

Pengana Global Resources Fund

May 2009 Update



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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\$5.85m
Minimum Initial Investment Amount	A\$100,000	Application Price at Month End	A\$1.2495
Inception Date	March 2007	Redemption Price at Month End	A\$1.2394

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%	0.45%	6.05%	6.01%								15.75%
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%

- **Resource equities continue to rally on signs of economic stability and US dollar weakness.**
- **Equity raisings continue to hit the market.**
- **Commodities have the biggest monthly rally in 34 years.**

US dollar commodity prices surged upwards during May against a backdrop of mixed economic signals, continued improvement in investor confidence and a strongly depreciating US dollar. After lagging the metals complex, oil was the strongest performer, increasing 29.71% (in US dollar terms), the biggest monthly percentage gain since March 1999. The copper price rose 5.78% in May, its fifth straight month of US dollar based gains. However, with the Australian Dollar appreciating 11.57% against the US dollar over the month, the A\$ copper price in May actually fell 4.55%. Despite this, share prices of listed Australian copper companies continued their upward trajectory. With the US dollar depreciating 6.56% and 2.04% against the Euro and Yen respectively over the month, the US\$ gold price rallied 9.85% in May, yet as with copper, actually fell 0.5% in Australian dollar terms. While Australian dollar gold revenues were insulated from the months' rise in the US dollar gold price, the ASX 300 gold index surged 12.47% in May. For the month, the US dollar nickel price rebounded 19.69% while the aluminium price fell 3.25% in US dollar terms or 13.79% in Australian dollars.

During May we maintained the portfolio's net long position around 76%. Recognising the momentum that is being created in commodities and resource equities from an inflation trade against a rapidly depreciating US dollar and the negative impact on A\$ earnings from a 27% appreciation in the Australian dollar versus the greenback since March 2009, we took profits in long positions that have performed strongly, replaced these with US listed equities (with US dollar earnings) and closed or reduced several short positions.

The preponderance of equity issues continued in May with new domestic offerings in: Bluescope Steel, Santos, PanAust, Macmahon Holdings, Ausenco, Alumina, Alliance Resources, Resolute, Platinum Australia, Mirabela Nickel, Western Areas, Mine Makers, Perseus Mining and many other smaller companies.

¹ Including GST less any reduced tax input credits. Please refer to the Information Memorandum 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.

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Market Commentary

Commodities had the biggest monthly rally in 34 years as the slumping US dollar bolstered investment demand for metals and energy as a hedge against inflation. In May, the Reuters/Jefferies CRB Index gained fourteen percent, the most since July 1974, whilst the US dollar touched the lowest level in five months against a basket of six major currencies.

Signs of economic recovery continued to emerge during May spurring investors into re-risking portfolios as equity markets continued their strong rally. During the month, confidence amongst US consumers rose to the highest level since September 2008. Japan's industrial production in April jumped the most in 56 years and India's economy expanded in the first quarter by more than economists' forecasts. Chinese PMI data for April rose to a stronger than expected 53.5, with an index reading above 50 indicating that the manufacturing economy is generally expanding. China has now delivered two consecutive PMI readings above 50.

While heightened prospects of inflation have driven investors into "hard assets" such as commodities, there is still a reality disconnect about the general health of global economic activity to sustain current commodity prices on a consumption based argument. US business activity contracted at a faster pace than forecast in May as orders dropped. US unemployment, already at a 25 year high is forecast to keep climbing and home foreclosures remain near record levels. Bankruptcy looms at General Motors Corp, the biggest US car maker which saw steel prices in the US tumble 6.7 percent in May to a five year low. Lastly, S&P downgraded the credit rating outlook on the UK.

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 three 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 Accumulation Index had gained 23.3% until the end of May. The rise in the US stockmarket has been even more spectacular with the S&P500 gaining 35.9% from its lows in March up until 29 May.

Portfolio Action

Over the month we maintained our net long position around 76%. In May we reduced long positions (back to target in some instances) in several strongly performing equities, namely; First Quantum, Paladin Energy, Xstrata, Vale, Oz Minerals, Citadel Resources, BP and Royal Dutch Shell. To maintain the portfolio's net exposure we added to long positions in US based (and denominated) Newmont Mining Corporation and Occidental Petroleum and closed several short positions including ERA and Alumina Limited post a deeply discounted rights issue. At the end of the month, the portfolio was 93.9% invested over 39 stocks.

In Australia, the S&P/ASX Metals and Mining Accumulation Index achieved a gain of 6.32% in May. BHP Billiton underperformed the S&P/ASX Metals and Mining Accumulation Index achieving a return of 4.18%. After strong gains in Rio Tinto the past two months, the company's share price was ostensibly flat for May, ending up 0.17%. Outside of BHP Billiton and Rio Tinto there was a wide variance in share price performance for the ASX 300 Australian resources companies during May, ranging from +70.45% (Canarvon Petroleum) to -33.33% (Oilex Limited). In general, small to mid-cap oil, copper, nickel and coal equities delivered the strongest returns for the month. Conversely, small to mid cap gold equities were generally poor performers.

The increased risk appetite of investors manifested itself in some spectacular share price gains for base metals producers such as Aditya Birla (+55.6%), Mincor (+36.7%) and Panoramic (+34.2%). The S&P/ASX Energy Accumulation Index returned 6.35% in May following the strongest monthly rally in crude prices since March 1999. Riversdale Mining (+48.51%), Centennial Coal (+23.08%), ERA (+17.37%) and Woodside Petroleum (+12.95%) being amongst the better performing stocks for the month. With investors seeking a safe haven from a weaker US dollar, the ASX 300 Gold index surged 12.47% in May, with Sino Gold (+19.63%), Avoca Resources (+19.21%), Newcrest (+10.09%) and Lihir (+9.00%) all posting stellar returns. In the United States, the S&P Metals and Mining index increased 13.81% in May. In London the FTSE 350 Mining Index ended the month up 5.68% whilst the S&P/TSX Global Mining Index recorded a gain of 14.92% (all in local currency terms).

Key Contributors

Key contributors to the portfolio's performance during May included Arch Coal Inc. (+32.64%), Mirabela Nickel (+31.85%), Barrick Gold Corp (+30.86%), Citadel Resources Group (+40%), First Quantum (+23.63%), and Centennial Coal (+23.08%).

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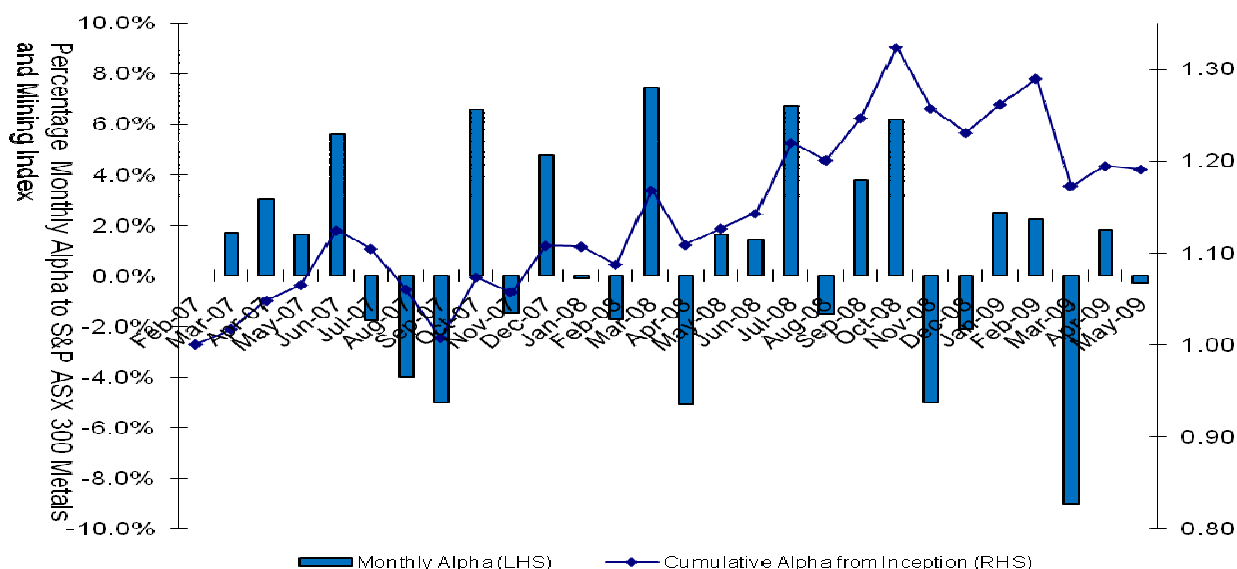


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Fund Performance

Net Returns to 31 May 2009 ³	Pengana Global Resources Fund	S&P ASX 300 Metals and Mining	FTSE 350 Mining	S&P 500 Metals and Mining
1 Month	6.01%	6.32%	5.68%	13.81%
3 Months	12.94%	21.33%	52.26%	39.42%
6 Months	15.30%	22.52%	38.29%	39.59%
12 Months	-28.94%	-34.44%	-47.17%	-54.52%
Since inception ⁴	+15.88%	-6.68%	-8.16%	-38.67%

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



Commodity Price Changes for May 2009

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	29.71%	19.38%	22.73%
Gold	9.83%	-0.50%	2.85%
Copper	5.78%	-4.55%	-1.20%
Aluminium	-3.25%	-13.79%	-10.23%
Zinc	7.17%	-3.16%	0.19%
Nickel	19.69%	9.36%	12.71%
Lead	12.92%	2.59%	5.94%
Tin	14.05%	3.72%	7.07%

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

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Portfolio Structure (as at end of May 2009)	
Number of Stocks	39
Gross Exposure	93.1%
Net Long Exposure	75.1%
Breakdown by Strategy	Pairs 30.33% Directional Long 45.90% Directional Short -1.13%

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

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