fees) [3,4]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**YTD**
2011	-1.1	-0.3	-4.6	-3.1	-0.5	-2.0	-3.0	-8.2	3.2	-8.0	1.0		**-24.2%**
2010	-0.1	0.3	1.6	-0.3	-0.2	-0.4	-0.5	-2.6	-1.4	-0.4	1.1	1.3	**-1.6%**
2009	1.4	-1.5	2.7	4.6 [4]	3.5	2.0	3.0	1.2	-1.3	-0.2	-0.1	1.3	**17.7%**
2008							-2.0	-1.5	3.3	5.4	4.1	-0.2	**9.1%**
Asia (inc. Japan) Index (A$, %)													
2011	2.3	-2.0	-2.8	-3.4	1.2	-1.1	-0.4	-6.8	1.5	-2.9	-3.5		**-16.7%**
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%**



[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.

Performance

The Fund returned 1.0%[3] net of fees for November 2011, compared to -3.5% by the Asia (inc. Japan) Index. Since inception in July 2008, the Fund has returned -1.3%[3] per annum net of fees, compared to -5.4% by the Index.

After a sharp run-up in global financial markets in October, fuelled by an expectation that European policy makers would take decisive action to tackle the region's sovereign credit crisis, November brought disappointment. Risk assets including emerging markets' equities, currencies and commodities, which appreciated sharply in the previous month, reversed course, proving investors' expectations of a quick fix in Europe were premature. Based on the belief that market expectations were premature, the Fund's decision last month to stay defensive and keep most of the short positions with currency exposure unhedged bore fruit. The Fund's equity portfolio substantially outperformed the index, returning -1.4%, compared to -5.7% by the Index. The Fund's short portfolio, predominately in Chinese cement and casino operators as well as Japan's overvalued tech companies such as Olympus and Dainippon Screen, generated positive returns, offsetting weakness from the long portfolio. The Australian Dollar's depreciation against the US Dollar also helped offset negative returns from the equity long portfolio as the Fund stayed un-hedged. The Fund's currency exposure returned 2.4%[3], compared to 2.3% by the Index.

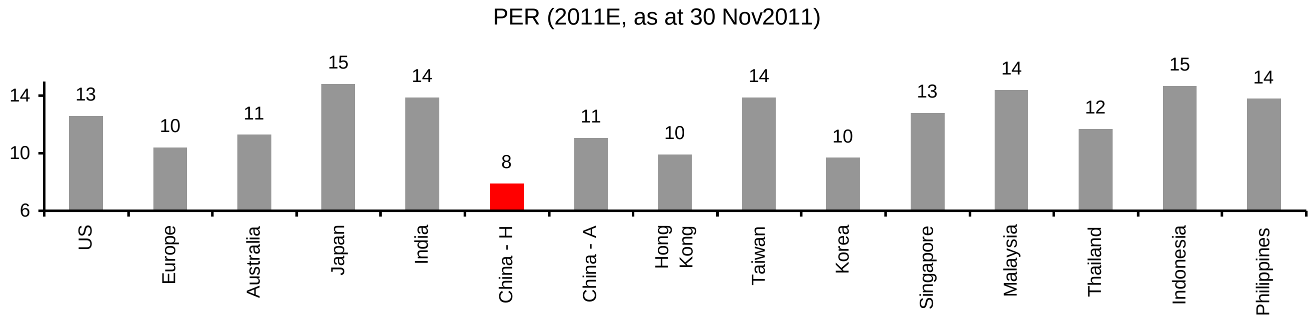
Change to the portfolio

Following sharp corrections during the month, we gradually took profit in some of the short positions and increased our equity exposure. We have also reduced our unhedged exposure and increased our holding in the Australian Dollar to reduce the currency exposure risk following that currency's sharp depreciation (nearly 10%) against the US Dollar during the month. The Australian Dollar closed down only 3% at the end of the month. The extreme volatility in global financial markets has substantially raised concern among Chinese policy makers about contingent risks. As CPI peaked in July at 6.5%, and October's falling to 5.5%, the government is more comfortable to shift its economic policy focus from an anti-inflationary to a pro-growth one. A jump in new loan growth in October after nearly a year of deterioration served as a catalyst for our tactically positive positioning and we closed most of our short positions and increased holdings in industrials and technology across the region, with a particular focus on Japan and China.

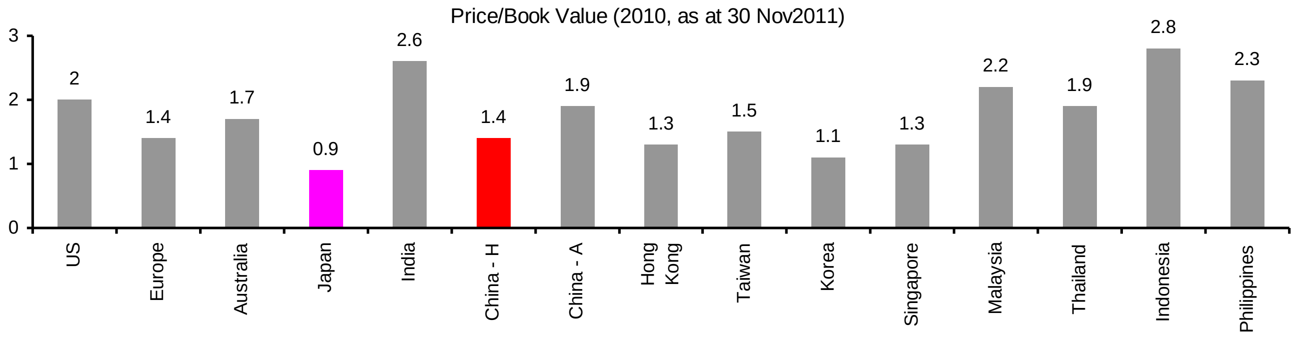
Top Five Performers	Bottom Five Performers
China National Building Material (China Cement, Short)	Elipida Memory (Japan Tech, Long)
Dainippon Screen (Japan Tech, Short)	NSK (Japan Industrial, Long)
JGC (Japan Industrial, Short)	Sinopec Yizhen (China Chemical, Long)
Wynn Macau (China Leisure, Short)	Sihuan Pharma (China Healthcare, Long)
Olympus (Japan Healthcare, Short)	Lianhua Supermarket (China Retail, Long)

Investment Outlook

While Europe's sovereign credit issues will take time to resolve and are likely to be associated with some painful restructuring within the Euro zone, their potential to affect economic growth has also prompted policy makers to act, particularly in Asia and emerging countries, whose economies are more sensitive to global growth. Economic policies are shifting from credit tightening to a growth focused stance. Recent weakness in commodity prices has also dampened inflation expectations, allowing room for monetary policy adjustment. The Chinese central bank move in October to cut the required reserve ratio (RRR) for banks by 50 basis points offers an indication of such a policy shift, marking an end to its over one-year old campaign to fight inflation. We are turning tactically positive for the short term, particularly in Chinese and Japanese equities, given their very attractive valuations. The Hong Kong listed China Enterprise Index is now traded at less than 8x 2011 earnings and 1.4x book value, the cheapest market based on PER and one of the cheapest in terms of price to book value after Japan and Korea.



Source: Bloomberg, Pengana Capital



Source: Bloomberg, Pengana Capital

With the annual central working committee conference starting in China next week, anticipation is high that the Chinese government will, as it did during the global financial crisis in 2008, implement aggressive fiscal policies to stimulate growth in response to the Europe crisis. We do not expect China to adopt an infrastructure and property construction induced fiscal spending spree as in 2008. Instead, it is likely to use this opportunity to speed up the process of economic rebalancing, shifting the economic structure from a manufacturing dependency to a service driven one. It recently has announced new tax benefits to promote the development of the service industry. As of January 2012, starting in Shanghai and then nationwide, the Chinese government will replace the current business tax by a VAT charged at 5-10% on annual revenue to the transportation and service industry, including R&D and technology services, logistics and consulting services. In addition, two new levels of VAT of 6% and 11% will be added to the current 17% and 13% to encourage entrepreneurship and small businesses in the service industry. We believe the development of the service industry will help China grow its economy without over-reliance on natural resources and energy.

As control of credit supply will start to ease, we expect small and mid-cap companies - typically from the new industries such as retailing, IT services and industrials - to outperform large caps, which are more prevalent in the old industries such as banking, property, building materials and coal. Recent policy has been characterised by a focus on supporting SMEs via tax benefits and administrative guidance and the channelling of more capital to the SME sector.

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We have slowly added a few capital goods companies in China, including Chongqing Machinery, an industrial conglomerate with annual sales over US$1.6 billion but trading at 0.8x book value, and Xingjiang Goldwind Technology, China's second largest wind turbine manufacturer and one of the largest in the world, also trading at a substantial discount to its book value due to concerns about slow demand for wind power equipment. We believe the current valuation has priced in an extremely poor outlook while ignoring the company's strong technological competitiveness. Outside China, we have selected a few companies exposed to China's new growth, including Global Logistic, a Singapore-listed company with logistic assets in Japan and China, and Epistar, a Taiwan LED chip maker.

Exposure by Sector	Long	Short	Net	Exposure by Country	Long	Short	Net
Energy & Materials	13%	0%	13%	*HK& China*	*35%*	*-7%*	*28%*
Financial & Real Estate	14%	0%	14%	*Taiwan*	*3%*	*0%*	*3%*
Industrials	11%	0%	11%	Greater China	38%	-7%	31%
Technology	21%	0%	21%	South Korea	5%	-2%	3%
Consumer	6%	-4%	2%	Singapore	3%	0%	3%
Healthcare	8%	-1%	7%	Emerging ASEAN	0%	-3%	-3%
Telecom & Utilities	0%	0%	0%	Japan	28%	0%	28%
Index Futures	0%	-6%	-6%	Australia / NZ	1%	0%	1%
Total Equity	74%	-11%	63%	Total Equity	74%	-11%	63%
Cash			37%	Cash			37%
Total			**100%**	**Total**			**100%**

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