Pengana Global Resources Fund
June 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

Heightened concerns about accelerating global inflation, slowing global growth, high energy prices and a low US dollar conspired to increase nervousness amongst investors globally during June. Despite “jawboning” by the Chairman of the US Federal Reserve, Mr Bernanke, about the desire for a stronger US dollar the decision by the US Federal Reserve Open Market Committee at the end of June not to lift official interest rates provided nothing in the way of policy support for the beleaguered greenback. Furthermore, the lack of a move upwards in official interest rates served to increase investor anxiety about inflation and a further slow-down in the US economy during the second half of 2008.

The surging price of crude oil and its seemingly unimpeded path to a series of new record high prices was the origin of much angst for governments, consumers and investors alike in June. During June the price of crude oil gained 10% to trade in excess of US$140 per barrel with the price of a barrel of oil doubling from a year earlier. A meeting of OPEC members, international oil industry key executives and foreign leaders was hosted in Saudi Arabia by King Abdullah on 22nd June. Despite a commitment by Saudi Arabia to increase its production to as much as 12.5 million barrels of oil per day in 2009 in an effort to provide price stability the price of crude oil has remained high. However, the high price of crude oil has resulted in a number of developing nations reducing subsidies on gasoline prices. For instance, in June Malaysia raised gasoline prices by 41% and China increased gasoline prices 17%. Not surprisingly, evidence to date is these increases in price have resulted in a marked reduction in discretionary motor vehicle use.

The S&P/ASX 300 Energy Accumulation Index increased a modest 1.57% in June, despite the continuation of a surge in the price of crude oil. The S&P/ASX 300 Metals and Mining Accumulation Index finished June with a loss of 1.14%. It was a case of mixed fortunes for mining companies during the month. On the one hand, iron ore price settlements were confirmed by Rio Tinto with an average increase in settlement price of 85%. Conversely, the prices of lead, zinc and nickel all softened during the month which had a flow through impact on the share prices of companies that produce these metals.

The S&P Metals and Mining Index fell 1.27% in June. In London the FTSE 350 Mining Index was up 0.09% whilst the S&P/TSX Metals and Mining Index weakened 7.81%. The S&P/ASX 300 Resource Accumulation Index posted a small loss for June of 0.47%, outperforming the broader market (S&P ASX 300) which fell 7.57% for the period.

Key contributors to the portfolio’s performance during June included OM Holdings (+17.7%), Paladin Energy (+11.89%), Straits Resources (-12.31%) and Vale (-9.5%).

Fund Performance

Net Returns to 30 June 2008	Global Resources Fund
1 Month	0.30%
3 Months	12.14%
6 Months	9.67%
12 Months[1]	26.21%
Since inception[1]	63.54%

[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 June 2008:

Commodity	US$ price change	A$ price change	€ price change
Oil	10.03%	9.76%	8.75%
Gold	4.62%	4.35%	3.34%
Copper	7.09%	6.82%	5.81%
Aluminium	5.88%	5.61%	4.60%
Zinc	-3.16%	-3.43%	-4.44%
Nickel	-2.39%	-2.66%	-3.67%
Lead	-7.42%	-7.70%	-8.70%
Tin	10.25%	9.98%	8.97%

Portfolio Structure

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

Number of Stocks	37
Gross Exposure	79.4%
Net Long Exposure	44.2%
Breakdown by Strategy	Pairs: 46.8% Directional Long/Short: 53.2%

Top Five Positions

BHP Billiton
OM Holdings
Mineral Resources
Rio Tinto
Anglo American

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