



### Fund Performance

The fund commenced the month of May 51% net long, ending the month 43% net long. After sundry income and all costs and fees, the net return for May was a NAV decrease of 0.41% to \$1.1741.

The ASX 300 Accumulation Index increased 1.71 % over May, with continued narrow price leadership, mainly from energy and resources stocks, disguising a weaker underlying equity market (All Industrials index fell 1.9%). The number of notable profit warnings increased in the month.

### Performance Contributors

Equity longs	+0.02%
Equity shorts	+0.12%
Derivatives	0.00%
Fixed Interest	-0.37%

The exceptional contributors on the longs were Australian Worldwide Exploration, Boart Longyear, Mount Gibson Iron and MacMahon Holdings. Significant detractors were Babcock & Brown Power and Transfield Services. Short positions in market-related financial services contributed positively.

### Market Commentary and Outlook

Sentiment on the domestic economic outlook continues to soften with mounting evidence of a slowdown outside the resource, agriculture and infrastructure driven regions. Private sector credit growth is slowing sharply while retail sales and manufacturing trends remain weak. Inflation continues to trend higher.

Rising project costs, scarcity of labour and resources are seeing deferrals in some infrastructure projects. However, it is becoming apparent that both State and Federal governments view infrastructure improvements as a key plank in addressing the current inflationary pressures plaguing the Australian economy. Global growth expectations continue to be adjusted lower.

However, trends in commodity markets suggest Australia will continue to be stimulated by high commodity prices with a lift in export volumes; iron ore and coking coal in particular.

As we approach the 2008 financial year-end we are positioning the fund, on the long side, in stocks that continue to experience a solid growth outlook and exhibit pricing power in an inflationary environment. On the short side we are targeting stocks that; 1) carry risk of greater than expected negative earnings revisions and 2) offer protection to long positions via exposure to thematically unattractive sectors and 3) may be subject to adverse demand changes from political and social initiatives.

The momentum-driven equity market appears likely to range-trade for the foreseeable future, at least until earnings visibility improves in H2 calendar 2008. The Fund's net long exposure at the time of writing is around 45%, with a net overweighting in resource and infrastructure servicing companies.

### Portfolio Structure

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

<b>Long positions</b>	24
<b>Short positions</b>	10
<b>Equity Long exposure</b>	54.1%
<b>Equity Short exposure</b>	-10.7%
<b>Net Long Exposure</b>	43.4%

### Top Five Long Positions

<b>Top 5 concentration: 16.3%</b>	
Austar United	
BHP Billiton	
Fairfax Media	
Mount Gibson Iron	
Telstra	



# Pengana Australian Equities Long Short Fund

## May 2008 Update (onshore)

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### Risk Characteristics

Annual Volatility	7.7%
Sharpe Ratio	1.1
Downside Deviation	4.22%
Sortino Ratio	2.00
Risk Free Rate Assumed	7.25%

### Fund Details

Fund Size: AUD 15.8m (AUD 22.6m incl. offshore)

Redemption unit price at month end: \$1.1724

Application unit price at month end: \$1.1759

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-4.19%	-3.23%	-3.76%	7.01%	-0.41%								-4.90%
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%

As at 31 May 2008	PAELSF: Net Return <sup>1</sup>	PAELSF: Gross Return <sup>2</sup>	Cash	ASX 300 Accum Index	PAELSF Average Net Exposure <sup>3</sup>
1 Month	-0.4%	-0.3%	0.6%	1.7%	49.0%
3 Months	2.6%	2.9%	1.8%	2.7%	49.3%
6 Months	-5.0%	-4.5%	3.5%	-11.6%	55.0%
12 Months	0.1%	2.6%	6.7%	-6.7%	46.0%
24 Months	20.6%	31.0%	13.3%	23.2%	47.3%
Since Inception	81.4%	122.3%	26.4%	97.7%	48.7%
Annualised Volatility	7.7%	8.8%	0.2%	10.9%	

1 Net Performance, after all fees and charges.

2 Gross Performance excludes both management and performance fees.

3 Exposure is delta adjusted for derivatives and preference shares.

### Contact Details

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