Pengana Global Resources Fund
May 2010 Update

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)**	1.54% p.a.
Fund Aim	To achieve a performance in excess of 15% p.a.[2]	**Performance Fees [1] (quarterly)**	20.5% of the performance above the Index*
Investors	Open	**AUM at Month End**	A$4.48m
Minimum Initial Investment Amount	A$20,000	**Application Price at Month End**	A$1.6477
Inception Date[4]	March 2007	**Redemption Price at Month End**	A$1.6377
Index*	**75% HSBC Global Mining Total Return Index, 25% MSCI World Energy Accumulation Index denominated in AUD*	**Identification Code(s)**	ARSN 142 322 361 APIR PCL0003AU

Fund Commentary

Fund Performance (A$, net of fees) [3,4]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**YTD**
2010	-5.88%	0.54%	9.79%	-1.91%	-2.05%								**-0.18%**
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%**

- **Base metal prices move lower**
- **The Australian government unveils its Resources Super Profit Tax**
- **Volatility increases as uncertainties build**

Increased uncertainty over the trajectory of global growth proved a formidable obstacle for most commodity prices during May, with gold (+2.91%) bucking the trend. The hardest hit amongst LME traded metals was nickel (-16.49%) with zinc (-15.98%) and lead (-16.31%) moving substantially lower. Aluminium (-6.73%) and copper (-5.96%) were not as severely impacted whilst the oil price (-14.14%) saw huge volatility intra-month trading as high as US$87.15/bbl and as low as US$67.55/bbl. For the calendar year to date nickel (+16.64%), gold (+10.81%) and tin (+8.25%) continue to hold onto gains.

During May the portfolio was repositioned in favour of offshore assets given the lingering uncertainty surrounding the Australian government's proposed Resources Super Profit Tax. Whilst the net long position of the Fund at month's end (73.6%) was little changed from a month earlier the gross exposure of the Fund was wound back to 104.4% from 120.0%. Long positions which the Fund exited during the month included Anglo American, BP, Aquarius Platinum and Anvil Mining. A new long position was established in Fortescue Metals Group with existing positions in Royal Dutch Shell, Xstrata, PanAust and Lihir Gold being increased over the course of May.

[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] This is an objective only. No guarantee can be given that this objective will be achieved
4 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

Volatility was again a feature during May with nervousness ebbing and flowing as investor attention moved from the European debt crisis to the slowdown in Chinese economic growth with uncertainty surrounding the Australian government's proposed Resources Super Profit Tax thrown in for good measure. The extent of intra-month volatility was borne out in movements in the S&P/ASX Metals and Mining Accumulation index over the month. With 21 trading sessions occurring during the month, the index moved greater than +/- 1% on 13 occasions, with moves greater than +/- 3% occurring in 5 sessions. As a result, the S&P/ASX Metals and Mining Accumulation Index was down as much as 11.47% for the month at its worst levels in May before recovering to be down 5.90%. Given the uncertainty about the likely impact of the Australian government's proposed Resources Super Profit Tax, the S&P/ASX Small Resources Accumulation Index was down as much as 14.49% intra-month before recovering to end the month down 8.43%. For the month, the A$:US$ cross rate fell 9.89%.

After months of procrastination the European Central Bank took decisive action in an attempt to provide stability to the region's debt and currency markets through the announcement of a €750 billion European Sovereign TARP mechanism on 9th May 2010. Whilst the announcement will serve to reduce fears in the short-term it can only be successful if member countries, in particular the so-called PIIGS, use the stability to make meaningful efforts to restructure debt and pursue ongoing structural reform. To this end, the initial signs are encouraging with countries such as Italy, Spain, Greece and Portugal pursuing austerity measures designed to rein in government debt to more acceptable levels.

On 2 May, 2010, the Australian Federal Government unveiled a proposed Resources Super Profits Tax (RSPT). While the headline rate of 40% was largely expected by the investment community, a 6% allowable rate of return before the tax impost, the fact that the tax is levied before finance costs and that the tax is retrospective are all significant negatives not anticipated by the market.

While it is conceptually correct to replace the current royalty system on revenues with a tax on profits, the proposed RSPT is too onerous. The Government is wanting to enter into a social contract with the mining industry, but in doing so, fails to recognise that capital is mobile and that most projects require a significantly higher hurdle rate (i.e. a risk premium over a risk free rate) than what is being offered under the proposed RSPT. Many elements of the proposed tax continue to remain unclear.

The proposed tax does reduce Australia's competitive position fiscally and will have an impact on commodity prices where Australian operations dominate the low end of the cost curve (i.e. iron ore). It will lead to higher domestic thermal coal prices and ultimately higher electricity prices. On our assessment, the proposed tax will reduce the value of the Australian mining industry by around 12%, which is already discounted in many equity prices. Our Fund, having a global mandate is already well positioned to dilute the impact of the RSPT for investors.

Portfolio Action

The net long position of the portfolio as at the end of May was 73.6%, little changed from 73.5% a month earlier. The gross exposure of the Fund was 104.4%, down from 120.0% as at the end of April. During the month the Fund sold long positions in Anglo American, BP, Aquarius Platinum and Anvil Mining as well as reducing its long position in Vale. In addition, the Fund established a new long position in Fortescue Metals Group as well as adding to existing positions in Royal Dutch Shell, Xstrata, PanAust and Lihir Gold. Given the uncertainty surrounding the Australian government's proposed Resources Super Profit Tax the Fund moved to increase its exposure to offshore assets whilst reducing its exposure to the Australian resources sector. The S&P/ASX Metals and Mining Accumulation Index fell 5.90% in May whilst the FTSE 350 Mining Index fell 5.83%. In North America, the S&P500 Metals & Mining Index fell 6.93% and the S&P/TSX Global Mining Index fell 1.81%.

Key Contributors

Key contributors to the portfolio's performance during May included Lihir Gold (+4.46%), Terramin Australia (-18.95%), Mineral Resources (-16.25%) and BlueScope Steel (-12.45%).

Fund Performance

Net Returns to 30 May 2010	Pengana Global Resources Fund[3]	Composite Index *
1 Month	-2.05%	0.31%
3 Months	5.48%	5.37%
6 Months	5.25%	3.08%
12 Months	32.01%	19.31%
3 Years	+9.59% p.a.	-1.22% p.a.
Since inception[4]	**+13.97% p.a.**	**+1.83% p.a.**

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

[5] 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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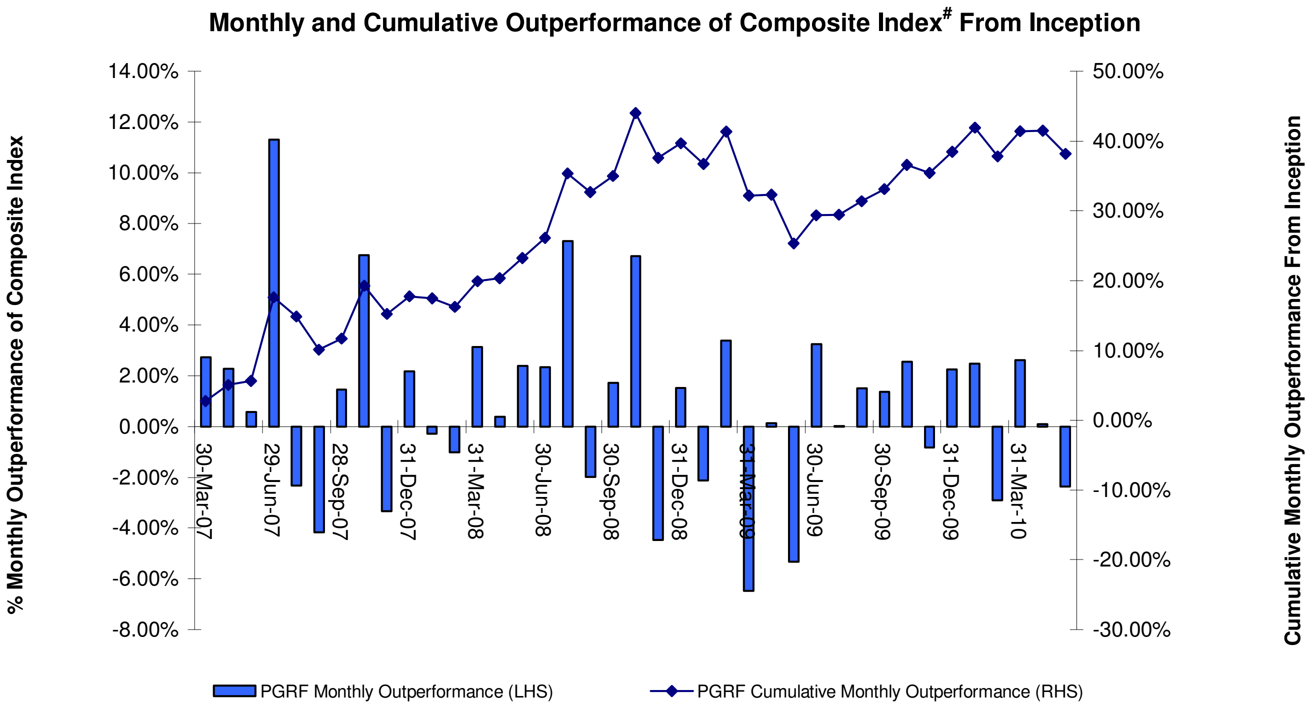
Pengana Global Resources Fund – Monthly and Cumulative Outperformance of Composite Index # From Inception.



 # 75% HSBC Global Mining Total Return Index, 25% MSCI World Energy Accumulation Index based in A$

From Canada's Northern Miner Magazine

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Commodity Price Changes for May 2010

Commodity	US$ Price Change	A$ Price Change	€ Price Change
Oil	-14.14%	-5.72%	-6.68%
Gold	2.91%	11.33%	10.37%
Copper	-5.96%	2.46%	1.50%
Aluminium	-6.73%	1.69%	0.73%
Zinc	-15.98%	-7.56%	-8.52%
Nickel	-16.49%	-8.07%	-9.03%
Lead	-16.31%	-7.89%	-8.85%
Tin	0.06%	8.48%	7.52%

Portfolio Structure (as at end of May 2010)	
Number of Stocks	37
Gross Exposure	104.4%
Net Long Exposure	73.6%
Breakdown by Strategy	Pairs 24.00% Directional Long 80.27% Directional Short -4.27%

Top 5 Positions (in alphabetical order)
BHP Billiton
Matrix Composites and Engineering
Rio Tinto
Vale
Xstrata

Contact Details

Pengana Capital Limited ▪ Level 29, 20 Bond Street, Sydney, NSW 2000, Australia ▪ T +61 2 8524 9900 ▪ F +61 2 8524 9901
ABN 30 103 800 568, AFSL 226566

For further information, please visit our website at www.pengana.com or contact:

Institutional Clients: Denis Carroll, +61 2 8524 9974, denis.carroll@pengana.com

Private Clients: Juliet Dunworth, +61 2 8524 9984, juliet.dunworth@pengana.com

Advisors: Justin Brooks, +61 3 8663 7906, justin.brooks@pengana.com

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