

Pengana Global Resources Fund

May 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\$7.07m
Minimum Initial Investment Amount	A\$20,000	Application Price at Month End	A\$2.1565
Inception Date	March 2007	Redemption Price at Month End	A\$2.1436
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%	0.96%	-1.15%	-0.13%	-1.37%								0.44%
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%

- **Concerns about the strength and trajectory of global economic growth dominated investment markets**
- **Fears that Greece could technically default on its debt weighed on markets**
- **Early signs that tightening policy is managing a strong Chinese economy**
- **Glencore International AG concluded its US\$11 billion dual London and Hong Kong listing**

Concerns about the strength and trajectory of global economic growth dominated investment markets during May. In particular, apprehension about Greece possibly defaulting on its sovereign debt and its ability to secure another bailout package led to a more cautious view of Europe's economic recovery. In addition, the strength of the U.S. economic recovery appeared to be faltering with weaker than expected employment growth, housing continuing to be lacklustre and the markets faced with the prospect of the U.S. Federal Reserve ending its quantitative easing at the end of June. In China, the reserve requirement ratio for Chinese banks was lifted by another 50 basis points, a continuation of tighter monetary policy that began in January 2010.

Given the above mentioned concerns investors adopted a more cautious stance and migrated to a "risk-off" position. As a result, commodity prices generally moved lower throughout May. Big falls in nickel (-12.98%), tin (-13.26%) and oil (-9.87%) occurred during May. Zinc (+1.28%) and lead (+0.08%) were notable exceptions to a generally weaker price environment for commodities. Interestingly, despite investors adopting a more cautious stance during May gold (-1.26%) fell modestly.

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 news of Bin Laden's death started the month off on a euphoric note which was quickly quelled by a slew of economic data that generally disappointed expectations. Despite U.S. companies creating jobs at the fastest pace in five years, the jobless rate rose to an 8-month high of 9%. GDP in the US grew at an annual rate of 1.8% in the first three months of 2011, lower than the expected 2.1% and corporate profits fell at a rate of 0.9%, reflecting a slowdown in productivity growth. Accordingly fears of a softening in the demand for commodities, saw a correction in the metals and energy complex, with the oil price suffering its biggest one day drop ever (in dollar terms) and the silver price having the biggest weekly decline in almost 30 years.

Fears over euro-zone debt again weighed on markets as expectations grew that Greece could technically default on its debt obligations next month. The Greek government subsequently agreed to impose austerity measures demanded by their international lenders in exchange for receiving funds necessary to avoid default. The European Union is currently drafting a second bailout package for Greece.

Japan suspended activities in all nuclear plants at Hamaoka as it reviews its target of having nuclear supplying 50% of electricity by 2030. Moody's rating agency warned that government actions to reflate the Japanese economy (post earthquake) might still not be enough to bring the ballooning government debt under control. Furthermore, stubborn weaknesses in consumption, with household spending falling 3.0% and wage earning falling 1.4% year on year in April are the fuelling concerns over the long term prospect of the Japanese economy.

Stronger than expected Chinese trade data eased concerns of slowdown in the world's second largest economy. However, subsequent data suggested the economy has cooled with inflation easing to 5.3% and industrial output rising to a lower than expected rate of 13.4%. Notwithstanding the above, the central bank further increased the reserve requirement ratio for its commercial banks by another one half percent over May. The effects of tighter policy measures are being slowly reflected in economic releases with preliminary data showing Chinese factories expanding at their slowest rate in 10 months and Chinese flash PMI easing to 51.1 from 51.8 in April.

In the corporate sector, Glencore International AG concluded its US\$11 billion dual London and Hong Kong listing, valuing the Swiss based commodity trader at over US\$59 billion.

Portfolio Action

As at the end of May, the net long position of the Fund was 58.7%, a decrease from 65.9% as at the end of April. The gross exposure of the Fund was 87.3%, down from 93.3% a month earlier. In May the Fund exited its shareholdings in Alcoa, PanAust, Red 5 and Resource Generation. In addition, the fund added to existing positions in Antofagasta, Freeport-McMoran Copper & Gold and Goldcorp. The S&P/Metals and Mining Accumulation Index fell 1.73% in May while the FTSE 350 Mining Index fell 4.10% in local currency terms. In North America, the S&P500 Metals & Mining Index fell 4.70% and the S&P/TSE Global Mining Index fell 3.63%.

Key Contributors

Key contributors to the portfolio's performance during May included Bathurst Resources (8.55%), BC Iron (+4.93%), Petrobras - 6.32%), Vedanta (-7.44%) and Xstrata (-6.31%).

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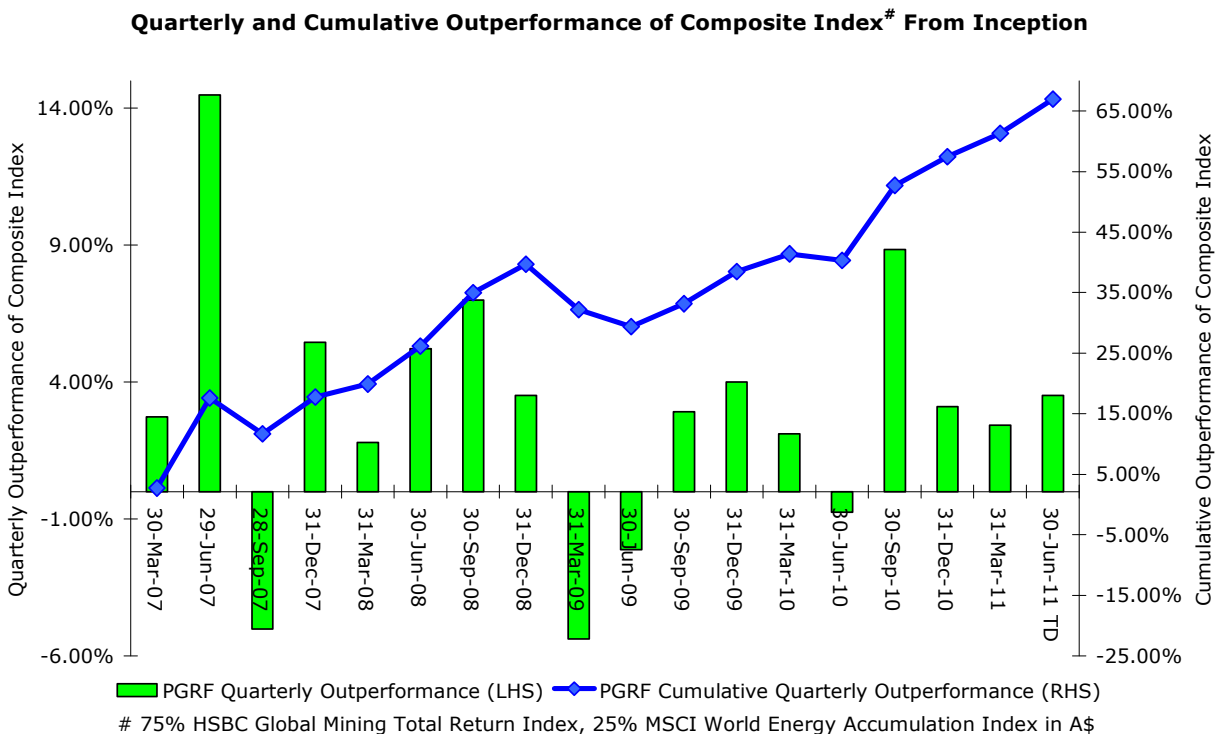
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Fund Performance

Net Returns to 31st May 2011	Pengana Global Resources Fund ³	Composite Index *
1 Month	-1.37%	-2.39%
3 Months	-2.64%	-5.53%
6 Months	6.90%	-1.01%
12 Months	30.88%	8.39%
2 Years	31.44% p.a.	13.72% p.a.
3 Years	7.08% p.a.	-4.61% p.a.
Since inception⁴	+17.74% p.a.	+3.33% p.a.

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

Pengana Global Resources Fund – Quarterly and Cumulative Outperformance of Composite Index # From Inception.^{3,4}



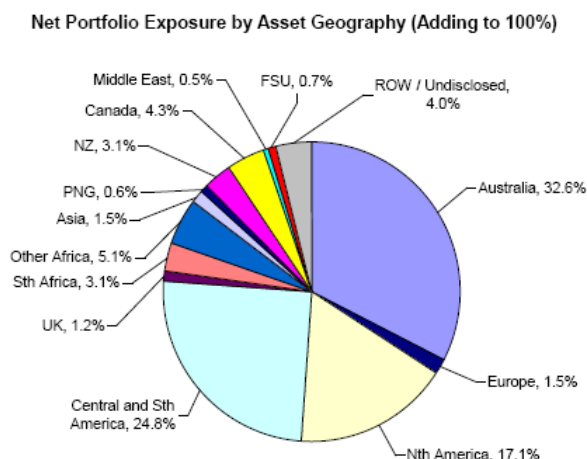
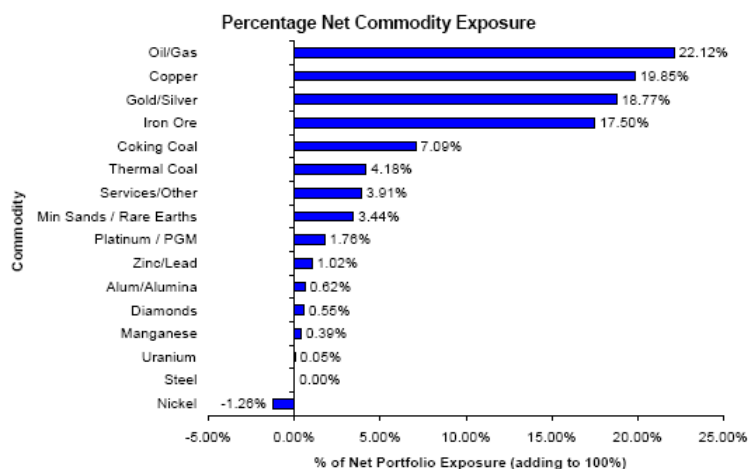
⁴ Inception date: March 2007, launch date: September 2007. March 2007 – September 2007: Performance of internal fund seeded by Pengana Capital. Past performance is not a reliable indicator of future performance. The value of investments can go up and down

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Portfolio Commodity and Geography Exposures for May 2011



Commodity Price Changes for May 2011

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	-9.87%	-7.16%	-7.08%
Gold	-1.26%	1.45%	1.53%
Copper	-1.56%	1.15%	1.23%
Aluminium	-4.44%	-1.73%	-1.65%
Zinc	1.28%	3.99%	4.07%
Nickel	-12.98%	-10.27%	-10.19%
Lead	0.08%	-2.63%	-2.55%
Tin	-13.26%	-10.55%	-10.47%

Portfolio Structure (as at end of April 2011)	
Number of Stocks	35
Gross Exposure	87.3%
Net Long Exposure	58.7%
Breakdown by Strategy	Pairs 19.1% Directional Long 83.87% Directional Short -2.97%

Top 5 Positions (in alphabetical order)
Antofagasta
BHP Billiton
Freeport McMoran Copper & Gold
Rio Tinto
Vale

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