

Pengana Global Resources Fund January 2011 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\$5.96m
Minimum Initial Investment Amount	A\$20,000	Application Price at Month End	A\$2.1940
Inception Date	March 2007	Redemption Price at Month End	A\$2.1808
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
2011	2.19%												2.19%
2010	-5.88%	0.54%	9.79%	-1.91%	-2.05%	-3.66%	3.94%	2.50%	7.93%	5.25%	5.01%	6.43%	30.07%
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%

- **Gold price fell 6.11% in January**
- **Flood devastation in Queensland negatively impacts coal production**
- **Solid start to the US Fourth Quarter Reporting Season**
- **The US Federal Reserve grows more confident in the US economic recovery**
- **Over US\$21 billion in corporate activity announced**

Commodity price movements during January were mixed. Tin was the standout commodity with a gain of 10.97% over the month closely followed by nickel (+7.47%). On the other hand, gold was the worst performer falling 6.11% with zinc falling 5.45%. Spot prices of metallurgical coal moved strongly higher during the month as the severity of flood damage to mines and infrastructure in Queensland became apparent.

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

Stocks greeted the New Year with a rally as data showed the US manufacturing sector grew for a 17th straight month, US construction spending increased to its highest level since June 2010 and three times as many private sector jobs were created in the US than expected. Markets were also buoyed after data showed China's factory inflation cooled in December 2010, while manufacturing in Europe accelerated.

Record flooding in Queensland, Australia affected 75% of the state's coal mines with over 90 million tonnes of annual production capacity issuing Force Majeure Notices, equating to A\$1 billion in lost (or delayed) production as estimated by the Queensland Resource Council. News of this natural disaster had a materially negative impact on the Australian Resources sector and the Australian Dollar.

European debt concerns remained over the month, but were largely quelled by a healthy bond auction in Portugal and a solid start to the Fourth Quarter Earnings Season, with better than expected results from Alcoa, Caterpillar and Exxon. Furthermore, China's Vice Premier Li stated that China is willing to buy around 6 billion Euros of Spanish government bonds, equating to its Greek and Portuguese debt holdings combined.

Disappointing jobs growth reported by the US Labour Department saw the Greenback appreciate. The reported unemployment rate in the US fell to 9.4%, the lowest since May 2009 and down from 9.8% in November 2010. However, a large portion of this fall was due to a sharp decline in the labour force as people gave up searching for work. Notwithstanding the above, US Federal Reserve Chairman Ben Bernanke stated in a testimony to the Senate Budget Committee that he has grown more confident in the US economic recovery, but offered no clues on the direction of future monetary policy. This was further evidenced later in the month with factory activity in the US Midwest hitting a 22 year high in January and news consumers are spending more with a 0.7% increase in spending in December 2010, being the sixth straight monthly gain. All of which helped push the US economy ahead at an annual rate of 3.2% in the Fourth Quarter.

China's Fourth Quarter growth accelerated to 9.8% from 9.6% in the Third Quarter, defying expectations of a slowdown to 9.2% and leaving the Market to speculate that the government may employ tighter policy and/or let the Yuan appreciate. Standard and Poors cut Japan's credit rating for the first time since 2002 stating Tokyo lacks a plan to deal with mounting debt. Unprecedented rallies against poverty, corruption and oppression in Egypt weighed on the market and spiked Brent oil prices to US\$100 per barrel on concerns over disrupted access to infrastructure and contagion to larger Middle East oil producing countries.

Merger and Acquisitions featured again over the month with Duke Energy agreeing to buy Progress Energy for \$13.7 billion in stock. Alpha Natural Resources agreed to pay \$7.1 billion for Massey Energy to form the second largest coal miner by market value and CNOOC paying \$1.3 billion in its second shale deal with America's Chesapeake Energy.

Portfolio Action

As at the end of January, the net long position of the Fund was 64.7%, down from 72.7% as at the end of December. The gross exposure of the Fund was 98%, down from 101.90% a month earlier. During January the Fund reduced shareholdings in BHP Billiton, Bursledon Energy, Bathurst Resources, REY Resources and Doray Minerals. Furthermore the Fund exited long positions in Alpha Natural Resources, Ivanhoe Australia, Dampier Gold and Ampella Mining. Also, during January the Fund added to existing long positions in ConocoPhillips, Occidental Petroleum, ExxonMobil and Bandanna Energy as well as establishing new long positions in Barrick Gold Corporation and Berkeley Resources. The S&P/ASX Metals and Mining Accumulation Index fell 3.69% in January while the FTSE 350 Mining Index fell 7.35% in local currency terms. In North America, the S&P500 Metals & Mining Index fell 3.21% and the S&P/TSE Global Mining Index fell 5.52%.

Key Contributors

Key contributors to the portfolio's performance during January included Bathurst Resources (26.17%), Intrepid Mines (-14.18%), ExxonMobil (10.25%) and Resource Generation (15.69%).

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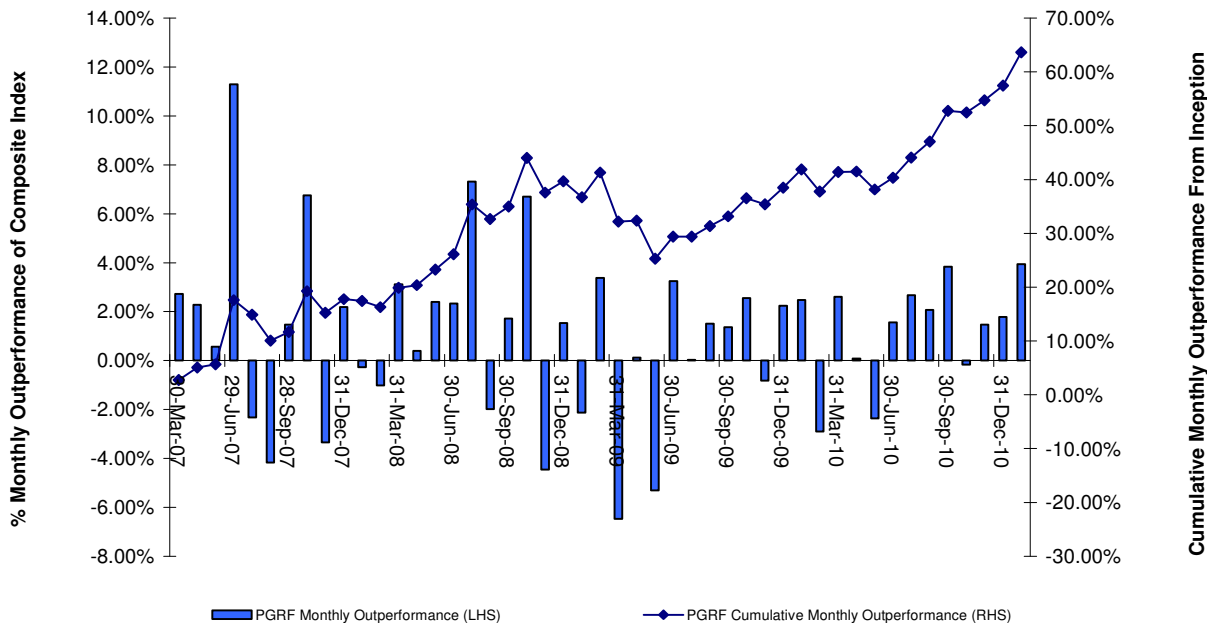
Fund Performance

Net Returns to 31 January 2011	Pengana Global Resources Fund	Composite Index *
1 Month	2.19%	-1.75%
3 Months	14.21%	6.47%
6 Months	32.98%	17.32%
12 Months	41.22%	22.71%
2 Years	40.94% p.a.	27.97% p.a.
3 Years	13.89% p.a.	0.47% p.a.
Since inception⁴	+19.92% p.a.	+4.64% 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.

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 January 2011

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	0.94%	3.49%	-1.36%
Gold	-6.11%	-3.56%	-8.41%
Copper	-1.53%	1.02%	-3.83%
Aluminium	-0.24%	2.31%	-2.54%
Zinc	-5.45%	-2.90%	-7.75%
Nickel	7.47%	10.02%	5.17%
Lead	-1.62%	0.93%	-3.92%
Tin	10.97%	13.52%	8.67%

Portfolio Structure (as at end of January 2011)	
Number of Stocks	43
Gross Exposure	98%
Net Long Exposure	64.7%
Breakdown by Strategy	Pairs 23.67% Directional Long 80.59% Directional Short -4.26%

Top 5 Positions (in alphabetical order)
BHP Billiton
Freeport McMoran Copper & Gold
Rio Tinto
Royal Dutch Shell Petroleum
Vale SA

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