



PENGANA
CAPITAL

Pengana Australian Equities Long Short Fund

April 2008 Update (onshore)

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Fund Performance

The fund commenced the month of April 49% net long, ending the month 51% net long. After sundry income and all costs and fees, the net return for April was a NAV increase of 7.0% to \$1.1789. At the gross level the long portfolio added 4.7% while shorts detracted 0.2% from performance.

The ASX 300 Accumulation Index increased 4.51 % over April, with financials staging a strong recovery.

Performance Contributors

Equity longs	+4.67%
Equity shorts	-0.21%
Derivatives	0.00%
Fixed Interest	+2.29%

The exceptional contributors on the longs were Babcock & Brown Power, BHP Billiton, Boom Logistics, QBE Insurances, Transfield Services, United Group and Worley Parsons. Short positions in consumer discretionary contributed positively.

There has been a significant recovery in the security prices of the fixed interest element of the portfolio since mid-March (mainly Babcock & Brown Infrastructure Exchangeable Prefs and Futuris Hybrids), reflecting very attractive yields to maturity and reducing perceived credit and distribution risk.

Market Commentary and Outlook

Australian business and consumer sentiment continues to soften with continued evidence of a consumer-led slowdown outside the resource, agriculture and infrastructure driven regions. Inflationary pressures continue to build. The equity market appears to be pricing in a mild economic slowdown, similar to 2000 and 2001. However, trends in commodity markets suggest Australia will continue to be stimulated by high commodity prices with a step change in export volumes; iron ore and coking coal in particular. Global growth expectations continue to be adjusted lower.

While the worst in credit-related write-offs and share price impact may have been seen in financials and

related securities, on the long side your managers have turned their attention to stocks that a) may have been excessively punished on credit squeeze fears and b) continue to experience a solid growth outlook. On the short side, we are looking for stocks that a) carry risk of greater than expected negative earnings revisions and b) may be subject to significant demand changes from Rudd government led tax signals and social initiatives.

The equity market is likely to range-trade for the foreseeable future until visibility on non-resource earnings improves in H2 calendar 2008. The Fund's net long exposure at the time of writing is around 55%, with a continued overweighting in resource and infrastructure servicing stocks.

Portfolio Structure

As at the end of April 2008, the portfolio was structured as follows:

Long positions	27
Short positions	10
Equity Long exposure	60.7%
Equity Short exposure	-10.0%
Net Long Exposure	50.7%

Top Five Long Positions

Top 5 concentration: 15.5%	
BHP Billiton	
Boom Logistics	
Leighton Holdings	
Transfield Services	
United Group	

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Risk Characteristics

Annual Volatility	7.7%
Sharpe Ratio	1.15
Downside Deviation	4.23%
Sortino Ratio	2.11
Risk Free Rate Assumed	7.25%

Fund Details

Fund Size: AUD 16.1m (AUD 24.3m including offshore)

Redemption unit price at month end: \$1.1771

Application unit price at month end: \$1.1807

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-4.19%	-3.23%	-3.76%	7.01%									-4.51%
2007	1.31%	0.95%	1.20%	1.91%	3.19%	0.65%	0.36%	0.79%	2.68%	1.66%	-0.84%	-0.16%	14.52%
2006	2.10%	1.22%	4.26%	0.89%	-1.14%	2.56%	0.48%	0.05%	0.66%	3.56%	0.92%	2.12%	19.03%
2005	2.56%	-1.26%	0.17%	-0.55%	-0.82%	3.30%	0.72%	4.23%	2.65%	-0.85%	3.04%	1.81%	15.84%
2004					0.84%	1.08%	5.26%	-0.22%	2.74%	5.94%	2.90%	0.71%	20.76%

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