



Pengana Global Resources Fund

May 2008 Update

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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

Negative economic news out of the United States formed much of the backdrop for May. In particular, consumer sentiment fell to a 28 year low in May as consumers were hit by increasing concerns about job stability, the impact of higher petrol prices, plummeting home values and increased borrowing costs. Elsewhere, China was impacted by one of the worst earthquakes in that country in decades – measuring a 7.8 magnitude. The earthquake and its after-shocks will require a concerted rebuild effort by Chinese authorities which could provide further stimulus to economic growth and inflation. In Australia, the Reserve Bank of Australia maintained official interest rates at 7.25% for the second consecutive month as signs of slower economic growth, particularly in the housing market, emerged.

The Energy Sector remained a key area of interest for investors during May. In particular, companies with coal seam gas exposure remained in focus. Santos announced a deal with Malaysian national oil company, Petronas, which saw Petronas acquire a 40% interest in the Gladstone LNG Project for a purchase price of up to US\$2.508 billion. The day after the Santos/Petronas deal was announced BG Group and Origin Energy confirmed they had failed to agree on terms for a proposed merger despite an improved offer of \$15.50 per share (up from \$14.70 per share) for Origin Energy by BG Group. Origin Energy CEO Mr Grant King cited that using the metrics from the Santos/Petronas Gladstone LNG deal Origin Energy's coal seam gas reserves alone were worth in excess of \$15 billion, far greater than the \$13 billion revised offer by BG Group.

The S&P/ASX 300 Energy Accumulation Index increased a staggering 19.88% in May, largely in response to an oil price which rose 12.18%. In addition to the impetus provided by a booming oil price the sector was the beneficiary of corporate activity involving companies with coal seam gas interests and high recently negotiated contract coal prices benefited producers of both metallurgical and thermal coal. The S&P/ASX 300 Metals and Mining Accumulation Index finished May with a gain of 4.58%. However, during the month the index was up as much as 14.5% before a significant retracement during the last week of May. Speculators pushed BHP Billiton as high as \$50 per share after starting the month at \$42.27 per share after a newspaper reported Chinese interests may take a strategic stake in the company. This was the second article in as many months concerning Chinese buying interest in BHP Billiton with no evidence to date that this has eventuated in any meaningful way.

The S&P Metals and Mining Index gained 7.06% in May. In London the FTSE 350 Mining Index rose 4.27% whilst the S&P/TSX Metals and Mining Index appreciated 5.51%. The S&P/ASX 300 Resource Accumulation Index posted a gain of 7.94% for May, outperforming the broader market (S&P ASX 300) which gained 1.71% for the period.

Key contributors to the portfolio's performance during May included OM Holdings (+43.9%), Mineral Resources (+39.4%), Sunshine Gas (+39.3%) and Windimurra Vanadium (+29.9%).

Fund Performance

Net Returns to 31 May 2008	Global Resources Fund
1 Month	6.20%
3 Months	8.82%
6 Months	9.52%
12 Months¹	40.32%
Since inception¹	63.06%

¹ 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 May 2008:

Commodity	US\$ price change	A\$ price change	€ price change
Oil	12.18%	10.89%	12.61%
Gold	2.57%	1.28%	3.00%
Copper	-6.35%	-7.64%	-5.92%
Aluminium	-0.41%	-1.70%	0.02%
Zinc	-9.84%	-11.13%	-9.41%
Nickel	-23.44%	-24.73%	-23.01%
Lead	-27.63%	-28.92%	-27.20%
Tin	-10.28%	-11.57%	-9.85%

Portfolio Structure

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

Number of Stocks	34
Gross Exposure	71.9%
Net Long Exposure	40.1%
Breakdown by Strategy	Pairs: 19.0% Directional Long/Short: 81%

Top Five Positions

BHP Billiton
Xstrata
Vale
Rio Tinto
Anglo American

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