



# Pengana Global Resources Fund

## October 2007 Update

### Pengana Global Resources Fund

The Pengana Global Resources Fund provides investors with equity exposure to companies within the global mining, energy, steel, commodities and associated services sectors. The fund is managed out of Melbourne, Australia and uses multiple strategies to profit from inefficiencies in the pricing of companies in its investment universe. Among the strategies utilised by the fund is the ability to be both long and short securities which allows market volatility to be better managed and provides greater flexibility in achieving an absolute return in both rising and falling markets.

### Developments

During the month, we employed Tim Schroeders as a Portfolio Manager, bringing the combined experience of the team to 31 years. Importantly, both Managers have worked together previously and have seen both bull and bear markets in resources.

### Market Review

After a period of sustained price appreciation, driven by the super-cycle thematic and sector consolidation, the market is wrestling with cyclical, structural and seasonal issues in pricing resource equities. Concerns about a slowing US economy, the durability of China's demand growth and a looming supply response are all contributing to the volatility in resource equities.

Overall, resource related equities listed on the Australian Stock Exchange had a good month with the S&P/ASX 300 Metals and Mining Accumulation Index outperforming the broader market, registering a gain of 3.62%. An increase in the gold price, along with Murchison Metals' takeover offer for MidWest Corporation and Xstrata's bid for Jubilee Mines, provided a positive impetus for the Metals and Mining sector. The S&P Metals & Mining Index rose 6.0% during October. In London the FTSE 350 Mining Index gained 4.1% whilst the S&P/TSX Global Mining Index achieved a gain of 4.7%.

On the other hand, the S&P/ASX 300 Energy Accumulation Index achieved a gain of 1.97% for the month, underperforming the broader market despite a 15.48% rise

in oil prices during the month of October. Disappointing quarterly production reports by companies such as Santos and Woodside Petroleum curtailed the rise in the Energy sector as did AED Oil's announcement that initial production from its Puffin North East Field was less than anticipated.

**Key contributors to the portfolio's performance** during October included Midwest Corporation (+54.5%), Bradken (+38.2%), Jubilee Mines (+35.4%), Mineral Resources (+29.6%) and Swick Mining (+31.1%).

### Fund Performance

The portfolio's **October 2007 net performance was 10.5%** (after all fees).

Gross Returns to 31 October 2007	Global Resources Fund
1 Month	12.59%
3 Months <sup>1</sup>	15.89%
6 Months <sup>1</sup>	45.77%
Since inception <sup>1</sup>	62.83%

<sup>1</sup> March 2007 – September. Performance of internal fund seeded by Pengana Capital. Past performance is not a reliable indicator of future performance.

### Commodity price changes for October 2007:

Commodity	US\$ price change	A\$ price change	€ price change
Oil	15.48%	10.33%	13.96%
Gold	6.04%	0.89%	4.52%
Copper	-4.95%	-10.10%	-6.47%
Aluminium	1.97%	-3.18%	0.45%
Zinc	-8.61%	-13.76%	-10.13%
Nickel	-0.48%	-5.63%	-2.00%
Lead	6.95%	1.80%	5.43%
Tin	9.31%	4.16%	7.79%

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- Page 2 -

### Portfolio Structure

As at the end of the month, the portfolio was structured as below:

<b>Number of Stocks</b>	40
<b>Gross Exposure</b>	112.5%
<b>Net Long Exposure</b>	68.8%
<b>Breakdown by Strategy</b>	Pairs: 36.6% Directional Long/Short: 61.7% Event Driven: 1.7%

### Top Five Positions

CVRD
Mineral Resources Ltd.
Rio Tinto Ltd.
Wridgeways Australia Ltd
Xstrata PLC.

### Contact Details

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