



# Pengana Global Resources Fund

## December 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.

### Market Review

World markets paid increasing attention to the woes of the United States economy as the fallout from the sub-prime debt crisis continued. Consequently, investors attributed a higher probability of the US economy falling into recession as evidence mounted that United States unemployment was rising, housing-related activity was muted and a rising oil price was impacting inflation. Whilst economic growth in the BRIC economies remains robust it cannot be assumed a weaker US economy will have no impact on other economies to which the US is a key trading partner. Furthermore, whilst much of the focus economically has been on the United States the impact of the United States economy falling into recession would be felt globally. For instance, the United States is a key export market for the world's second largest economy, Japan, and any slowdown in the United States is likely to materially impact key Japanese exports.

After BHP Billiton announced its desire to implement a "friendly" merger with Rio Tinto last month a stalemate developed between the two companies with Rio Tinto refusing to enter dialogue with BHP Billiton. Subsequently, Rio Tinto wrote to the UK Takeovers Panel requesting a firm deadline for BHP Billiton to launch a bid. The UK Takeovers Panel set a date of 6<sup>th</sup> February 2008 whereby BHP Billiton must announce its intention to make an offer for Rio Tinto or not. If BHP Billiton does not make an offer for Rio Tinto it will be prevented from making an offer for the subsequent six months under Rule 2.8 of the UK Takeover Code. Consolidation continued to be a theme within the Australian resources market during December with First Quantum announcing to the market it had acquired a 17.27% stake in Equinox Minerals. Xstrata announced a bid for Australian coal mining company,

Resource Pacific in addition to its previously announced takeover of Australian nickel producer, Jubilee Mines.

The S&P/ASX 300 Metals and Mining Accumulation Index posted a loss of 4.61 for December. The S&P/ASX 300 Energy Accumulation Index gained 1.61% in December as the oil price climbed 7.95%. Gold's safe-haven status came to the fore during the month as concerns about inflation and global liquidity intensified. The gold price rose 7.19% during the month providing a strong fillip to the share prices of gold producers. On the other hand, concerns about a slowdown in global economic growth as a result of problems in the US economy contributed to weak base metals prices during December. Supply tightness and robust levels of demand underpinned the outlook for both iron ore and coal producers. Against a backdrop of falling base metals prices, the producers of bulk commodities gained increasing attention from investors. Volatility in the Australian sharemarket remained high during December with the Australian Metals and Mining Index trading in a 10.5% range from high to low. The S&P Metals & Mining Index gained 1.81% in December. In London the FTSE 350 Mining Index fell 3.98% whilst the S&P/TSX Metals and Mining Index rose 1.32%.

**Key contributors to the portfolio's performance** during December included Equigold (+25.2%), Mineral Resources (+10.6%), Sally Malay Mining (+9.9%), Wildhorse Energy (-29.9%) and Zinifex (-14.1%).

### Fund Performance

Net Returns to 31 <sup>st</sup> December 2007	Global Resources Fund
1 Month	0.16%
3 Months <sup>1</sup>	6.90%
6 Months <sup>1</sup>	15.09%
Since inception <sup>1</sup>	49.13%

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

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### Commodity price changes for December 2007:

Commodity	US\$ price change	A\$ price change	€ price change
Oil	7.95%	6.95%	7.60%
Gold	7.13%	6.13%	6.78%
Copper	-4.02%	-5.02%	-4.37%
Aluminium	-4.66%	-5.66%	-5.01%
Zinc	-9.50%	-10.50%	-9.85%
Nickel	-2.29%	-3.29%	-2.64%
Lead	-16.98%	-17.98%	-17.33%
Tin	-3.59%	-4.59%	-3.94%

### Portfolio Structure

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

<b>Number of Stocks</b>	41
<b>Gross Exposure</b>	111.3%
<b>Net Long Exposure</b>	91.7%
<b>Breakdown by Strategy</b>	Pairs: 17.6% Directional Long/Short: 80.5% Event Driven: 1.9%

### Top Five Positions

BHP Billiton
CVRD
Mineral Resources
Rio Tinto
Wridgeways Australia

### Contact Details

For further information, please visit our website at [www.pengana.com.au](http://www.pengana.com.au) or contact:

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