



# Pengana Global Resources Fund

## January 2008 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 equity markets, in general, had their worst January in 20 years as the fallout from the sub-prime debt crisis continued, exacerbating fears of a US recession with UBS, Citigroup and Merrill Lynch all incurring larger than expected losses from soured mortgage investments.

Figures released during January 2008 showed weakening in US housing, US GDP, employment and consumer spending. US jobs growth fell to its weakest level since August 2003, while the jobless rate had the largest monthly rise since October 2001, in the wake of the September 11 terror attacks. American Express warned of credit card defaults and a slowdown in consumer spending, and a private report cited home prices in twenty US cities fell more than expected for the month, recording the 11<sup>th</sup> straight decline.

While the markets largely ignored a proposed fiscal rescue package from the US government, the US federal reserve cut its Fed Funding Rate by a total of 1.25% to 3.00% in a bid to stimulate growth.

The International Monetary Fund cut its forecast for 2008 global growth to 4.1% (from 4.4%) due to tighter credit conditions. However, emerging economies are still expected to weather the deterioration in advanced economies, with China's 2008 growth outlook left unchanged at 10%.

Interestingly, outside of the oil price which is most exposed to US growth, commodity prices were higher for the month (see below), reversing the weakness seen in December.

The consolidation thematic continued through January with Vale, the world's second largest mining group, engaging Xstrata, the world's sixth largest miner, in discussions about a possible merger.

The S&P/ASX 300 Energy Accumulation Index fell 12.50% in January as the oil price fell 6.48% in A\$ terms. Gold's safe-haven status again came to the fore during the month as concerns about inflation and global liquidity intensified. The gold price rose 8.23% and the ASX All-Ords Gold Index was the best performing Australian Index for the month down 1.38%. The aluminium price was up 10.56% in January, largely on index re-balancing, short covering and the creation of new long positions with a sharply depreciating US dollar. Supply tightness and robust levels of demand continued to underpin the outlook for both iron ore and coal producers.

Volatility in the Australian sharemarket remained high during January with the Australian Metals and Mining Index losing 21.68% over the worst 5 days of consecutive trade, and then rebounding 16.89% over the subsequent 3 trading sessions. There were 15 of 21 trading days where the Australian Metals and Mining Index moved in excess of 1%.

The S&P Metals & Mining Index fell 5.18% in January. In London the FTSE 350 Mining Index fell 4.91% whilst the S&P/TSX Metals and Mining Index fell 1.82%. The S&P/ASX 300 Resource Accumulation Index posted a loss of 8.54% for January, outperforming the broader market (S&P ASX 300) which fell 11.00% for the period.

**Key contributors to the portfolio's performance** during January included Xstrata (+26.96%), Rio Tinto plc (+25.33%), Zinifex Limited (-26.02%) and Mineral Resources (-22.06%).

### Fund Performance

Net Returns to 31 <sup>st</sup> January 2008	Global Resources Fund
1 Month	-7.53%
3 Months <sup>1</sup>	-10.19%
6 Months <sup>1</sup>	5.29%
Since inception <sup>1</sup>	37.89%

<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 January 2008:

Commodity	US\$ price change	A\$ price change	€ price change
Oil	-4.13%	-6.48%	-6.01%
Gold	10.11%	7.76%	8.23%
Copper	7.40%	5.05%	5.52%
Aluminium	12.44%	10.09%	10.56%
Zinc	4.45%	2.10%	2.57%
Nickel	6.76%	4.41%	6.76%
Lead	8.27%	5.92%	6.39%
Tin	2.78%	0.43%	0.90%

### 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>	105.2%
<b>Net Long Exposure</b>	86.0%
<b>Breakdown by Strategy</b>	Pairs: 21.6% Directional Long/Short: 78.4%

### Top Five Positions

BHP Billiton
Xstrata
Australian Worldwide Exploration
Rio Tinto
Wridgeways Australia

### Contact Details

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