

# Pengana Global Resources Fund

## April 2009 Update



1 of 4

### 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

<b>Style</b>	Fundamental, Long bias, Long Short	<b>Management Fees <sup>1</sup> (monthly)</b>	1.5% p.a.
<b>Fund Aim</b>	To achieve a total return in excess of 15% p.a.	<b>Performance Fees <sup>1</sup> (quarterly)</b>	20% of NAV above a prior high water mark
<b>Investors</b>	Wholesale Clients Only	<b>AUM at Month End</b>	A\$5.51m
<b>Minimum Initial Investment Amount</b>	A\$100,000	<b>Application Price at Month End</b>	A\$1.1785
<b>Inception Date</b>	March 2007	<b>Redemption Price at Month End</b>	A\$1.1690

### Fund Commentary

Fund Performance (A\$, net of fees) <sup>2</sup>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	2.43%	0.05%	0.45%	6.05%									<b>9.18%</b>
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%	<b>-32.87%</b>
2007			1.59%	4.91%	9.03%	11.51%	1.07%	-3.89%	10.84%	10.06%	-3.02%	0.16%	<b>49.13%</b>

- **Signs of economic stability continue to emerge**
- **Copper price is now up over 50% year to date**
- **Equity markets continue to rally**

Commodity prices continued to move upwards during April against a backdrop of mixed economic signals globally and continued improvement in investor confidence. The diminishing likelihood of economic catastrophe combined with the prospect of the gold market having to absorb sales from the International Monetary Fund weighed heavily on the gold price resulting in a fall of 3.4% during the month. Prices for industrial metals continued to improve in April. The copper price consolidated recent gains and achieved a rise of 11.90% for April and is now up 55.6% year to date. Gains in other industrial metals have been less spectacular year to date with lead up 42.78%, zinc up 25.66%, nickel up 6.43% (after a 22.33% gain in April) and aluminium languishing with a loss of 1.68% year to date. The strong appreciation in the price of copper has been driven by surging demand from China. However, a large portion of the Chinese demand is being used to build stockpiles of the metal which will quell demand at some stage in the future.

During April we moved the portfolio's net long position to 74.6% as the mix of economic data released showed tentative signs of improvement in the global economy. To achieve the increased net long position a combination of closing short positions and establishing new long positions was utilised. Consequently, the number of stocks in the portfolio grew from 33 to 42. New additions to the portfolio included Independence Group, Mount Gibson Iron, Gryphon Minerals, Devon Energy and Paladin Energy. Markets for equities and commodities continue to exhibit high degrees of volatility and whilst we have noted continued improvement in investor sentiment and signs of bottoming in some sectors of the global economy we are yet to see real signs of sustained consumption improvement. Hopes are that once the various stimulus packages announced around the globe swing into effect during the second half of 2009 that this will provide the underpinning of an improved demand profile for commodities.

<sup>1</sup> Including GST less any reduced tax input credits. Please refer to the Information Memorandum for a more detailed explanation.

<sup>2</sup> 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

## April 2009 Update



2 of 4

### Market Commentary

Economic signs of life continued to emerge during April as investors switched from de-risking to re-risking portfolios and equity markets continued their strong rally. Given the ferocity of the rally since the US and Australian share markets bottomed in early March the conundrum for investors remains: How sustainable are the gains and will there be a pullback? Equity markets over the past two months have recorded strong gains as fears of a global economic meltdown have subsided. For instance, since bottoming in early March the Australian All Ordinaries Index had gained 20.3% until the end of April. The rise in the US stockmarket has been even more spectacular with the S&P500 gaining 29% from its lows in March up until 30 April.

The housing cycle in the United States has shown the first signs of bottoming with existing home sales for March falling by 3.0% compared with February. However, median prices showed a small uptick and the inventory of homes for sale reduced by 1.6% to 9.8 months supply. Also in April, the National Association of Home Builders/Wells Fargo housing market index gained 5 points to 14, the largest month-on-month rise in 5 years. However, the news was not all positive with Industrial Production for March in the United States down 12.8% year on year whilst Capacity Utilisation for March showed further reductions as de-stocking continued. In Japan, Industrial Production for February decreased for a fifth consecutive month and was down 37.7% year-on-year. Industrial Production in the United Kingdom in January was down 11.4% year-on-year with levels of industrial production falling back to those achieved in previous downturns in 1980-82 and 1975.

After having its initial proposal rejected by Australia's Foreign Investment Review Board, China Minmetals Non-ferrous Metals Company revised its proposed takeover of Oz Minerals to exclude Prominent Hill, Martable, specific exploration assets in Cambodia and Thailand and listed equity interests. Under the revised proposal, which subsequently received Foreign Investment Review Board approval, Oz Minerals will remain a listed company in Australia containing the above mentioned assets with China Minmetals Non-ferrous Metals Company acquiring the remaining assets of the company for US\$1,206 million including any applicable GST. The willingness of China Minmetals Non-ferrous Metals Company to revise its proposed takeover for Oz Minerals rather than walk away and possibly deal with administrators is an example of how eager Chinese companies are to invest in Australian resource companies. Several companies are awaiting Foreign Investment Review Board approval of proposed transactions including Rio Tinto and Gindalbie Metals which are both seeking to undertake deals with Chinese partners.

### Portfolio Action

Over the month we increased our net long position in the portfolio from 64.2% to 74.6%. We did this by adding a number of new long positions to the portfolio as well as closing some existing short positions. As at the end of April the number of stocks in the portfolio had increased from 33 as at the end of March to 42. New additions to the portfolio included Independence Group, Mount Gibson Iron, Terramin Australia, Devon Energy and Paladin. Other activity during the month included initiating short positions in North American energy companies Cameco Corp and XTO Energy as well as reducing our long position in Xstrata after the company's share price rallied strongly during the month.

In Australia, the S&P/ASX Metals and Mining Accumulation Index ended April up 4.23%. BHP Billiton performed in line with the S&P/ASX Metals and Mining Accumulation Index achieving a return of 4.26%. On the other hand, investors continued to re-rate Rio Tinto and its share price surged 13.89% in April after a 19.72% gain in March. Outside of BHP Billiton and Rio Tinto there was a wide variance in share price performance for Australian resources companies during April. Gold company share prices generally retreated with Lihir Gold (-8.54%) and Newcrest Mining (-8.52%) against a backdrop of a falling spot gold price and increased risk appetite by investors. The increased risk appetite of investors manifested itself in some spectacular share price gains for base metals producers such as Aditya Birla (+157%), Kagara (+125%) and Jabiru Metals (+81.82%). The S&P/ASX Energy Accumulation Index returned 5.04% in April with Paladin Energy (+35.59%), Felix Resources (+27.66%) and Origin Energy (+10.07%) amongst the better performing stocks for the month. Interestingly, the larger oil and gas producers such as Woodside Petroleum (+0.73%), Santos (-2.55%) and Oil Search (-1.41%) performed poorly reflecting a modest fall of 2.61% in the Australian dollar denominated price of oil over the month. In the United States, the S&P Metals and Mining index increased 7.3% in April. In London the FTSE 350 Mining Index ended the month up 15.3% whilst the S&P/TSX Global Mining Index recorded a fall of 0.6%.

### Key Contributors

Key contributors to the portfolio's performance during April included First Quantum Minerals (+30%), Oz Minerals (+35.1%), Xstrata plc (+30.2%), Lihir Gold (-8.5%), and Newmont Mining (-10.1%).

# Pengana Global Resources Fund

## April 2009 Update

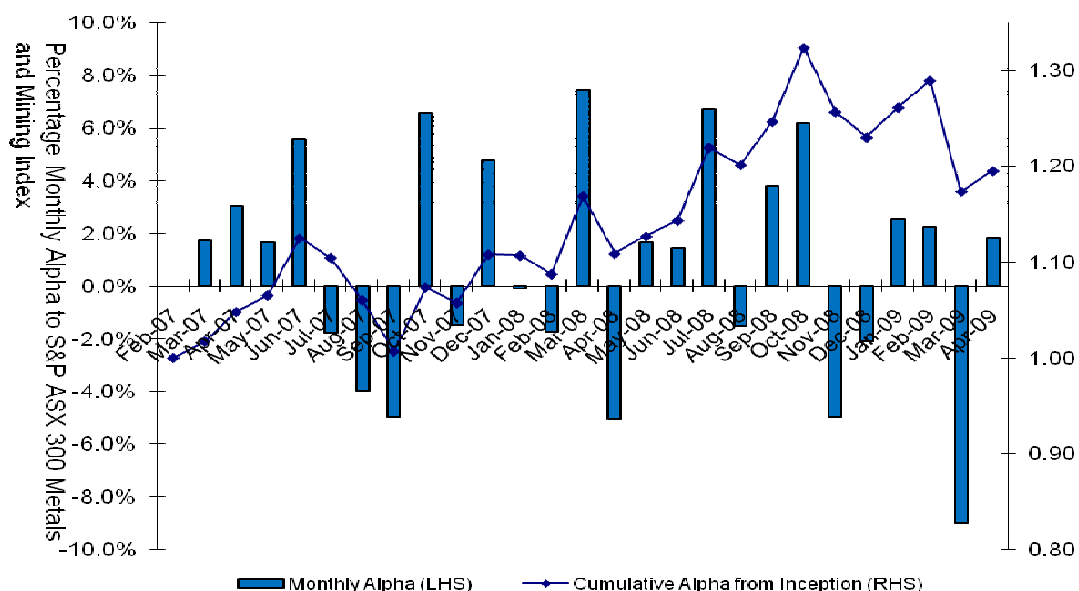


3 of 4

### Fund Performance

Net Returns to 30 April 2009 <sup>3</sup>	Pengana Global Resources Fund	S&P ASX 300 Metals and Mining	FTSE 350 Mining	S&P 500 Metals and Mining
<b>1 Month</b>	6.05%	4.23%	15.31%	7.30%
<b>3 Months</b>	6.59%	13.39%	42.51%	17.52%
<b>6 Months</b>	2.06%	13.92%	14.76%	16.77%
<b>12 Months</b>	-28.81%	-35.52%	-47.87%	-57.22%
<b>Since inception<sup>4</sup></b>	<b>+9.30%</b>	<b>-12.23%</b>	<b>-13.10%</b>	<b>-46.11%</b>

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



### Commodity Price Changes for April 2009

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
<b>Oil</b>	2.44%	-2.61%	2.58%
<b>Gold</b>	-3.40%	-8.45%	-3.26%
<b>Copper</b>	11.90%	6.85%	12.04%
<b>Aluminium</b>	4.76%	-0.29%	4.90%
<b>Zinc</b>	8.27%	3.22%	8.41%
<b>Nickel</b>	22.33%	17.28%	22.47%
<b>Lead</b>	6.53%	1.48%	6.67%
<b>Tin</b>	20.48%	15.43%	20.62%

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

<sup>4</sup> 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

## April 2009 Update



4 of 4

Portfolio Structure (as at end of April 2009)	
Number of Stocks	42
Gross Exposure	94.2%
Net Long Exposure	74.6%
Breakdown by Strategy	Pairs 25.52% Directional Long 50.58% Directional Short -1.5%

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

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