

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

Indications that Chinese GDP growth would fall to a rate of under 10% in coming months along with the impact on the global economy of higher energy prices and the continued erosion of global banking capital were all reasons for deteriorating investor confidence during July. Not surprisingly, volatility during the month was very high in the resources sector globally. Domestically, the S&P/ASX Metals and Mining Index fell as much as 17.20% during July before recovering from its lows to close down 11.01%. During July the number of trading days in which the S&P/ASX Metals and Mining Index moved by greater than +/- 1% was 17, with the index moving by greater than +/- 2% on 10 of the month's 22 trading days. For the seven months so far during the year to date the S&P/ASX Metals and Mining Index has recorded moves of greater than +/- 10% on four occasions.

Coal was a key area of focus for corporate activity during July. In North America, Cleveland-Cliffs Inc (North America's largest producer of iron ore pellets) agreed to acquire Alpha Natural Resources Inc for the equivalent of US\$128.12 per share. Subsequent to the deal being announced Harbinger Capital – a substantial shareholder in both companies – stated it was opposed to the deal. In Canada, Teck Cominco announced it would purchase Fording Canadian Coal Trust with a combination of shares and cash to increase its holding in Elk Valley Coal from 40% to 100%. Elk Valley is the world's second largest exporter of seaborne hard coking coal. In Australia Macarthur Coal's former CEO Mr Ken Talbot

continued to divest his shareholding, selling a further 10% of the company to South Korean steel giant Posco at \$20.00 per share. In addition to Posco the share register for Macarthur Coal now includes the world's largest steel company, Arcelor Mittal, as well as China's state-owned CITIC group.

The S&P/ASX 300 Energy Accumulation Index decreased 13.80% in July, largely in response to an oil price which fell 12.32%. A combination of an expected increase to Saudi Arabia's oil output, lower gasoline demand (in response to record high prices) and efforts by US authorities to more closely scrutinise oil price speculators all conspired to drive the oil price down from the record levels achieved during June. In addition, a moderation in spot thermal coal prices was also a catalyst for a retracement in the share price of some coal producers. The S&P/ASX 300 Metals and Mining Accumulation Index finished July with a fall of 11.01%. A pullback in the CRB Index by 10% in July was the largest monthly fall in that index since March 1980. Nickel prices suffered a decline greater than that of the CRB Index registering a fall of 14.03% for the month. Domestically, a substantial de-rating of the share prices of nickel producers occurred when investors realised the potential for margin due to a combination of much higher input costs and lower nickel prices. Consequently, companies such as Mineral Resources, Mincor, Independence Group, Panoramic Resources and Albidon all suffered share price falls in excess of 40% during the month.

The S&P Metals and Mining Index fell 13.75% in July. In London the FTSE 350 Mining Index ended the month 13.08% lower whilst the S&P/TSX Global Mining Index fell by 13.73%. The S&P/ASX 300 Resource Accumulation Index declined 11.71% for July, underperforming the broader market (S&P ASX 300) which fell 4.69% for the period.

Key contributors to the portfolio's performance during July included Sims Group (-20.4%), PanAust (-18.63%), Anglo-American (-17.2%), Vale (-16.2%) and Posco (+2.2%).

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Fund Performance

Net Returns ¹ to 31 July 2008	Pengana Global Resources Fund
1 Month	-4.27%
3 Months	1.96%
6 Months	13.54%
12 Months²	20.82%
Since inception²	56.56%

Commodity price changes for July 2008:

Commodity	US\$ price change	A\$ price change	€ price change
Oil	-12.32%	-10.60%	-11.38%
Gold	-1.55%	0.17%	-0.61%
Copper	-5.87%	-4.15%	-4.93%
Aluminium	-4.76%	-3.04%	-3.82%
Zinc	1.68%	3.40%	2.62%
Nickel	-14.03%	-12.31%	-13.09%
Lead	28.49%	30.21%	29.43%
Tin	-3.32%	-1.60%	-2.38%

Portfolio Structure

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

Number of Stocks	26
Gross Exposure	92.1%
Net Long Exposure	61.3%
Breakdown by Strategy	Pairs: 32.25% Directional L/S: 67.75%

Top Five Positions

BHP Billiton
Xstrata
Mineral Resources
Rio Tinto
Anglo American

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¹ Performance figures are net of all fees and assume reinvestment of income. Past performance is not a reliable indicator of future performance.

² March 2007 – September 2007: Performance of internal fund seeded by Pengana Capital. Past performance is not a reliable indicator of future performance.