

Pengana Global Resources Fund

December 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 performance in excess of 15% p.a. ²	Performance Fees ¹ (quarterly)	20% of the increase in the NAV above a prior high water mark
Investors	Wholesale Clients Only	AUM at Month End	A\$4.74m
Minimum Initial Investment Amount	A\$100,000	Application Price at Month End	A\$1.6522
Inception Date	March 2007	Redemption Price at Month End	A\$1.6390

Fund Commentary

Fund Performance (A\$, net of fees) ³													
	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%	5.58%	1.70%	9.88%	5.44%	53.07%
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%

- **Commodities post the largest annual gain in four decades**
- **World Central Banks net buyers of gold for the first time in 21 years.**
- **Corporate Activity Re-emerges**

Commodities posted the largest annual gain in four decades as China, the biggest consumer of industrial metals, expanded an estimated 8.5 percent this year in concert with record investment of around US\$60 billion in the asset class over 2009. Prices of copper and lead, traded in London, both doubled over 2009 and have increased roughly four-fold in the decade. Crude oil advanced 78 percent this year as the Organisation of Petroleum Exporting Countries reduced output in response to the world-wide economic slump.

In 2009, gold futures in New York rose 24 percent, the ninth straight annual gain as the Greenback's slump spurred demand for precious metals as an alternative investment. The World Gold Council cited that for the first time in 21 years, the world's central banks have been net buyers of gold, with about US\$28 billion purchased over the year, the biggest buyers being the emerging economies of China (454 tonnes), Russia and India.

As at the end of December the net long position of the Fund was 80.0%, up from 76.4% a month earlier. In addition, the gross exposure of the Fund was raised to 112.7% as at the end of December, up from 108.6% a month earlier. During December the number of positions within the portfolio increased to 46 with the addition of new positions in companies such as Devon Energy, Peabody Energy, Alcoa and Woodside Petroleum. After strong gains, the portfolio's net exposure to precious metals was reduced with positions in Newmont Mining, Newcrest Mining, Integra Mining, Ampella Mining and Silver Lake Resources closed. A number of short positions with high A\$ sensitivity were closed in December as the US dollar rebounded strongly with growing confidence in a US economic recovery.

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

² This is an objective only. No guarantee can be given that this objective will be achieved

³ 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

On balance, most economic data points are confirming a broadening of the recovery in economic growth globally. However, despite growth improving there are sectors of the global economy that remain fragile. Furthermore, the rate of growth at this juncture in many economies is being exaggerated by moves in the inventory cycle.

Manufacturing in the US expanded in November for a fourth month. India beat economists' forecasts growing 7.9% in the third quarter and China's manufacturing expanded at the fastest pace since April 2004. An unexpected fall in the US jobless rate to 10% and stronger than anticipated US retail sales data bolstered expectations of a US recovery and potential move by the US Federal Reserve to a tightening bias. This provided support to the US dollar which strengthened against most major currencies and negatively impacted on the gold price, breaking the rally in the precious metal from its 3 December high of US\$1,226.56/ounce.

A subsequent pledge by the US Federal Reserve that it will keep interest rates "exceptionally low for an extended period of time" and statement that the US economy is strengthening, buckled support for the greenback and strengthened demand for industrial metals.

The Eurozone continues to look fragile. Over the month, German Factory orders declined and Standard and Poors lowered Spain's credit outlook to negative following Fitch Ratings downgrade of Greece's credit rating. Abu Dhabi provided US\$10 billion to help Dubai World avoid default, easing concerns over the potentially negative impact on the global recovery.

Corporate Activity re-emerged in December with Exxon Mobil announcing a US\$41 billion takeover for XTO Energy. Avoca Resources increased its bid for Dioro Exploration to A\$115m. Macarthur Coal announced a scrip offer with cash alternative for Gloucester Coal worth over A\$590m and further announced its intention to acquire assets from the Noble Group and Citic Resources. Zijin Mining Group, China's third largest copper producer agreed to pay A\$545 million for Indophil Resources.

BHP Billiton and Rio Tinto agreed on terms of an iron ore joint venture that is estimated to save the companies at least \$10 billion per annum. The deal still requires Regulatory approval.

The prospect of a looming strike at Codelco's Chuquicamata copper mine in Chile (the world's largest open cut copper mine) helped provide support to the red metal, despite copper stockpiles monitored by the London Metals Exchange rising for thirty straight sessions to be at the highest level since April 2009.

Bao Steel Group, (China's largest steel maker) talked of possibly raising prices for the first time in four months in January 2010 as demand rises from makers of cars and appliances after Chinese passenger car sales jumped 50 percent for five straight months.

Portfolio Action

During November the net long position of the portfolio increased from 76.4% as at the end of November to 80.0% as at month's end. In addition, the gross exposure of the portfolio increased from 108.6% to 112.7% during December. During December the Fund reduced long positions in: Oil Search, Barrick Gold, Exxon Mobil, Silver Lake Resources, Century Aluminium, First Quantum, Aquarius Platinum, Integra Mining, Ampella Mining and Macarthur Coal. Furthermore, new long positions were established in: Devon energy, Alpha Natural resources, Peabody Energy, Alcoa, Orocobre, Woodside Petroleum, Alumina and Every Day Mine Services.

In Australia, the S&P/ASX Metals and Mining Accumulation Index ended November posting a gain of 3.53%. Major metal prices (in US dollars) appreciated strongly over December with zinc and nickel each up over 15%. With the US dollar appreciating 2.06% and 4.74% against the Australian dollar and Euro respectively, commodity price gains in these currencies were greater. However, the relative US dollar strength saw the gold price fall by over 7% in US dollar terms over December.

Stronger spot metal and bulk prices and corporate activity in the coal sector saw Murchison Metals (+47.06), Perilya (+27.9) and Centennial Coal (+21.6%) among the top performers in December. Conversely, a 7.26% decline in the gold price during the month was largely responsible for a decline in the share prices of gold producers with St. Barbara (-14.5%), Avoca (-11.3%) and Dominion Mining (-10.1%) all notable underperformers during December. In London the FTSE 350 Mining Index ended the month up 6.62%, whilst the S&P/TSX Global Mining Index fell 0.78%.

Key Contributors

Key contributors to the portfolio's performance during December included Alumina (19.09%), Alcoa (+23.81%), Arcelor Mittal (+16.50%), Matrix Composites & Engineering (+33.99%) and Gryphon Minerals (-10.89%).

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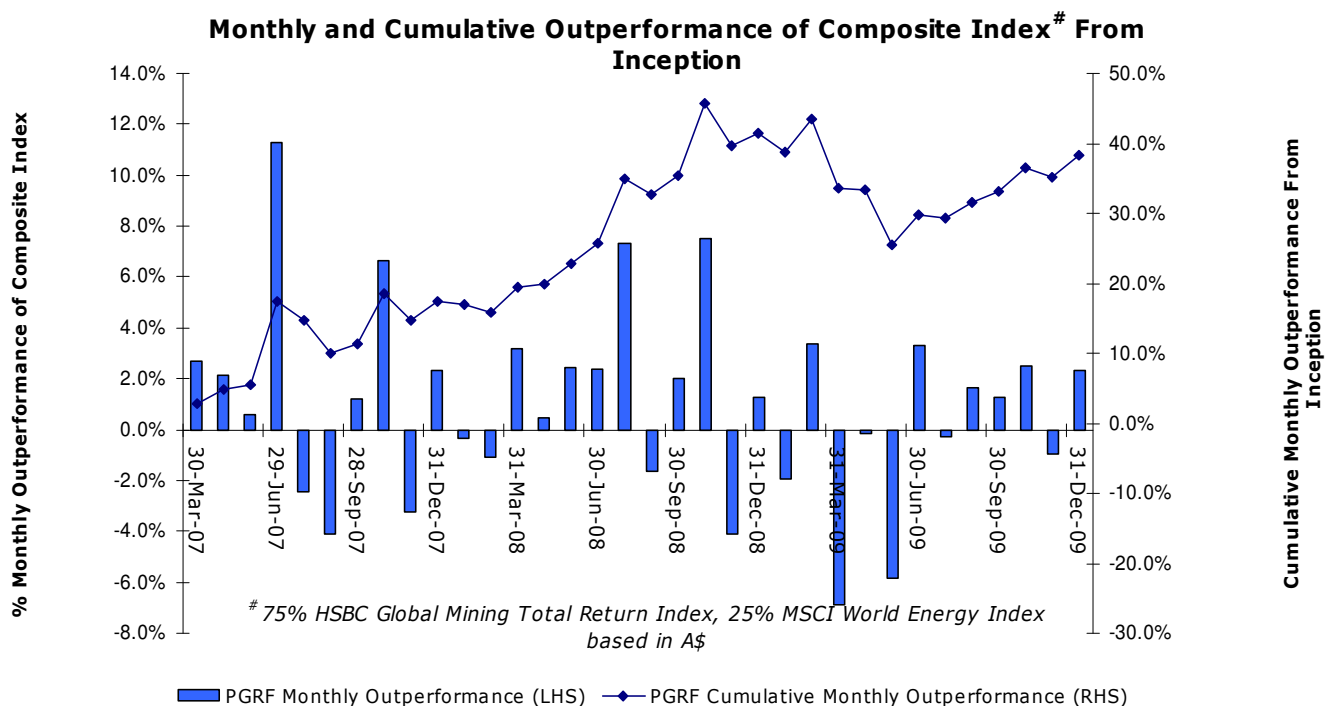


Fund Performance

Net Returns to 31 December 2009	Pengana Global Resources Fund	Composite Index *
1 Month	5.44%	3.11%
3 Months	17.82%	13.37%
6 Months	35.42%	26.94%
12 Months	53.07%	54.09%
Since inception ⁴	+16.26% p.a.	+1.99% p.a.

*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.



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 December 2009

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	2.69%	4.69%	7.22%
Gold	-7.26%	-5.26%	-2.73%
Copper	7.80%	9.80%	12.33%
Aluminium	10.01%	12.01%	14.54%
Zinc	15.43%	17.43%	19.96%
Nickel	15.28%	17.28%	19.81%
Lead	4.59%	6.59%	9.12%
Tin	13.01%	15.01%	17.54%

Portfolio Structure (as at end of December 2009)	
Number of Stocks	46
Gross Exposure	112.7%
Net Long Exposure	80.0%
Breakdown by Strategy	Pairs 30.67% Directional Long 71.25% Directional Short -1.92%

Top 5 Positions (in alphabetical order)
BHP Billiton
Occidental Petroleum Corporation
Rio Tinto
Vale
Xstrata

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