

# Pengana Global Resources Fund

## August 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

<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 performance in excess of 15% p.a. <sup>2</sup>	<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\$5.46m
<b>Minimum Initial Investment Amount</b>	A\$100,000	<b>Application Price at Month End</b>	A\$1.3283
<b>Inception Date</b>	March 2007	<b>Redemption Price at Month End</b>	A\$1.3176

### Fund Commentary

Fund Performance (A\$, net of fees) <sup>3</sup>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	2.43%	0.05%	0.45%	6.05%	6.01%	-2.35%	8.61%	0.24%					<b>23.05%</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>

- **Commodity prices continue to strengthen**
- **Merger and Acquisition activity increases**
- **U.S. dollar continues its decline**

The recent rally in base metals prices continued during August with lead (+14.95%), copper (+12.88%) and nickel (+11.02%) all appreciating strongly in price during the month. Tin bucked the trend of higher prices recording a fall in price of 4% over the month whilst zinc (+4.12%) and aluminium (+0.91%) both consolidated gains after strong performances in July. Despite the continuing decline in the U.S. dollar the gold price was little changed in August achieving a 0.53% price rise whilst the crude oil price was similarly lacklustre (+0.73%) ahead of an OPEC meeting in early September.

The number of positions in the portfolio grew from 40 to 43 during August. New positions were established in Boart Longyear, Century Aluminum and Adamus Resources. The Fund exited long positions in Total S.A. and Lihir Gold and reduced its exposure to First Quantum Minerals and BC Iron whilst adding to existing long positions in Apache Corporation and Occidental Petroleum. Significantly, the gross exposure of the Fund grew from 89.5% as at the end of July to 110.4% by month's end as the net long position of the portfolio increased to 76.2% from 71.1% over the same period.

<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> This is an objective only. No guarantee can be given that this objective will be achieved

<sup>3</sup> Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. 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

Profit reporting season in Australia occurred during August for most companies. On the whole, companies reported results which showed diligent management of working capital, costs and cash-flow during difficult circumstances. Reported profits largely met expectations for Australian listed resources companies and were significantly lower than profits from a year earlier due to the combination of lower sales volumes and lower prices received. Not surprisingly, dividend growth for resources companies was constrained by management utilising cash to pay-down debt and move towards more conservatively geared balance sheets.

Merger and acquisition activity within the resources sector picked up noticeably during August. In Australia, Yanzhou Coal Mining Company offered \$16.95 per share for shares in Australian coal miner, Felix Resources. The Board of Felix Resources has unanimously recommended the offer, which will see Felix Resources shareholders receive the \$16.95 per share, plus \$1.00 in dividends and an in-specie distribution of the company's shareholding in South Australia Coal Company. The deal is subject to approval by regulatory authorities in both Australia and the People's Republic of China. Australian-listed Chinese gold miner, Sino Gold Mining announced it had signed a Scheme of Implementation with Eldorado Gold Corporation which will see the two companies combined and shareholders in Sino Gold Mining receive 0.55 Eldorado Gold Corporation shares for each Sino Gold Corporation share they currently own. Sino Gold Mining directors have unanimously recommended the transaction in the absence of a superior offer and subject to an independent expert concluding the transaction is in the best interests of Sino Gold shareholders.

### Portfolio Action

In August the net long position of the portfolio was increased from 71.1% as at the end of July to 76.2% whilst the gross exposure of the Fund increased to 110.4% from 89.5% over the same period. During the month the number of positions within the Fund increased from 40 to 43. New long positions were established in Boart Longyear, Century Aluminum and Adamus Resources. In other moves the Fund added to existing positions in Apache Corporation and Occidental Petroleum, exited positions in Lihir Gold and Total S.A and reduced exposure to First Quantum Minerals and BC Iron.

In Australia, the S&P/ASX Metals and Mining Accumulation Index ended August down 1.87%. Despite the nickel price gaining 11.02% in August nickel producers were amongst the worst performers in the S&P/ASX Metals and Mining Index during the month. Independence Group fell by 17.55%, Western Areas was down 16.12%, Minara Resources fell 14.41% and Panoramic Resources fell 9.42%. On the other hand, potential iron ore producers performed very well with Moly Mines share price up 148%, Flinders Mines up 52.54% and Brockman Resources up 14.71%. The S&P/ASX Energy Accumulation Index returned 7.15% in August with coal companies performing strongly. Centennial Coal (+17.39%), Aquila Resources (+16.97%) and Extract Resources (+34.67%) were amongst the best performing companies in the S&P/ASX Energy sector during August. In the United States, the S&P Metals and Mining index gained 2.20% in August. In London the FTSE 350 Mining Index ended the month up 1.97% whilst the S&P/TSX Global Mining Index recorded a gain of 0.15%.

### Key Contributors

Key contributors to the portfolio's performance during August included Citadel Resources Group (+30.77%), Century Aluminum (+11.96%), Central Petroleum (+49.43%), Mineral Resources (+27.58%) and Oil Search (+11.17%).

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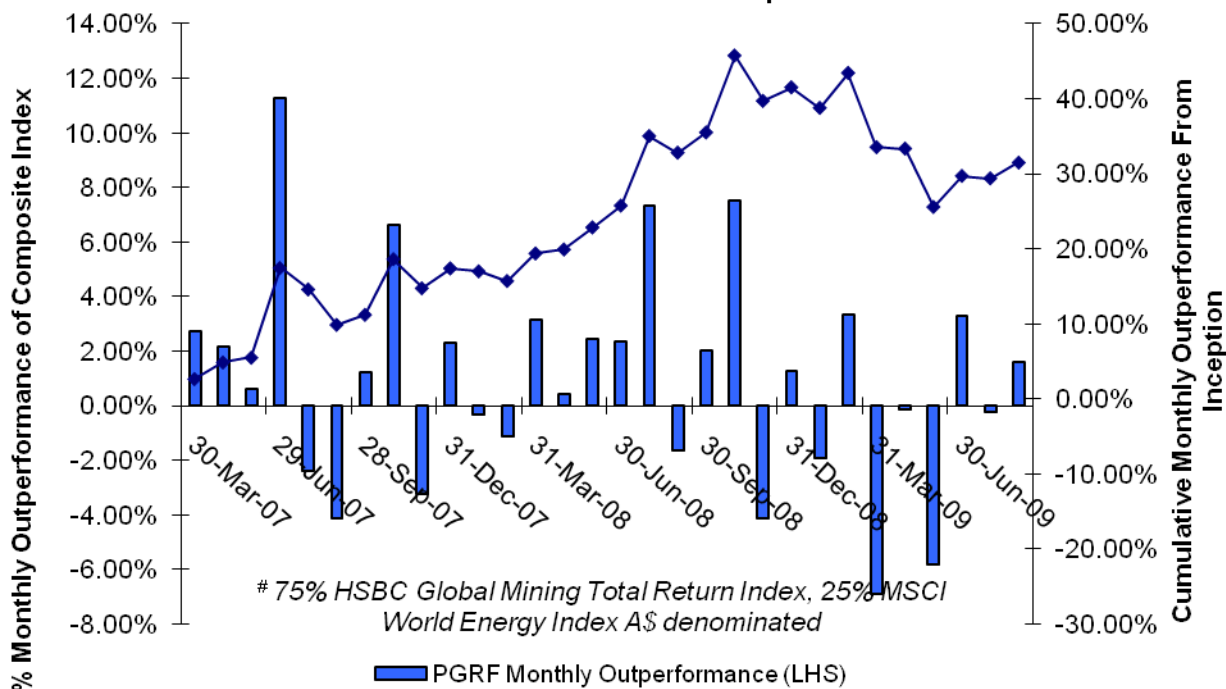
## Fund Performance

Net Returns to 31 August 2009 <sup>3</sup>	Pengana Global Resources Fund	Composite Index *
1 Month	0.24%	-1.38%
3 Months	6.31%	1.31%
6 Months	20.07%	29.13%
12 Months	-19.71%	-21.95%
Since inception <sup>4</sup>	<b>+23.19%</b>	<b>-10.60%</b>

\*75% HSBC Global Mining Total Return Index, 25% MSCI World Energy Index denominated in AUD

## Pengana Global Resources Fund – Monthly and Cumulative Outperformance of Composite Index \* From Inception.

Monthly and Cumulative Outperformance of Composite Index\*  
From Inception



<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

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### Commodity Price Changes for August 2009

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	0.73%	-0.33%	0.15%
Gold	0.53%	-0.53%	-0.05%
Copper	12.88%	11.82%	12.30%
Aluminium	0.91%	-0.15%	0.38%
Zinc	4.12%	3.06%	3.54%
Nickel	11.02%	9.96%	10.44%
Lead	14.95%	13.89%	14.37%
Tin	-4.00%	-5.06%	-4.58%

Portfolio Structure (as at end of August 2009)	
Number of Stocks	43
Gross Exposure	110.4%
Net Long Exposure	76.2%
Breakdown by Strategy	Pairs 36.37% Directional Long 68.74% Directional Short -5.11%
Top 5 Positions (in alphabetical order)	

BHP Billiton
Citadel Resources Group
Newmont Mining Corporation
Rio Tinto
Vale

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