

# Pengana Global Resources Fund

## August 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

<b>Style</b>	Fundamental, Long bias, Long Short	<b>Management Fees<sup>1</sup> (monthly)</b>	1.54% p.a.
<b>Fund Aim</b>	To achieve a performance in excess of 15% p.a. <sup>2</sup>	<b>Performance Fees<sup>1</sup> (quarterly)</b>	20.5% of the performance above the Index*
<b>Investors</b>	Open	<b>AUM at Month End</b>	A\$6.28m
<b>Minimum Initial Investment Amount</b>	A\$20,000	<b>Application Price at Month End</b>	A\$1.6713
<b>Inception Date</b>	March 2007	<b>Redemption Price at Month End</b>	A\$1.6613
<b>Index*</b>	*75% HSBC Global Mining Total Return Index, 25% MSCI World Energy Accumulation Index denominated in AUD	<b>Identification Code(s)</b>	ARSN 142 322 361 APIR PCL0003AU

### Fund Commentary

Intense market volatility in August and the preceding months have offered many potential pitfalls for (professional) investors. While difficult, these market conditions are illustrating the relative worth and capital protection of investing in Resources through a (long biased) long-short strategy. For the calendar year to date, the Pengana Global Resources Fund is down a net 4.71% versus the market down 13.42%. While the market has re-adjusted expectations for global economic growth downwards, it is our belief that we will avoid a second global recession and that resource equities are offering compelling value at the current juncture. The longer term themes of industrialisation, urbanisation and growth in consumerism of emerging economies are still very much intact and complemented by scarcity value and industry maturation of commodity industries on the supply side. Further, history has shown that trying to "time" markets is inherently difficult and what may appear to be a contrarian investment at the time can prove to be valuable over the medium to longer term.

### Fund Performance (A\$, net of fees)<sup>3</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	2.19%	0.96%	-1.15%	-0.13%	-1.37%	-1.60%	-0.55%	-3.06%					<b>-4.71%</b>
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%	<b>30.07%</b>
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%	<b>53.07%</b>
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%	<b>-32.87%</b>
2007			1.59%	4.91%	9.03%	11.51%	1.07%	-3.89%	10.84%	10.06%	-3.02%	0.16%	<b>49.13%</b>

Movements in financial markets during August were dominated by macro-economic events. Continued uncertainty over the U.S. debt ceiling, European sovereign debt and a downgrade of U.S. debt by Standard & Poor's all contributed to investors adopting a cautious stance during August. The U.S. 10 year bond fell in yield from 2.80% as at the end of July to finish August at 2.23% as investors sought out safe-havens. Gold (+12.49%) was also a beneficiary of safe-haven buying, but the opposite was true in most other commodities. Tin (-14.03%) and nickel (-10.00%) were amongst the hardest hit commodities during August with oil (-7.32%), copper (-5.49%) and zinc (-8.56%) all negatively impacted by a deteriorating demand outlook in the near term. Significantly, for the calendar year to date only gold (+28.87%) has registered a positive return with all base metals and oil now down from where they began 2011.

<sup>1</sup> Including GST less any reduced tax input credits. Please refer to the Product Disclosure Statement for a more detailed explanation.

<sup>2</sup> This is an objective only. No guarantee can be given that this objective will be achieved

<sup>3</sup> 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

August 2011 for equity markets can only be described as wild. The month started on positive news over a deal in Washington to raise the debt ceiling, avoiding an unprecedented default. However, the market's relief was tempered by news that the U.S. manufacturing sector grew at its slowest pace in two years and factories in Asia and Europe expanded in July at the weakest rate since the 2009 recession. Exacerbating fears over a looming global recession, China's official government PMI dropped to its weakest level in more than two years after ten months of policy tightening. In addition to the above, ongoing fears of a U.S. credit rating downgrade kept investors nervous along with news that US consumer spending dropped in June for the first time in nearly two years and incomes barely rose, evidencing the economy lacked momentum as the second quarter drew to a close.

European shares hit a nine month low amid worries that slowing economic growth will make it harder to overcome the Euro-zone's debt troubles as fears over Italy, Europe's second biggest debtor nation, re-ignited concerns over Europe's unresolved debt crisis. Over the month, unfounded rumours over the economic health of France, the bloc's second largest economy sent European and world shares into a tail-spin, increasing global pressure on the European Union to stem the market rout. A temporary short-selling ban was placed on European Financial stocks and the European Central Bank intervened dramatically in bond markets to support Italy and Spain.

The Swiss National Bank announced a shock cut in interest rates and threatened more action to cap a soaring Swiss franc (against the euro and dollar), given the currencies safe-haven appeal amid mounting concerns about global growth. Following Switzerland's lead, Japan sold one trillion Yen and loosened its monetary reins over fears the appreciating currency would de-rail its post-earthquake recovery.

Markets enjoyed a brief respite from recession fears on news of stronger than expected US payrolls data. However, US stocks plunged on panic selling after the historic loss of the country's triple-A credit rating with ratings agency Standard and Poor's downgrading the US one notch to AA-plus.

The ensuing week in global equity markets was one of intense volatility that saw the CBOE Volatility Index (or Fear Index) surge 50%, gold post its biggest weekly gain in two and a half years, breaching US\$1,900 per ounce and the Dow Jones Industrial Index in negative territory for the year.

Anaemic German GDP data for the June quarter reinforced market fears over European debt that subsequently saw France and Germany unveil far-reaching plans for closer euro-zone integration with both countries looking to defend the euro and lay the groundwork for future fiscal union.

After a 12.7% fall in the S&P 500 Index intra-month and four consecutive weeks of losses, cautious bargain hunting saw a tepid rally in US stocks on low volume, selling exhaustion and questions over what would drive markets higher in the near term. World stocks settled at an 11 month low.

Better than expected gauges of Chinese and Euro-zone activity and anticipation of another U.S. rescue package after weak housing and regional factories data saw the US market rally 3% in a day ahead of U.S. Federal Reserve Chairman Ben Bernanke's central bank conference. A relief rally helped by stronger consumer spending data saw the month end at a two week high, with investor appetite being eventually capped by news of higher new claims for U.S. unemployment benefits and that the U.S. economy grew slower than expected in the second quarter.

### Portfolio Action

As at the end of August, the net long position of the Fund was 69.8%, up from 65.7% as at the end of July. The gross exposure of the Fund was 96.4%, up from 91.8% a month earlier. In August the Fund reduced its long positions in CONSOL Energy, Petroleo Brasileiro SA, Tiger Resources and Integra Mining. In addition, the Fund exited positions in ABM Resources, Bathurst Resources, BlueScope Steel, Mineral Deposits and Intrepid Mines. During August the Fund increased positions in BHP Billiton, Rio Tinto, Anglo American, Teck Resources and Xstrata. The S&P/ASX Metals and Mining Accumulation index fell 4.72% in August while the FTSE 350 Mining Index fell 9.85% in local currency terms. In North America, the S&P500 Metals and Mining index fell 6.58% and the S&P/TSX Global Mining Index fell 2.16%.

### Key Contributors

Key contributors to the portfolio's performance during August included GR Engineering (-15.09%), Integra Mining (+17.89%), Teck Resources (-10.34%), Vale (-12.95%) and Xstrata (-16.71%).

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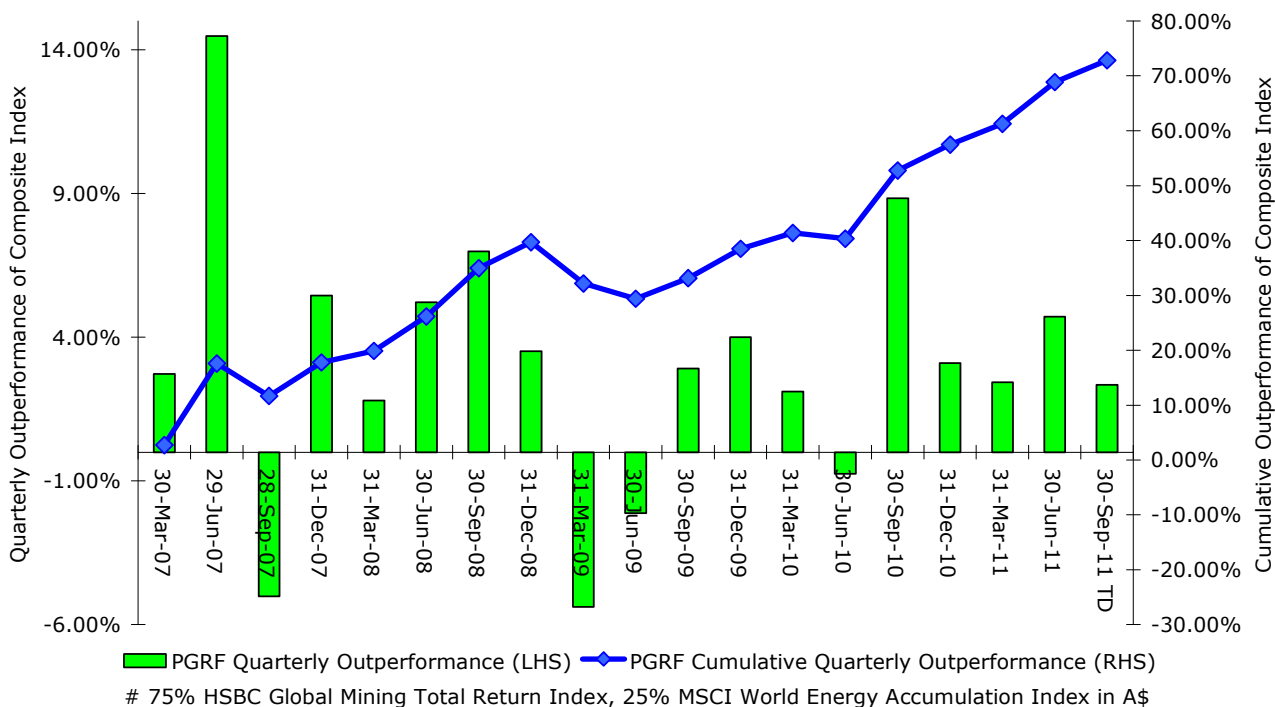
## Fund Performance

Net Returns to 31 <sup>st</sup> August 2011	Pengana Global Resources Fund <sup>3</sup>	Composite Index *
<b>1 Month</b>	-3.06%	-4.00%
<b>3 Months</b>	-5.13%	-8.46%
<b>6 Months</b>	-7.64%	-13.52%
<b>12 Months</b>	20.97%	2.95%
<b>2 Years</b>	24.17% p.a.	8.15% p.a.
<b>3 Years</b>	7.37% p.a.	-2.83% p.a.
<b>Since inception<sup>4</sup></b>	<b>+15.32% p.a.</b>	<b>+1.14% p.a.</b>

\*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<sup>3,4</sup>

### Quarterly and Cumulative Outperformance of Composite Index# From Inception



<sup>4</sup> 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

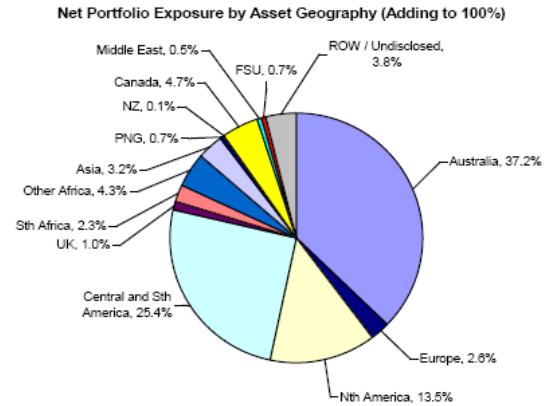
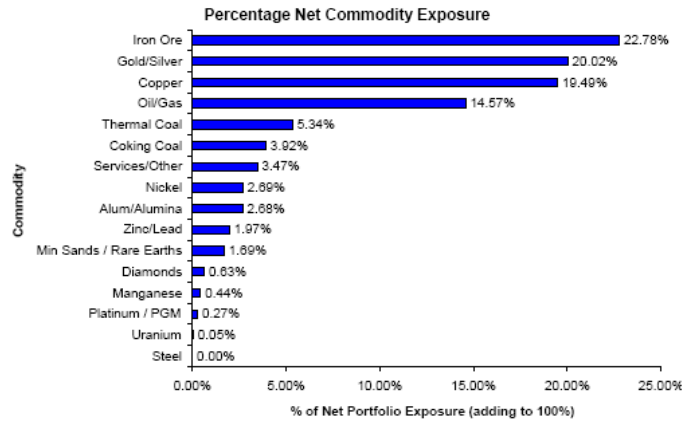
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## Portfolio Commodity and Geography Exposures for August 2011



## Commodity Price Changes for August 2011

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	-7.32%	-4.59%	-7.19%
Gold	12.49%	15.22%	12.62%
Copper	-5.49%	-2.76%	-5.36%
Aluminium	-6.95%	-4.22%	-6.82%
Zinc	-8.56%	-5.83%	-8.43%
Nickel	-10.00%	-7.27%	-9.87%
Lead	-2.24%	0.49%	-2.11%
Tin	-14.03%	-11.30%	-13.90%

Portfolio Structure (as at end of August 2011)	
Number of Stocks	35
Gross Exposure	96.4%
Net Long Exposure	69.8%
Breakdown by Strategy	Pairs 26.57% Directional Long 73.43%

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

## Contact Details

Pengana Capital Limited • Level 12, 167 Macquarie 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](http://www.pengana.com) or contact:

**Institutional Clients:** John Hamer, +61 2 8524 9936, [denis.carroll@pengana.com](mailto:denis.carroll@pengana.com)  
**Private Clients and Advisors:** Justin Brooks, +61 3 8663 7906, [justin.brooks@pengana.com](mailto:justin.brooks@pengana.com)  
**Private Clients and Advisors:** Damian Crowley, +61 2 8524 9970, [damian.crowley@pengana.com](mailto:damian.crowley@pengana.com)

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