

Pengana Global Resources Fund

June 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\$5.71m
Minimum Initial Investment Amount	A\$100,000	Application Price at Month End	A\$1.2201 (cum)
Inception Date	March 2007	Redemption Price at Month End	A\$1.2103 (cum)

Fund Commentary

Fund Performance (A\$, net of fees) ²													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	2.4%	0.1%	0.5%	6.1%	6.0%	-2.4%							13.0%
2008	-7.5%	8.6%	-2.7%	5.3%	6.2%	0.3%	-4.3%	-2.0%	-20.3%	-12.5%	-6.2%	-0.4%	-32.9%
2007			1.6%	4.9%	9.0%	11.5%	1.1%	-3.9%	10.8%	10.1%	-3.0%	0.2%	49.1%

- **Commodity prices continue to rise, with the exception of gold**
- **Rio Tinto announced 50:50 WA Iron Ore joint venture with BHP Billiton and US\$15.2 billion rights issue**
- **World Bank revises downwards its outlook for 2009**

Overall, commodity prices moved higher once again in June with the exception of gold which fell 5.40%. Nickel (+16.3%), aluminium (+16.8%) and lead (+13.1%) were the standout movers with the oil price building on recent gains with a solid 5.40% increase. Gold price weakness reflected reduced investor demand for safe-haven assets and a lessening of inflation fears amongst investors. During June US 10 year bond yields fell from a high of 4.2% during the month to finish at 3.7% as a result of reduced inflation concerns and greater investor confidence in the ability of the market to absorb new supply. For the year to date the copper price has now risen 76%, lead has increased 82.3%, nickel is up 48.1%, zinc up 38.8%, oil up 54.6%, gold up 4.9% and aluminium up 11.1%. Given the order of magnitude of price rises for some of the aforementioned commodities we view a period of price consolidation as increasingly likely as speculative demand dissipates and re-stocking activity slows.

During June we moved the portfolio's net long position to 80.9% from 75.1% as at the end of May. New additions to the portfolio in June included Central Petroleum, Po Valley Energy, Rio Tinto Rights (UK) and Atlas Iron. In addition, we also exited a number of positions as prices moved ahead of valuations. Consequently, we removed Centennial Coal, Mount Gibson Iron and Exxon Mobil as well as reducing long positions in Elk Petroleum and Oz Minerals. Whilst re-capitalisation and market momentum have played an important role in bolstering investor sentiment over the past few months we remain cautious with regards to pure metals exposure and as a result have biased the portfolio towards companies with more robust earnings outlooks.

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

Markets had to contend with a slew of mixed economic data as investors attributed greater weight to the scenario that equity markets had run too hard, too fast. Concerns about the sustainability of improved levels of economic activity combined with more attention to valuations after equity markets have rallied substantially from year to date lows achieved in early March saw the emergence of profit taking. Equity markets have staged a remarkable turnaround year to date with the S&P 500 in the United States up 37.8% from lows achieved in March 2009. Similarly, the S&P/ASX 200 Accumulation Index ended June 26.7% above its March lows.

Adding to concerns about the extent of economic recovery was a report released by The World Bank in June which saw it slash its economic growth forecasts for 2009 from -1.7% (released in March) to -2.9%. The report by The World Bank was food for thought for investors, particularly those who may have confused re-stocking and speculative activity with genuine underlying demand. Not surprisingly, equity market volatility was quite high during June. In June, twelve of the twenty-one trading days saw the S&P Metals and Mining index register moves of greater than +/- 2% with the index gaining as much as 10.6% intra-month before closing at 0.0%.

In early June Rio Tinto and BHP Billiton announced that they had agreed upon terms for a 50:50 joint venture of their Western Australian iron ore production. Under the terms of the agreement BHP Billiton will pay Rio Tinto US\$5.8 billion to take its joint venture interest from 45% to 50%. The deal remains subject to a number of regulatory approvals. Furthermore, Rio Tinto announced a US\$15.2 billion fully underwritten rights issue to repair its balance sheet, bring down debt levels and secure funding after it decided to walk away from its strategic alliance with Chinalco. Rio Tinto's decision to "go-it-alone" came at a cost, namely a US\$195 million break-fee.

Portfolio Action

Over the month we increased our net long position in the portfolio from 75.1% to 80.9%. A combination of adding to existing long positions, adding new long positions and closing out some short exposure all contributed to the increase in net long position. The number of stocks in the portfolio as at the end of June remained at 42, the same number as at the end of May. New additions to the portfolio included Central Petroleum, Atlas Iron, RIO Tinto Rights and Po Valley Energy. Other activity during the month included reducing long positions in Elk Petroleum, Oz Minerals and exiting long positions in Exxon Mobil, Mount Gibson Iron and Centennial Coal.

In Australia, the S&P/ASX Metals and Mining Accumulation Index ended June up 0.0%. Nickel producers were strong performers during June with Mirabela Nickel (+5.8%), Panoramic Resources (+11.3%), Mincor Resources (+15.7%), Independence Group (+19.0%), Western Areas (+23.7%) and Minara Resources (+30.5%) all reacting favourably to the 16.3% rise in nickel price during June. On the other hand, the share prices of gold producers softened in response to a weakening gold price with Newcrest Mining (-7.4%), Lihir Gold (-9.8%), Sino Gold (-20.6%), and Perseus Mining (-18.0%) all underperforming the S&P/ASX Metals and Mining Accumulation Index in June. The S&P/ASX Energy Accumulation Index returned 0.6% in June with Karoon Gas Australia (+28.9%), ROC Oil Company (+27.6%) and Pan Pacific Petroleum (+46.9%) amongst the better performing stocks for the month. Offshore, in their local currencies; The United States S&P Metals and Mining index fell 1.6% in June. In London the FTSE 350 Mining Index ended the month down 3.9% whilst the S&P/TSX Global Mining Index recorded a fall of 2.2%.

Key Contributors

Key contributors to the portfolio's performance during June included Elk Petroleum (+70%), Mineral Resources (+21.4%), Independence Group (+19.0%), Newmont Mining (-16.4%), and Arch Coal (-17.1%).

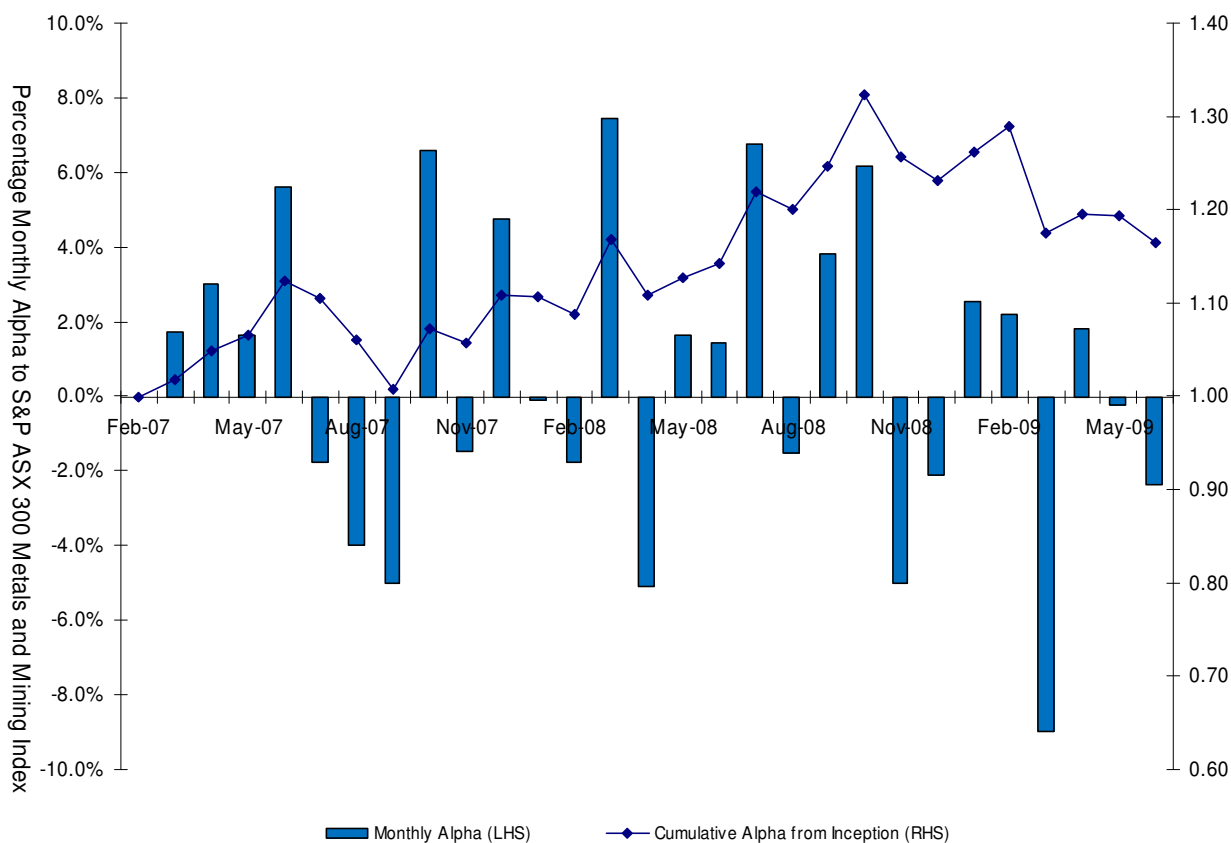
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Fund Performance

Net Returns to 30 June 2009 ³	Pengana Global Resources Fund (A\$)	S&P ASX 300 Metals and Mining (A\$)	FTSE 350 Mining (GBP)	S&P 500 Metals and Mining (USD)
1 Month	-2.4%	0.0%	-3.9%	-1.6%
3 Months	9.8%	10.8%	17.2%	20.2%
6 Months	13.0%	20.5%	32.8%	18.4%
12 Months	-30.8%	-33.7%	-49.2%	-54.7%
Since inception⁴	+13.2%	-6.7%	-11.7%	-39.6%

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



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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Commodity Price Changes for June 2009

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	5.4%	4.8%	6.1%
Gold	-5.4%	-6.1%	-4.7%
Copper	7.0%	6.3%	7.6%
Aluminium	16.8%	16.1%	17.4%
Zinc	3.0%	2.4%	6.8%
Nickel	16.3%	15.6%	17.0%
Lead	13.1%	12.4%	13.8%
Tin	4.4%	3.7%	5.0%

Portfolio Structure (as at end of June 2009)	
Number of Stocks	42
Gross Exposure	97.8%
Net Long Exposure	80.9%
Breakdown by Strategy	Pairs 46.03% Directional Long 36.37% Directional Short -1.5%

Top 5 Positions (in alphabetical order)
BHP Billiton
Citadel Resources Group
Lihir Gold
Rio Tinto
Vale

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