Pengana Global Resources Fund
March 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

Liquidity concerns pertaining to the US banking system were a dominant force for global equity markets during March. The severity of the liquidity crisis was realised on 16th March when JP Morgan Chase agreed to takeover investment bank, The Bear Stearns Companies Inc., for the equivalent of US$2 per share – 1/10th of the company's closing share price on the preceding Friday and a fraction of the company's 52 week trading high of US$159.36 per share. As part of the deal JP Morgan Chase and the US Federal Reserve agreed to guarantee trading obligations of The Bear Stearns Companies after what amounted to a run on the company by panicked clients. Subsequent to the initial deal being announced an improved offer by JP Morgan Chase equivalent to US$10 per share emerged. As part of the new deal, JP Morgan Chase would guarantee the first US$1 billion of illiquid assets whilst the US Federal Reserve would be responsible for the remaining US$29 billion.

The Australian resources sector was subject to a high degree of merger and acquisition activity during March. Sinosteel Corporation announced a $5.60 per share offer for the shares in emerging iron ore producer, Midwest Corporation during the month. Sinosteel Corporation held a 19.89% stake in Midwest Corporation prior to the offer. Another Chinese company, China Petrochemical Corporation (Sinopec), was also an active corporate player during the month announcing it had entered into an agreement with AED Oil to acquire a 60% interest in the assets held under AC/P22, AC/L6, AC/RL1 (which include the Puffin and Talbot oil fields). Under the terms of the agreement Sinopec will pay AED Oil an upfront cash payment of US$561 million for its interest, subject to certain conditions. Broken Hill lead/zinc companies Perilya and CBH Resources announced a merger during the month. The companies hope that combining the two companies will achieve greater critical mass in the global lead/zinc market as well as significant operating benefits from the combined group's Broken Hill operations. Australia's largest zinc producer, Zinifex, was also the subject of a merger of equals with another Melbourne domiciled resources company, Oxiana. The "merger of equals" will see shareholders in both companies own 50% each of the combined company with Zinifex shareholders to receive 3.1931 Oxiana shares for each Zinifex share they own (subject to conditions). Internationally, Xstrata plc and Vale could not agree on terms for a proposed merger between the two companies to proceed. Given the failure of the deal to occur it is likely both companies will be acquirers of companies and/or projects in the next 18 months.

The rollercoaster ride for Australian resources investors continued in March with the S&P/ASX 300 Energy Accumulation Index falling 2.10%. In comparison, the S&P/ASX Metals and Mining Accumulation Index fell 10.05% with share prices responding to lower base metal prices and a lower gold price. The S&P/ASX Metals and Mining index rose or fell by greater than 1% on 15 of the 19 trading days during the month of March. The largest upwards daily move for the index +3.70% whilst the largest downwards movement was a staggering 8.22% fall. Even in the volatile environment that has been the defining feature of 2008 thus far, a fall of this magnitude is uncharacteristic. The fall was in response to a large fall in commodity prices whereby gold plummeted as much as US$129 per ounce and the crude oil price fell more than US$13 a barrel. Overall, the Reuters/Jefferies CRB Index comprising 19 separate commodities fell 8.3% in a week, the largest weekly decline in more than 50 years. The sell-off in commodities was due to a combination slowing global economic growth, profit taking in response to the rapid surge in commodity prices year to date and a perception the weakening of the US dollar may have ceased.

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The S&P Metals and Mining Index fell 2.48% in March. In London the FTSE 350 Mining Index dropped 8.05% whilst the S&P/TSX Metals and Mining Index lost 4.94% in March. The S&P/ASX 300 Resource Accumulation Index posted a loss of 8.41% for March, underperforming the broader market (S&P ASX 300) which fell 3.42% for the period.

Key contributors to the portfolio's performance during March included Aquarius Platinum (+4.49%), Oxiana (-19.9%), Santos (-12.40%) and Vale (-0.57%).

Fund Performance

Net Returns to 31st March 2008	Global Resources Fund
1 Month	-2.68%
3 Months	-2.21%
6 Months[1]	4.54%
12 Months[1]	43.55%
Since inception[1]	45.83%

[1] March 2007 – September 2007: Performance of internal fund seeded by Pengana Capital. Past performance is not a reliable indicator of future performance.

Commodity price changes for March 2008:

Commodity	US$ price change	A$ price change	€ price change
Oil	-0.15%	1.26%	-4.15%
Gold	-6.01%	-4.60%	-10.01%
Copper	-0.01%	1.40%	-4.01%
Aluminium	-4.68%	-3.27%	-8.68%
Zinc	-14.54%	-13.13%	-18.54%
Nickel	-1.13%	0.28%	-5.13%
Lead	-15.37%	-13.96%	-19.37%
Tin	10.16%	8.75%	6.16%

Portfolio Structure

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

Number of Stocks	30
Gross Exposure	80.6%
Net Long Exposure	61.1%
Breakdown by Strategy	Pairs: 20.0% Directional Long/Short: 78.6% Event driven: 1.4%

Top Five Positions

BHP Billiton
Xstrata
Vale
Rio Tinto
Anglo American

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