

Pengana Global Resources Fund

February 2009 Update



1 of 3

Fund Description

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.

Fund Features

Style	Fundamental, Long bias, Long Short	Management Fees ¹ (monthly)	1.5% p.a.
Fund Aim	To achieve a total return in excess of 15% p.a.	Performance Fees ¹ (quarterly)	20% of NAV above a prior high water mark
Investors	Wholesale Clients Only	AUM at Month End	A\$5.30m
Minimum Initial Investment Amount	A\$100,000	Application Price at Month End	A\$1.1063
Inception Date	March 2007	Redemption Price at Month End	A\$1.0974

Fund Commentary

Fund Performance (A\$, net of fees) ²													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	2.43%	0.05%											2.48%
2008	-7.53%	8.67%	-2.68%	5.29%	6.20%	0.30%	-4.27%	-1.99%	-20.28%	-12.45%	-6.16%	-0.39%	-32.87%
2007			1.59%	4.91%	9.03%	11.51%	1.07%	-3.89%	10.84%	10.06%	-3.02%	0.16%	49.13%

- **Rio Tinto and Chinalco announce strategic partnership**
- **Minmetals bids \$0.825 for Oz Minerals**
- **Re-capitalisation of resources sector continues**

Commodity price movements during February were mixed with oil and copper advancing 7.39% and 9.14% respectively. However, solid advances in oil and copper failed to provide impetus for the broader commodity complex with large falls in nickel (-10.99%) and lead (-11.02%) also occurring during the month. The gold price ended the month with a small gain of 1.64%. The improvement in the oil price was largely due to the perception that OPEC members are adhering to previously announced cuts in production and this is being reflected in a lack of increase in U.S. inventories for crude oil and other petroleum products. Year to date the copper price has now gained 16.82%.

The Fund was positioned with a net long position of 60.1% as at the end of February and gross exposure of 77.7%. During the month we took advantage of the continued buoyancy in gold equities to reduce the portfolio's weighting to the sector. We exited our positions in Dominion Mining and Avoca Resources and reduced weightings in Central Rand Gold, Newmont Mining and Lihir Gold as well as taking advantage of Newcrest Mining's share placement to add it to the portfolio. In other moves we added Canadian listed copper producer, First Quantum Minerals, to the portfolio as well as Centennial Coal after the price fell 38.16% during the month due to a disappointing profit result for the half year to December 2008.

Re-capitalisation of mining companies continued during February as companies sought to take advantage of improved sentiment to raise equity either through equity issues or strategic partnerships. To this end, three large deals involving Chinese entities were announced to the Australian market during February. Rio Tinto and Chinalco announced a strategic partnership whereby Chinalco would acquire direct equity in Weipa, Yarwun, Boyne, Gladstone Power Station, Escondida, Kennecott, Grasberg, La Granja and Hamersley for US\$12.3 billion as well as subscribing to US\$7.2 billion worth of subordinated convertible bonds. Oz Minerals announced that China's Minmetals had made a bid to acquire the company at \$0.825 share. Finally, Fortescue Metals Group raised \$558 million through issuing Hunan Valin Iron and Steel Group Company 225 million new shares.

¹ Including GST less any reduced tax input credits. Please refer to the Product Disclosure Statement for a more detailed explanation.

² Net performance figures are shown after all fees and expenses, and assume reinvestment of income. Past performance is not a reliable indicator of future performance. The value of investments can go up and down.

Pengana Global Resources Fund

February 2009 Update



2 of 3

Market Commentary

The economic storm clouds continued to darken during February with the United States announcing final GDP figures for the December 2008 quarter had been worse than originally estimated falling 6.2%. In Australia, December quarter 2008 GDP fell 0.5% and was up a meagre 0.3% from a year earlier. For Australian exporters the outlook continues to soften with seven out of Australia's top ten trading partners now in recession.

The World Bank in early March forecast that the world economy is on track to have its worst year since the Great Depression in 2009. With the rapid slowdown in economic activity globally the World Bank predicted global industrial production by mid 2009 could be as much as 15% lower than 2008 levels.

Reporting season is now over for companies and with December balance dates there were few highlights. Most companies were surprised by the rapid fall in consumption during the last half of 2008 and consequently held larger inventory positions than would be deemed optimal. Furthermore, write-downs of asset carrying values have been savage with further aggressive write-downs expected in the second half of 2009. Working capital management and refinancing of debt have placed a significant burden on equity markets with demand for equity likely to remain at high levels throughout 2009.

Portfolio Action

Over the past couple of months we have pared back our net long position in the portfolio as it has become apparent that the outlook for global economic growth for 2009 has continued to deteriorate. Monetary and fiscal stimulus packages announced globally have failed to ignite growth and at best are arresting the rate of decline at this juncture. Whilst we believe further stimulus in the form of increased government spending and quantitative easing is likely the trajectory of any improvement in the global economy is likely to be lower than current estimates. As a consequence, the risks to earnings of resource companies remain on the downside as sales volumes and prices received may undershoot current consensus estimates.

In Australia, the S&P/ASX Metals and Mining Accumulation Index ended February down 0.63%. BHP Billiton underperformed the broader market after going ex dividend and finished the month down 3.35%. On the other hand, Rio Tinto shares strongly outperformed the broader market as news of a strategic partnership with China's Chinalco served to diminish perceived balance sheet risks for the company. Rio Tinto shares advanced 14.51% during February. Oz Minerals shares ceased to be voluntarily suspended post the announcement of a proposed takeover by China's MinMetals and finished February 14.55% higher at \$0.63 per share, well below the takeover offer of \$0.825 per share. In the United States, the S&P Metals and Mining index fell 4.07% in February. In London the FTSE 350 Mining Index ended the month down 1.1% whilst the S&P/TSX Global Mining Index recorded a loss of 1.1%.

Domestically, the S&P/ASX 300 Energy Accumulation Index rallied 2.80% in February as the price of oil appreciated over 7%. It was a month of extremes for coal companies. Gloucester Coal after first being party to a merger with Whitehaven Coal and later being bid for by major shareholder, Noble Group, was the sector's leading performer for the month finishing with a gain of 39.49%. In contrast, Centennial Coal failed to meet consensus expectations when it reported profits during the month and analysts revised downwards forecast profits. Centennial Coal shares ended the month 38.16% lower. Smaller companies with coal seam gas exposure such as Molopo Australia (+29.20%) and Eastern Star Gas (+28.26%) were beneficiaries of the bidding battle for another coal seam gas play, Pure Energy, which saw Arrow Energy (+25.35%) and UK-based BG Group contest control of the company.

Key Contributors

Key contributors to the portfolio's performance during February included Devon Energy (-29.11%), Central Rand Gold (+27.66%), Rio Tinto plc (+23.38%), Lihir Gold (+5.43%), and Vale (-8.65%).

Fund Performance

Net Returns to 28 February 2009 ³	Pengana Global Resources Fund	S&P ASX 300 Metals and Mining	FTSE 350 Mining	S&P 500 Metals and Mining
1 Month	0.05%	-0.64%	-1.09%	-4.07%
3 Months	2.08%	0.98%	-9.17%	0.13%
6 Months	-33.13%	-38.29%	-59.19%	-58.36%
12 Months	-31.53%	-43.94%	-62.66%	-63.23%
Since inception ⁴	+2.60%	-23.09%	-39.68%	-56.01%

³ Performance figures are net of all fees and expenses, and assume reinvestment of income. Past performance is not a reliable indicator of future performance.

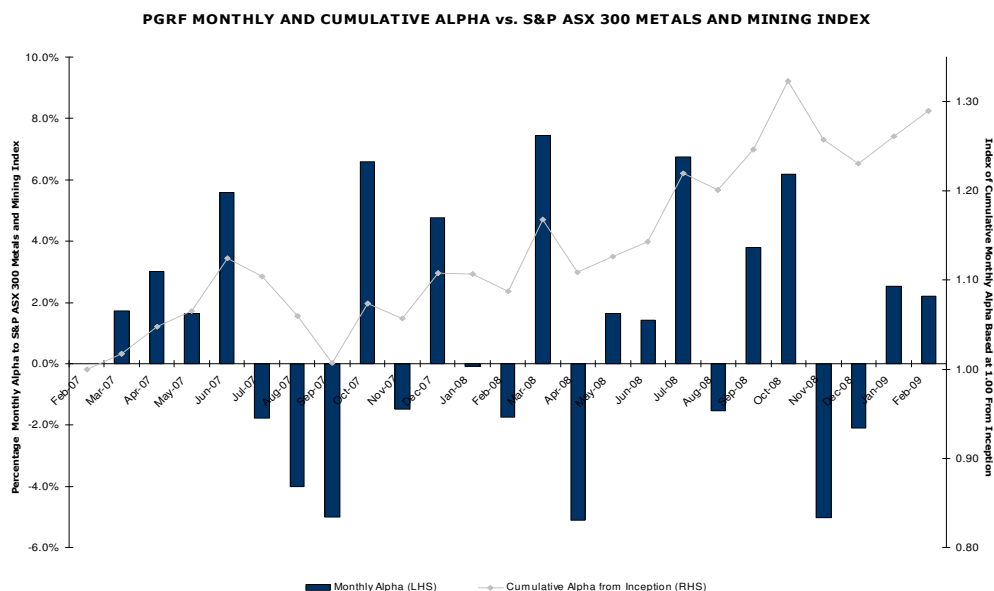
⁴ Inception date: March 2007, launch date: September 2007. March 2007 – September 2007: Performance of internal fund seeded by Pengana Capital. Past performance is not a reliable indicator of future performance. The value of investments can go up and down

Pengana Global Resources Fund February 2009 Update



3 of 3

Pengana Global Resources Fund – Monthly and Cumulative (A\$) Alpha versus S&P ASX 300 Metals and Mining Index:



Commodity Price Changes for February 2009

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	7.39%	7.02%	7.47%
Gold	1.64%	1.27%	2.72%
Copper	9.14%	8.77%	10.22%
Aluminium	-1.64%	-2.01%	-0.56%
Zinc	-0.14%	-0.51%	0.94%
Nickel	-10.99%	-11.36%	-9.91%
Lead	-11.02%	-11.39%	-9.94%
Tin	1.20%	0.81%	2.28%

Portfolio Structure (as at end of 28 February 2009)	
Number of Stocks	26
Gross Exposure	77.7%
Net Long Exposure	60.2%
Breakdown by Strategy	Directional Long/Short: 100%

Top 5 Positions (in alphabetical order)
Barrick Gold Corporation
BHP Billiton
Lihir Gold
Rio Tinto
Vale

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