

Pengana Global Resources Fund August 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 Fees¹ (monthly)	1.54% p.a.
Fund Aim	To achieve a performance in excess of 15% p.a. ²	Performance Fees¹ (quarterly)	20.5% of the performance above the Index*
Investors	Open	AUM at Month End	A\$3.43m
Minimum Initial Investment Amount	A\$20,000	Application Price at Month End	A\$1.6912
Inception Date	March 2007	Redemption Price at Month End	A\$1.6810
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

	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%	3.94%	2.50%					2.46%
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%

- **The Australian Federal Election resulted in a hung parliament.**
- **BHP Billiton made an all cash offer for Potash Corporation of Saskatchewan Inc.**
- **Kinross Gold Corporation and Red Back Mining Inc agreed to US\$7.1 billion merger.**
- **Following from the Resources Outlook document released last month:**

<http://www.pengana.com/assets/3183/GRF%20Article%20August%202010%20Latest%20with%20Risk%20Analysis.pdf>

We investigate the comparative returns of the Pengana Global Resources Fund to other sectors including alternate Resources investments. Why Invest in the Pengana Global Resources Fund?

<http://www.pengana.com/assets/3196/Article%20%20August%202010.pdf>

Commodity prices on the whole consolidated gains made during July with mixed results in August. Gold (+5.46%), was amongst the better performing commodities in August after losing 5.23% during July. Tin (+8.81%) was the best performer with zinc (+3.66%), copper (+2.21%) and nickel (+0.73%) amongst the other commodities to gain during August. Oil (-9.21%) was a laggard as concerns about a tepid U.S. economic recovery and increasing U.S. stockpiles weighed heavily on the price. For the 2010 calendar year to date nickel (+11.39%), copper (+0.13%), tin (+24.41%) and gold (+13.13%) have all recorded gains. Conversely, zinc (-22.75%), lead (-17.50%), aluminium (-7.67%) and oil (-9.73%) have all lost significant ground compared to prices at the end of 2009.

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

The start of August saw U.S. stocks close at the highest level in ten weeks as a weaker US dollar propelled the Reuters/Jefferies CRB Index to a three month high. US manufacturing in July grew for a twelfth straight month and at a rate slightly better than expected. However, the monthly growth rate for July was the lowest so far this year.

Eurozone manufacturing expanded in July led by Germany and Italy, but saw the weakest result from France in ten months. Production in China fell as Beijing continued to successfully rein in a hot economy. Over the month, the China Banking Regulatory Commission instructed banks to stop extending mortgages to people buying their third homes in any of the following cities: Beijing, Shanghai, Shenzan and Hangzhou.

Manufacturing surveys in India saw a sixteenth month of expansion while Russia's activity expanded a seventh consecutive month. In Australia, after 5 weeks of campaigning and 14 million votes, there is no clear winner of the Federal Election, with the country having a hung parliament for the first time in seventy years.

The equity rally was quickly capped by the index of pending U.S. home sales in June slumping to a record low, while consumer spending and personal incomes remained flat. The U.S. trade gap widened nearly nineteen percent on the previous month and initial jobless claims in the U.S. rose to the highest level since early April 2010. The U.S. Federal Reserve subsequently decided to reinvest proceeds from the nearly US\$1.3 trillion in mortgage linked debt to counter a weakening U.S. economic recovery as banks repossessed the second highest monthly number of U.S. homes ever in July 2010.

On a positive note, International Monetary Fund, European Central Bank and European Commission officials said Greece would likely meet this year's deficit cutting target, though risks remain and a surge in second quarter German GDP saw the fastest growth rate in more than three years for the currency bloc. Conversely, quarterly gross GDP in Japan grew just 0.1% which saw China overtake Japan as the world's second largest economy on a nominal dollar basis.

BHP Billiton announced on the 18th August its intention to make an all-cash offer to acquire all of the issued and outstanding common shares of Potash Corporation of Saskatchewan (PotashCorp) at a price of US\$130 per share. The offer values the total equity of PotashCorp at approximately US\$40 billion on a fully-diluted basis. Should BHP Billiton's offer for PotashCorp be successful it will accelerate BHP Billiton's entry into the fertilizer industry.

On 2nd August Kinross Gold Corporation and Red Back Mining Inc announced that their respective boards of directors had unanimously approved a friendly merger through a plan of arrangement whereby Kinross would acquire all of the outstanding common shares of Red Back that Kinross does not already own. The total value of the proposed transaction is approximately US\$7.1 billion on a fully diluted basis.

Xstrata Plc (through a wholly owned subsidiary) and Sphere Minerals Limited (Sphere) entered into an Offer Implementation Agreement for an all cash A\$428 million offer by Xstrata at A\$2.50/share to acquire all of the issued and outstanding shares of Sphere by way of a recommended off-market takeover.

Portfolio Action

As at the end of August, the net long position of the Fund was 73.0%, up slightly from 72.3% a month earlier. The gross exposure of the Fund was 115.5%, up from 114.6% as at the end of July. During the month the Fund reduced its holdings in Rio Tinto, PanAust, Matrix Composites and Engineering and Alpha Natural Resources. In addition, the Fund exited long positions in Terramin Australia, Macarthur Coal, Fortescue Metals Group and Flinders Mines. New long positions were established in Ivanhoe Australia, Gloucester Coal and MEO Australia. The S&P/ASX Metals and Mining Accumulation Index fell 2.41% August whilst the FTSE 350 Mining Index fell 2.75% in local currency terms. In North America, the S&P500 Metals & Mining Index fell 1.39% and the S&P/TSX Global Mining Index gained 3.96%.

Key Contributors

Key contributors to the portfolio's performance during August included Matrix Composites and Engineering (+57.19%), Ampella Mining (31.47%), Integra Mining (+23.19%) and Aurora Oil and Gas (+17.07%).

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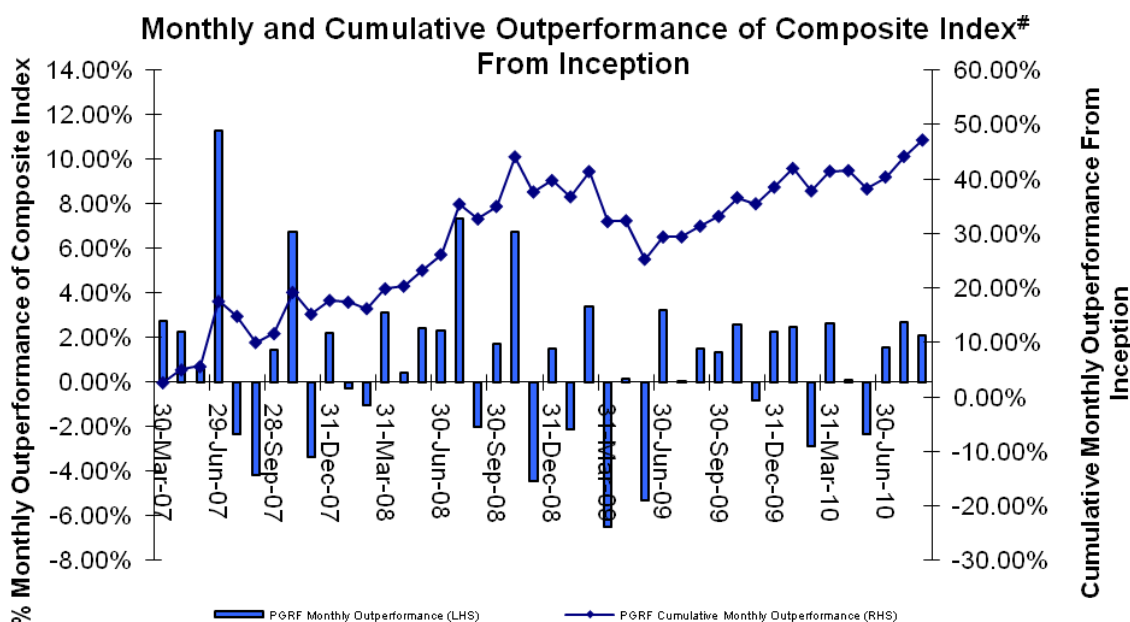
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Fund Performance

Net Returns to 31 August 2010	Pengana Global Resources Fund	Composite Index *
1 Month	2.50%	0.43%
3 Months	2.64%	-3.62%
6 Months	8.27%	1.55%
12 Months	27.46%	13.62%
3 Years	7.65% p.a.	-3.67% p.a.
Since inception ⁴	+13.76% p.a.	+0.63% p.a.

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

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



#75% HSBC Global Mining Total Return Index, 25% MSCI World Energy

Commodity Price Changes for August 2010

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	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	-9.21%	-7.61%	-6.37%
Gold	5.46%	7.06%	8.30%
Copper	2.21%	3.81%	5.05%
Aluminium	-3.93%	-2.33%	-1.09%
Zinc	3.66%	5.26%	6.50%
Nickel	0.73%	2.33%	3.57%
Lead	-2.67%	-1.07%	0.17%
Tin	8.81%	10.41%	11.65%

Portfolio Structure (as at end of August 2010)	
Number of Stocks	38
Gross Exposure	115.5%
Net Long Exposure	73.0%
Breakdown by Strategy	Pairs 29.17% Directional Long 75.94% Directional Short -5.11%

Top 5 Positions (in alphabetical order)
BHP Billiton
Freeport-McMoran Copper & Gold
Matrix Composites and Engineering
Rio Tinto
Teck Resources

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