

Pengana Global Resources Fund

January 2010 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

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\$4.47m
Minimum Initial Investment Amount	A\$100,000	Application Price at Month End	A\$1.5552
Inception Date	March 2007	Redemption Price at Month End	A\$1.5427

Fund Commentary

Fund Performance (A\$, net of fees) ³													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-5.88%												-5.88%
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%

- **Volatility returns to markets**
- **Greece credit concerns highlight sovereign risk**
- **Tightening of credit availability in China**
- **United States President Obama announces "Volcker Rule"**

The bullish sentiment that dominated commodity markets during the latter half of 2009 soon proved a distant memory by the end of January. With the exception of nickel (+1.35%) and tin (+1.91%) other major metal prices all finished substantially lower at the end of the month. The worst hit metals were zinc (-17.43%) and lead (-14.20%) whilst oil (-8.15%), copper (-6.70%) and aluminium (-6.63%) all corrected after strong price increases in recent months. The gold price was relatively unaffected by the turmoil in other commodity markets falling a modest 1.16% during January. Significantly, the prices of major metals, gold and oil are all substantially higher than they were a year ago despite the pullback experienced in January. For instance, zinc is up 97%, copper up 120% and crude oil has increased 74.9% from levels a year ago.

The net long position of the Fund as at the end of January remained at 80.0%, however the gross exposure decreased from 112.7% to 109.6% as the number of stock positions fell from 46 to 42. During January the Fund reduced its long position in Anvil Mining and closed long positions in Independence Group, Barrick Gold Corporation, Woodside Petroleum, Petroleo Brasileiro SA and Devon Energy. Existing long positions in Rio Tinto, Terramin Australia and Alcoa were all increased during the month with new long positions being established in Consolidated Thompson Iron Mines, Oz Minerals, PanAust and Mirabela Nickel.

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.

Pengana Global Resources Fund

January 2010 Update



2 of 4

Market Commentary

January was a month characterised by the re-assessment of risk to financial markets. A number of potential "X" factors weighed heavily on share prices as equity and commodity markets bucked the strong upward trend that has been in place since March 2009 lows. As a result of the re-emergence of the "wall of worry" stockmarkets around the world began 2010 cautiously.

Investors chose to more closely scrutinise Greece's debt position during January after Greece announced late in 2009 that its government deficit had blown out to 12.7% of gross domestic product from a previously anticipated 3.7%. The closer scrutiny by investors led to doubts about Greece's ability to re-finance €53 billion of government debt and also led to increasing doubts about other European Union constituents such as Spain, Portugal and Italy.

A reported tightening of credit availability by Chinese authorities in January also sent shockwaves through global stockmarkets and commodity markets. The strength of China's economy against a backdrop of muted growth in developed economies has been an important lynchpin in the recovery of economies, stockmarkets and commodity markets globally. It is important to make the distinction between a tightening of credit availability (in our opinion, to clamp down on speculative activity) and a total withdrawal of the 4 trillion yuan of stimulus that was responsible for getting Chinese economic growth back on trend by the fourth quarter of 2009.

In an attempt to avoid a future global financial crisis the Obama administration in the United States has proposed legislation aimed at restricting the activities of banks. Under the proposed "Volcker Rule" banks would be restricted from owning, investing in or sponsoring hedge funds or private equity groups. The "Volcker Rule" is subject to congressional approval, but would have far reaching and long term consequences to the global financial landscape if enacted in its current form.

Portfolio Action

During January the Fund reduced its long position in Anvil Mining and closed long positions in Independence Group, Barrick Gold Corporation, Woodside Petroleum, Petroleo Brasileiro SA and Devon Energy. In addition, the existing long positions in Rio Tinto, Terramin Australia and Alcoa were added to with new long positions being established in Consolidated Thompson Iron Mines, OzMinerals, PanAust and Mirabela Nickel. The net long position of the Fund remained at 80.0% as at the end of January, when compared to the prior month. However, the gross exposure of the Fund has decreased from 112.7% as at the end of December to 109.6% as at the end of January. In addition, the number of stocks within the Fund has reduced from 46 to 42. Market volatility increased markedly during January with the S&P/ASX Metals and Mining Index being 5.28% higher than the end of December 2009 on 11th January 2010, before closing the month 9.2% lower than the end of 2009. Despite the increased volatility in equity markets and commodity prices we continue to believe the global economic recovery remains on track and 2010 will be a year of synchronous growth in both the developed and developing economies. As a result, the recent falls in share prices have provided us with the opportunity to buy good quality companies with improving earnings outlooks at attractive prices.

Key Contributors

Key contributors to the portfolio's performance during January included Alcoa (-21.03%), Arcelor Mittal (-15.45%), Perseus Mining (+1.69%) and Vale (-11.16%).

Fund Performance

Net Returns to 31 January 2010	Pengana Global Resources Fund ³	Composite Index *
1 Month	-5.88%	-8.47%
3 Months	9.05%	4.62%
6 Months	17.36%	6.73%
12 Months	40.66%	35.14%
Since inception ⁴	+13.38% p.a.	-1.22% p.a.

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

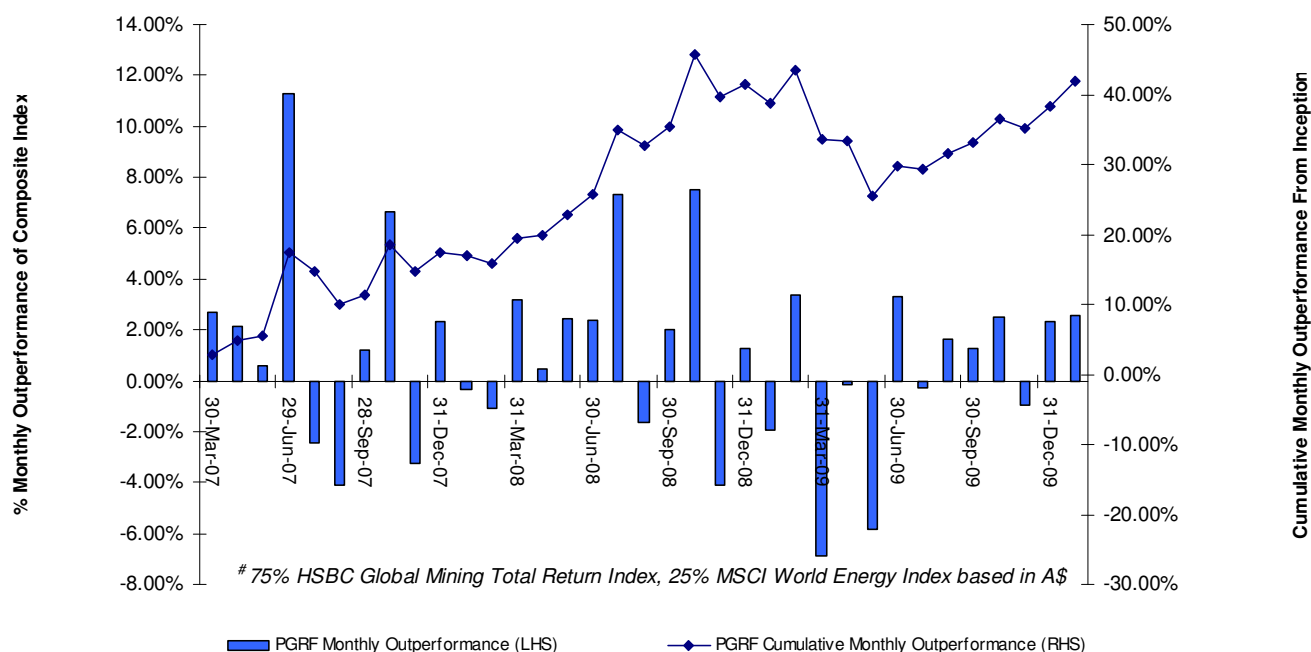
⁴ Inception date: March 2007, launch date: September 2007. March 2007 – September 2007: Performance of internal fund seeded by Pengana Capital. Past performance is not a reliable indicator of future performance. The value of investments can go up and down

Pengana Global Resources Fund January 2010 Update



3 of 4

Pengana Global Resources Fund – Monthly and Cumulative Outperformance of Composite Index # From Inception³.



Commodity Price Changes for January 2010

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	-7.21%	-5.73%	-3.97%
Gold	-1.23%	0.25%	2.01%
Copper	-6.70%	-5.22%	-3.46%
Aluminium	-6.63%	-5.15%	-3.39%
Zinc	-17.43%	-15.95%	14.19%
Nickel	1.35%	2.83%	4.59%
Lead	-14.20%	-12.72%	-10.96%
Tin	1.91%	3.39%	5.15%

Portfolio Structure (as at end of January 2010)

Number of Stocks	42
Gross Exposure	109.6%
Net Long Exposure	80.0%
Breakdown by Strategy	Pairs 28.75% Directional Long 74.21% Directional Short -2.96%

Top 5 Positions (in alphabetical order)

BHP Billiton
Every Day Mine Services
Rio Tinto
Vale
Xstrata

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Pengana Global Resources Fund

January 2010 Update



4 of 4

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