

Pengana Global Resources Fund

October 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\$5.1m
Minimum Initial Investment Amount	A\$20,000	Application Price at Month End	A\$1.9211
Inception Date ⁴	March 2007	Redemption Price at Month End	A\$1.9095
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%	-3.66%	3.94%	2.50%	7.93%	5.25%			16.39%
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 resources rally continues reaching a 2 year high**
- **A weakening US\$ and growing expectations of new stimulus measures support commodity prices**
- **Corporate activity remains buoyant.**

Commodity prices were generally higher in October, in part buoyed by a weakening U.S. dollar. The U.S. dollar fell 3.81% against the Japanese yen and 2.19% against the euro over the month. The best performing commodity for the month was zinc (+9.49%) with lead also performing strongly (+7.45%). However, for the year to date both zinc (-7.16%) and lead (+1.74%) have been relative laggards compared to nickel (+20.57%), gold (+21.36%) and tin (+42.02%). Over the month nickel (-2.99%) and aluminium (-0.52%) were the notable negative performers whilst copper (+2.11%) and oil (+1.81%) managed small gains.

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

Stronger than expected Chinese manufacturing data outweighed news of a slowdown in U.S. factory activity to extend the resources rally into October.

On a more positive note for the U.S; Pending sales of previously owned homes and data on new home starts indicated that the housing market was stabilising, albeit at very low levels. Growth in the service sector accelerated more quickly than forecast in September, with hiring and small business optimism also improved. Consumer spending also rose at its fastest pace in four years, again from a very low base. Notwithstanding the above, no real inroads continue to be made into reducing America's stubbornly high unemployment rate.

Sovereign debt issues came to the fore again over the month as the Irish Central Bank cited Ireland's economy will crawl to a virtual halt this year, while Greece forecast their economy will contract at 2.6 percent next year after a 4 percent slump in 2010. Portuguese officials urged for unity on austerity measures in the face of continuing opposition.

The European Central Bank left rates unchanged in October. However, in a move unexpected by the market, China increased interest rates for the first time since 2007 as rising inflation pushed real interest rates into negative territory for an economy growing at almost 10 percent per annum.

The rally through the month was perpetuated by a growing conviction that Central Banks will stimulate more to bolster struggling economies. The Bank of Japan set the positive tone by cutting interest rates close to zero and pledged to buy 5 trillion yen worth of assets in a fresh dose of economic stimulus. Growing expectation of another round of quantitative easing from the US Federal Reserve fuelled investor desires as the International Monetary Fund downgraded its 2010 growth outlook for the US economy to 2.6 percent from 3.3 percent and warned of a trail risk of deflation.

In other news, OPEC kept intact the current supply policy. BHP Billiton and Rio Tinto scrapped their proposed A\$116 billion iron ore joint venture. China's Sinopec bought 40 percent of Spanish oil major Repsol's Brazilian arm for \$7.1 billion. China's national oil company CNOOC proposed to pay \$1.1 billion for a stake in US shale oil and gas producer Chesapeake Energy. Perilya launched a A\$185 million all cash bid for Canada's GlobeStar Mining and Kagara announced an all cash takeover offer for Copper Strike at 11 cents per share.

Portfolio Action

As at the end of October, the net long position of the Fund was 70.8%, up from 67.20% a month earlier. The gross exposure of the Fund was 104.4%, up slightly from 103.4% as at the end of September. During October the Fund reduced its holdings in Ampella Mining, Adamus Resources and Integra Mining. The Fund exited long positions in US Steel, Posco, Intrepid Mines and Mincor Resources. The Fund added to existing long positions in Alcoa, BHP Billiton and Vale over the month. The S&P/ASX Metals and Mining Accumulation Index gained 6.04% in October whilst the FTSE 350 Mining Index gained 6.69% in local currency terms. In North America, the S&P500 Metals & Mining Index gained 4.17% and the S&P/TSE Global Mining Index gained 6.17%.

Key Contributors

Key contributors to the portfolio's performance during October included Freeport-McMoran Copper & Gold (+9.77%), Independence Group (+17.65%) and Paladin Energy (+14.21%).

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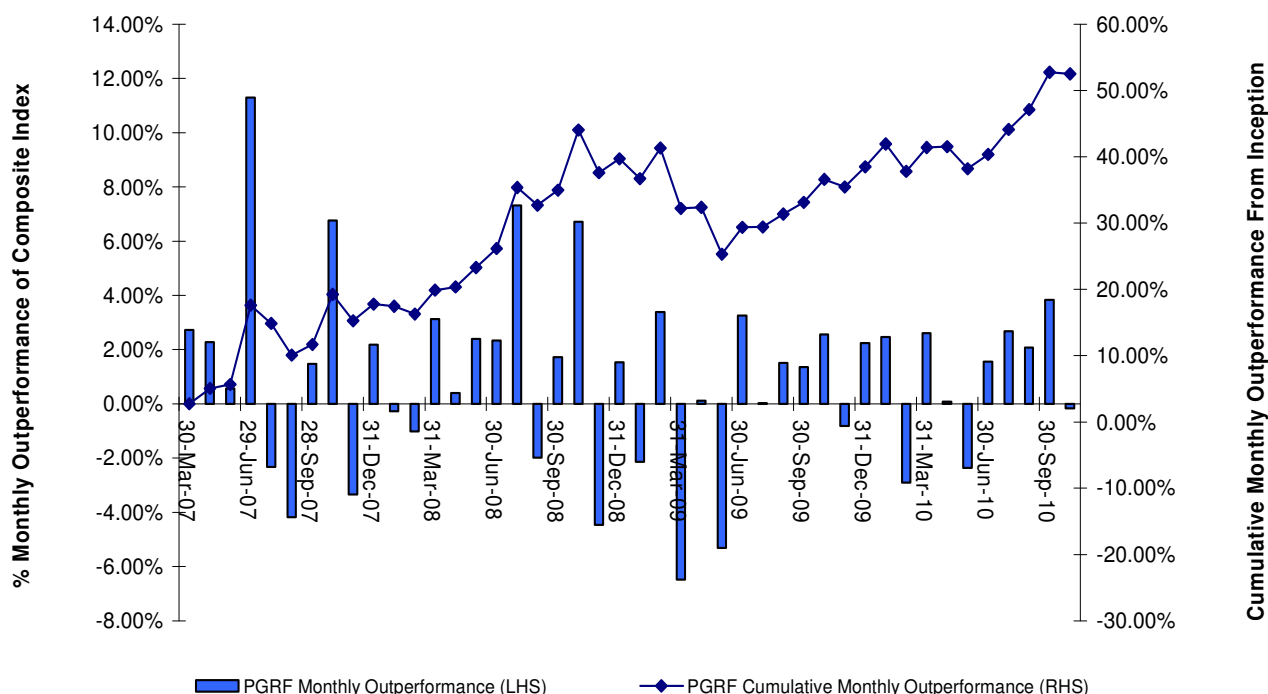
Fund Performance

Net Returns to 31 October 2010	Pengana Global Resources Fund ³	Composite Index *
1 Month	5.25%	5.41%
3 Months	16.44%	10.19%
6 Months	14.20%	6.08%
12 Months	34.84%	20.67%
2 Years	29.05% p.a.	24.53% p.a.
3 Years	5.12% p.a.	-4.60% p.a.
Since inception⁴	+17.09% p.a.	+3.18% 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^{3,4}

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\$

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 Price Changes for October 2010

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	1.81%	0.14%	-0.43%
Gold	3.60%	1.93%	1.36%
Copper	2.11%	0.44%	-0.13%
Aluminium	-0.52%	-2.19%	-2.76%
Zinc	9.49%	7.82%	7.25%
Nickel	-2.99%	-4.66%	-5.23%
Lead	7.45%	5.78%	5.21%
Tin	3.23%	1.56%	0.99%

Portfolio Structure (as at end of October 2010)

Number of Stocks	42
Gross Exposure	104.4%
Net Long Exposure	70.8%
Breakdown by Strategy	Pairs 31.03% Directional Long 71.53% Directional Short -2.56%

Top 5 Positions (in alphabetical order)

BHP Billiton
Freeport McMoran Copper & Gold
Rio Tinto
Royal Dutch Shell Petroleum
Vale SA

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