

Pengana Global Resources Fund

February 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\$4.49m
Minimum Initial Investment Amount	A\$100,000	Application Price at Month End	A\$1.5636
Inception Date	March 2007	Redemption Price at Month End	A\$1.5510

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%	0.54%											-5.37%
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%

- **U.S. Federal Reserve increases discount rate 0.25%**
- **Greece credit concerns highlight sovereign risk**
- **Reporting season results in a solid base for growth**
- **The Reserve Bank of Australia keeps rates on hold in February**

After a tumultuous start to 2010 commodity markets moved higher during February. Tin (-2.17%) and aluminium (-0.53%) were the only base metals to produce negative returns over the month. On the other hand, oil (+9.29%) and nickel (+9.42%) were strongest amongst major commodity movers. The gold price gained 3.20% over the month with similar moves in copper (+3.18%) and lead (+4.06%) whilst the zinc price finished marginally higher with a small gain of 1.67%. Annual price/volume negotiations for iron ore and coal producers have commenced with consensus expectations for price rises in iron ore and hard coking coal of greater than 50% for Japanese Financial Year 2010/11.

During February we moved to reposition the holdings within the Fund with an emphasis on larger capitalised companies with diversified earnings streams. As a result, we divested holdings in Arcelor Mittal, Occidental Petroleum, Every Day Mining Services and Red 5. In addition, we added to existing long positions in Vale and Atlas Iron as well as establishing a new position in Teck Resources. As at the end of February the Fund had a net long position of 72.6%, down from 80% in the prior month with a gross exposure of 105.6%, down from 109.6% a month earlier.

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

February 2010 Update



2 of 4

Market Commentary

In Australia, the Reserve Bank of Australia surprised markets by leaving the cash rate unchanged at its February meeting. In the United States the Federal Open Market Committee maintained its target range of 0% to 0.25% for the Fed Funds rate at its February meeting. However, the U.S. Federal Reserve did announce a change in the discount rate from 0.5% to 0.75% during the month. Importantly, the U.S. Federal Reserve noted the change did not signal a change in the outlook for the U.S. economy nor for monetary policy.

Employment data in Australia continues to be very strong with the unemployment rate in January falling to 5.3% from 5.5% after the economy added 52,700 jobs. In contrast, the employment recovery in the United States continues to be muted despite the unemployment rate falling from 10% to 9.7% job growth actually stalled in January with a fall of 20,000 jobs occurring.

Chinese authorities continued their efforts to curb speculative activities during February as The People's Bank of China announced a 0.50% increase in the reserve requirement ratio for banks. New bank lending for January was 1.39 trillion yuan, down from 1.62 trillion yuan a year earlier. Whilst Chinese CPI inflation grew at a modest 1.5% year on year in January expectations are for a jump in this rate when February 2010 data is reported, partially due to the low denominator of February 2009 and partially due to an increasing rate of change in CPI.

Reporting season in Australia ended with the majority of companies reporting results in-line or ahead of expectations. In the resources sector, most disappointment seemed to occur around the lacklustre immediate outlook for oil and gas producers with some major producers finding it difficult to maintain output in the near term. Longer term, strong production growth is expected but the cost and timing of this growth is coming under increasing scrutiny from analysts.

Overall, valuations have been supported by robust reported earnings for 2009. However, the veracity of global economic recovery has been a focus for investors in 2010 as concerns about the rate of jobs growth in the United States and the real economic cost of Greece's sovereign debt problems have moved to the forefront of investor consciousness. Whilst acknowledging these are real concerns we still believe the momentum of economic recovery remains in place and that synchronous economic growth in the latter half of 2010 will provide a significant tail-wind for company earnings during this time.

Portfolio Action

The net long position of the Fund as at the end of February was 72.6%, down from 80.0% as at the end of January. The gross exposure of the Fund was 105.6%, down from 109.6% as at the end of January. During the month we moved to reposition the holdings within the Fund with an emphasis on larger capitalised companies with diversified earnings streams. As a result, we divested holdings in Arcelor Mittal, Occidental Petroleum, Every Day Mining Services and Red 5. Other activity during the month included adding to long positions in Vale and Atlas Iron as well as establishing a new position in Teck Resources. In February the S&P/ASX Metals and Mining Accumulation Index gained 2.67% whilst the FTSE 350 Mining Index gained 8.93%. In North America, the S&P 500 Metals & Mining Index gained 12.08% and the S&P/TSX Global Mining Index increased 6.01%.

Key Contributors

Key contributors to the portfolio's performance during February included Anvil Mining (+16.37%), Alpha Natural Resources (13.30%), Consolidated Thompson Iron Mines (+20.31%) and Matrix Composites and Engineering (-9.45%).

Fund Performance

Net Returns to 28 February 2010	Pengana Global Resources Fund ³	Composite Index *
1 Month	0.54%	3.38%
3 Months	-0.22%	-2.44%
6 Months	17.72%	11.88%
12 Months	41.34%	44.46%
Since inception ⁴	+13.19% p.a.	0% p.a.

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

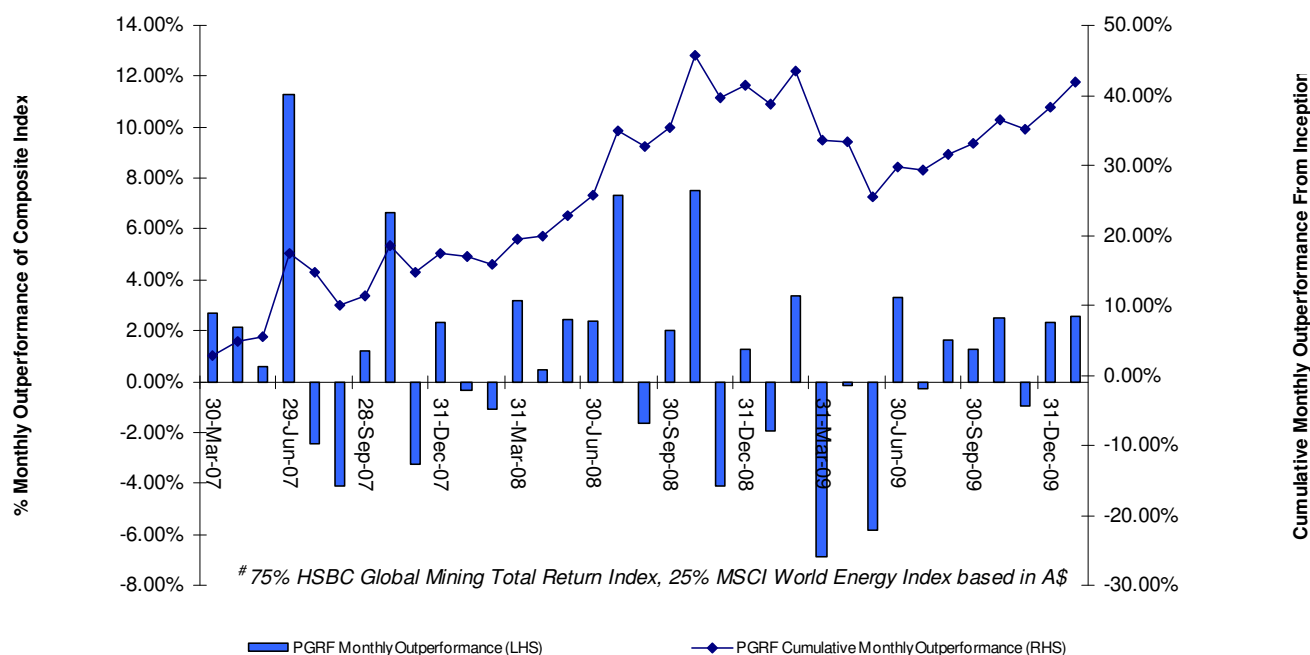
⁴ Inception date: March 2007, launch date: September 2007. March 2007 – September 2007: Performance of internal fund seeded by Pengana Capital. Past performance is not a reliable indicator of future performance. The value of investments can go up and down

Pengana Global Resources Fund February 2010 Update



3 of 4

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



Commodity Price Changes for February 2010

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	9.29%	7.97%	10.98%
Gold	3.20%	1.88%	4.89%
Copper	3.18%	1.86%	4.87%
Aluminium	-0.53%	-1.85%	1.16%
Zinc	1.67%	0.35%	3.36%
Nickel	9.42%	8.10%	11.11%
Lead	4.06%	2.74%	5.75%
Tin	-2.17%	-3.49%	-0.48%

Portfolio Structure (as at end of February 2010)

Number of Stocks	39
Gross Exposure	105.6%
Net Long Exposure	72.6%
Breakdown by Strategy	Pairs 31.12% Directional Long 71.12% Directional Short -2.24%

Top 5 Positions (in alphabetical order)

Apache Corporation
BHP Billiton
Rio Tinto
Vale
Xstrata

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Pengana Global Resources Fund

February 2010 Update



4 of 4

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