

Pengana Global Resources Fund

June 2010 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)	1.54% 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\$4.12m
Minimum Initial Investment Amount	A\$20,000	Application Price at Month End	A\$1.5874
Inception Date	March 2007	Redemption Price at Month End	A\$1.5778
Index*	<i>*75% HSBC Global Mining Total Return Index, 25% MSCI World Energy Accumulation Index denominated in AUD</i>	Identification Code(s)	ARSN 142 322 361 APIR PCL0003AU

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%	9.79%	-1.91%	-2.05%	-3.66%							-3.83%
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%

- **Concerns over the trajectory of global growth continue to weigh on markets.**
- **Resource valuations at attractive levels even when factoring in worst case outcome for RSPT.**
- **China loosens its 23 year currency peg to the US dollar.**

Concerns over the trajectory of global economic growth added to investor nervousness during June and this was reflected in weak commodity prices. With the exception of gold (+2.54%) and oil (+2.24%) most other exchange traded commodities weakened in price. Nickel (-9.86%), zinc (-8.73%) and lead (-7.19%) were the worst performers during the month. However, year to date nickel has still managed to gain 5.14%, joining gold (+13.63%) and tin (+4.48%) as the only exchange traded commodities registering gains over the half year to June. On the other hand, zinc (-32.68%), lead (-29.44%), aluminium (-12.86%), copper (-11.31%) and oil (-4.70%) are all lower in price than when they started 2010. Not surprisingly, the trend to lower commodity prices during the year to date has proved a substantial headwind for the share prices of resource companies in 2010 so far.

Uncertainty surrounding the impact of the Australian government's proposed Resource Super Profit Tax (RSPT), sovereign debt concerns in Europe and a more moderate growth profile for China all weighed heavily on resource companies despite the significant announcement by Chinese authorities that they will remove the peg of the Chinese currency to the U.S. dollar, paving the way for appreciation of the Chinese Yuan over time. Capital flight from the resources sector amidst increased investor risk aversion is weighing heavily on share price performance at this juncture despite compelling valuations. We have therefore lessened our net long exposure until such time as these headwinds dissipate. The net long of the portfolio was decreased to 68.8% with the directional long portion of the portfolio reduced from 80.27% as at the end of May to 74.04% as at the end of June. In addition, the pairs strategy within the portfolio was increased to 29.68% from 24% previously.

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

Economic data out of the U.S. continues to be mixed. U.S. construction spending data for April had its largest gain in nearly ten years and manufacturing expanded for a tenth straight month in May. However, these results were tempered by weaker than expected U.S. retail sales, U.S. housing starts and U.S. jobs data for May.

Investor worries on the Euro-zone debt crisis and the impact on global growth escalated over the month with Hungary the latest debt-laden country to grab Investor attention and Moody's downgraded Greece's government bond rating to junk. The ECB warned that Euro-zone banks face up to \$195 billion of potential losses over the next 18 months and disclosed it had increased purchasing of Euro-zone government bonds. Over the month, successful debt auctions in Spain, Belgium and Ireland lifted some gloom over the European debt crisis lending some support to the euro.

A G20 meeting tried to strike a balance between trimming government deficits and sustaining an economic recovery, with little offered at the end as a plan moving forward. The U.S. dollar hit a 4 year high against the euro, helped in part by hawkish commentary by U.S. Federal Reserve officials that interest rates should be raised as the economic recovery gains momentum, despite the high level of unemployment. Ben Bernanke, as Chairman of the U.S. Federal Reserve, later stated views that the U.S. economy had enough momentum to avoid a double-dip recession and it had moved to relying on less government support. However, a subdued outlook on inflation and struggling labour market will see the central bank in no rush to raise official rates.

China has been hit with a string of labour disputes (Honda the most notable), where workers have begun to demand better pay and conditions as employers try to rein in rising costs.

The pace of Chinese factory output eased on tightening and seasonal factors, in line with consensus forecasts in May, suggesting the risks of China's economy overheating have eased. Despite measures largely aimed to curb speculative investment in property, Chinese export growth in May was still stronger than expected. This led to China loosening its 23 year currency peg to the U.S dollar, though the extent to which policy makers will let the Yuan float remains questionable. GDP growth in China is expected around 9%pa in 2H2010, reflecting ongoing investment in infrastructure projects and steady growth in wages and consumption.

Over June, BP's market value had more than halved to a 13 year low since its April 20, Gulf of Mexico (GOM) oil rig explosion. This worked to weigh on waning investor sentiment as the company announced it was cutting dividends, reducing capital expenditure and selling assets to raise \$20billion towards the GOM oil spill.

Portfolio Action

As at the end of June the net long position of the Fund was 68.8%, down from 73.6% a month earlier. The gross exposure of the Fund was marginally higher than as at the end of May at 105.2%. During the month the Fund reduced holdings in Rio Tinto, BHP Billiton, Vale and Mineral Resources as well as exiting positions in BlueScope Steel, Alcoa Inc and Mincor Resources. New long positions were established in Occidental Petroleum, Antares Energy, Aurora Oil and Gas as well as adding to an existing long position in Freeport McMoran Copper and Gold. The S&P/ASX Metals and Mining Accumulation Index fell 0.75% in June whilst the FTSE 350 Mining Index fell 8.71%. In North America, the S&P500 Metals & Mining Index fell 7.57% and the S&P/TSX Global Mining Index fell 2.39%.

Key Contributors

Key contributors to the portfolio's performance during June included Adamus Resources (+12.09%), Mineral Resources (+16.38%), Perseus Mining (+21.37%) and Xstrata (-12.67%).

Fund Performance

Net Returns to 30 June 2010	Pengana Global Resources Fund	Composite Index *
1 Month	-3.66%	-5.22%
3 Months	-7.44%	-6.83%
6 Months	-3.83%	-5.33%
12 Months	30.24%	19.78%
3 Years	4.38% p.a.	-3.04% p.a.
Since inception ⁴	+12.34% p.a.	+0.16% p.a.

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

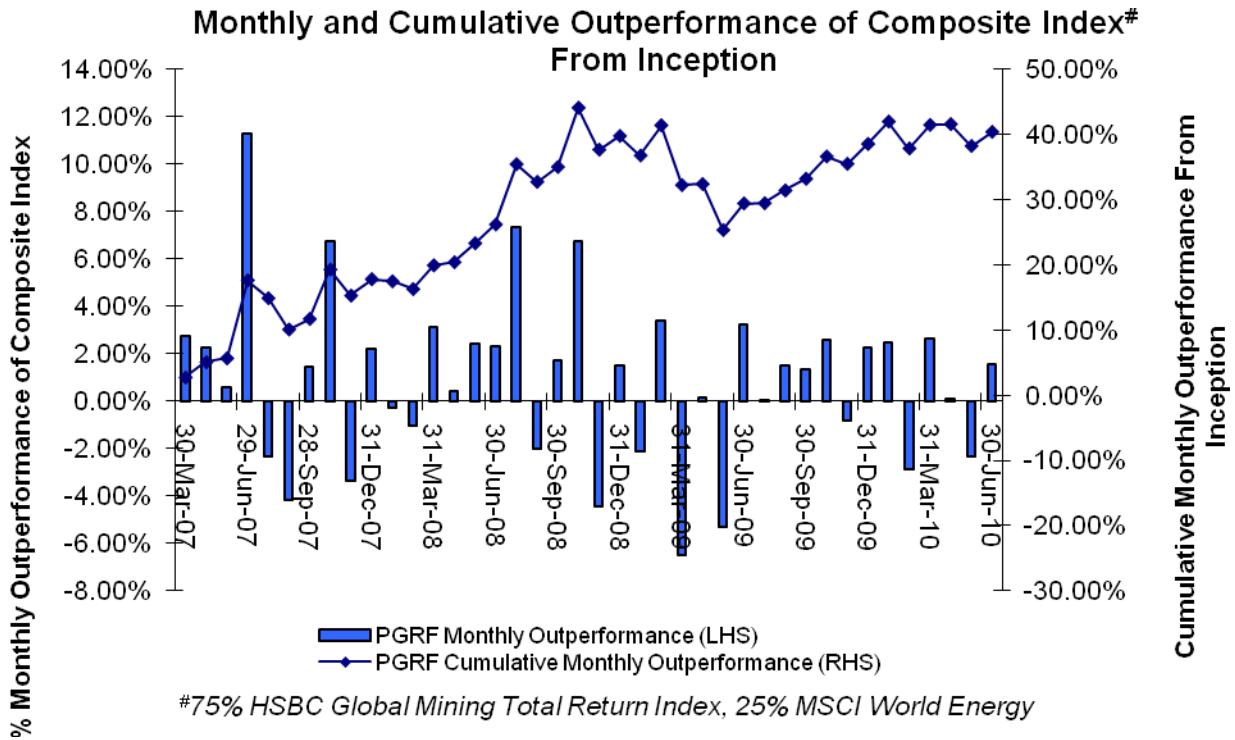
⁴ Inception date: March 2007, launch date: September 2007. March 2007 – September 2007: Performance of internal fund seeded by Pengana Capital. Past performance is not a reliable indicator of future performance. The value of investments can go up and down

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



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Commodity Price Changes for June 2010

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	2.24%	2.91%	2.81%
Gold	2.54%	3.21%	3.11%
Copper	-5.93%	-5.26%	-5.36%
Aluminium	-5.55%	-4.88%	-4.98%
Zinc	-8.73%	-8.06%	-8.16%
Nickel	-9.86%	-9.19%	-9.29%
Lead	-7.19%	-6.52%	-6.62%
Tin	-3.48%	-2.81%	-2.91%

Portfolio Structure (as at end of June 2010)

Number of Stocks	35
Gross Exposure	105.2%
Net Long Exposure	68.8%
Breakdown by Strategy	Pairs 29.68% Directional Long 74.04% Directional Short -3.72%

Top 5 Positions (in alphabetical order)

BHP Billiton
Lihir Gold
Matrix Composites and Engineering
Rio Tinto
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