

# Pengana Global Resources Fund October 2011 Update



1 of 4

## 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\$6.05m
<b>Minimum Initial Investment Amount</b>	A\$20,000	<b>Application Price at Month End</b>	A\$1.5848
<b>Inception Date</b>	March 2007	<b>Redemption Price at Month End</b>	A\$1.5754
<b>Index*</b>	*75% Global Mining Total Return Index, 25% Energy Index denominated in AUD	<b>Identification Code(s)</b>	ARSN 142 322 361 APIR PCL0003AU

## Fund Commentary

- European Heads of State, the International Monetary Fund and banks seal a deal to address the Euro-Zone debt crisis.
- Continued data evidencing the US economy is not slipping into recession.
- China's manufacturing sector expanded in October to snap three months of contraction.

Commodity price movements during October were generally positive. Most notably, spot iron ore prices gapped nearly 30% lower in response to moderating steel output, excess inventories and softer global economic growth. On a more positive note, the oil price gained 17.77% whilst copper gained 10.78%. Apart from copper, movements in base metal prices were generally disappointing with nickel (+5.03%), aluminium (-0.91%), zinc (+0.71%) and lead (-3.86%) all reflecting prevailing investor uncertainty as policy makers grappled with an appropriate response to the worsening Greek sovereign debt situation for most of October. The Australian dollar provided a significant headwind for commodity producers with Australian operations with the Australian dollar up 9.02% for the month.

	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%	-10.59%	6.06%			<b>-9.64%</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>

<sup>1</sup> Including GST less any reduced tax input credits. Please refer to the Information Memorandum 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.

# Pengana Global Resources Fund October 2011 Update



2 of 4

## Market Commentary

October 2011 started on a weak note with Greece's admission that it will miss its deficit target this year and with new factory activity in Europe and Asia slumped to levels not seen since the depths of the Global Financial Crisis as export demand dropped.

The growing prospects of a debt default by Greece in the coming months continued to stoke fears of a major banking crisis in Europe. Stocks snapped their losing streak on news that EU finance Ministers were preparing actions to re-capitalise and safeguard their banks, with French-Belgian municipal lender Dexia SA the first European bank to have been bailed out. The rebound in shares was helped by economic data showing growth in the US service sector was steady in September and private hiring picked up, suggesting the economy was not slipping into recession. However, news that the US unemployment rate held steady at 9.1% was negated by downgrades of Spain and Italy's credit ratings by several Ratings Agencies, re-igniting investor concerns over Europe's debt crisis.

A renewed pledge by German and French leaders to formulate a plan to tackle the Euro-zone debt crisis by month's end, which included banks to voluntarily accept losses of up to 60% on their holding in Greek debt reinvigorated the equity rally, albeit on light volume. News that US retail sales in September rose at the fastest pace in seven months gave the economic recovery and share market more momentum.

Market anxiety returned on news that plans to tackle the Euro-Zone debt crisis stalled with Paris and Berlin at odds over how to increase the firepower of the region's bailout fund. European Heads of State, the International Monetary Fund and banks eventually sealed a deal that foresees a recapitalisation of hard-hit European lenders and a leveraging of the bloc's rescue fund to 1.0 trillion euros. The agreement also included provisions for the private sector to accept a 50% write-down of investments in Greek bonds, though details on how to recapitalise European banks and boost the rescue fund have not been finalised.

The market's acceptance of the deal (in principal) was bolstered on news of Beijing's possible participation in the bailout Fund. China's manufacturing sector expanded in October to snap three months of contraction, allaying Market fears of a hard landing for the world's second largest economy.

## Portfolio Action

As at the end of October, the net long position of the Fund was 68.3%, up from 62.1% as at the end of September. The gross exposure of the Fund was 93.8%, up from 88.5% a month earlier. In October the Fund exited long positions in Fortescue Metals Group and Alumina. The Fund added new long positions in Newmont Mining and Mirabela Nickel during the month. The S&P/ASX Metals and Mining Accumulation Index gained 8.15% in October while the FTSE 350 Mining Index gained 13.78% in local currency terms. In North America, the S&P500 Metals and Mining index gained 19.41% and the S&P/TSX Global Mining Index gained 10.39%.

## Key Contributors

Key contributors to the portfolio's performance during October included Iluka Resources (+29.50%), Occidental Petroleum (+30.00%), Teck Resources (+37.38%) and Western Areas (+34.26%).

## Fund Performance

Net Returns to 31 <sup>st</sup> October 2011	Pengana Global Resources Fund	Composite Index *
1 Month	6.06%	5.30%
3 Months	-8.07%	-10.51%
6 Months	-11.27%	-16.70%
12 Months	0.99%	-12.54%
2 Years	16.69% p.a.	2.73% p.a.
3 Years	18.92% p.a.	10.69% p.a.
Since inception <sup>4</sup>	<b>+13.44% p.a.</b>	<b>-0.41% p.a.</b>

\*75% Global Mining Total Return Index, 25% Energy Accumulation Index denominated in AUD

<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

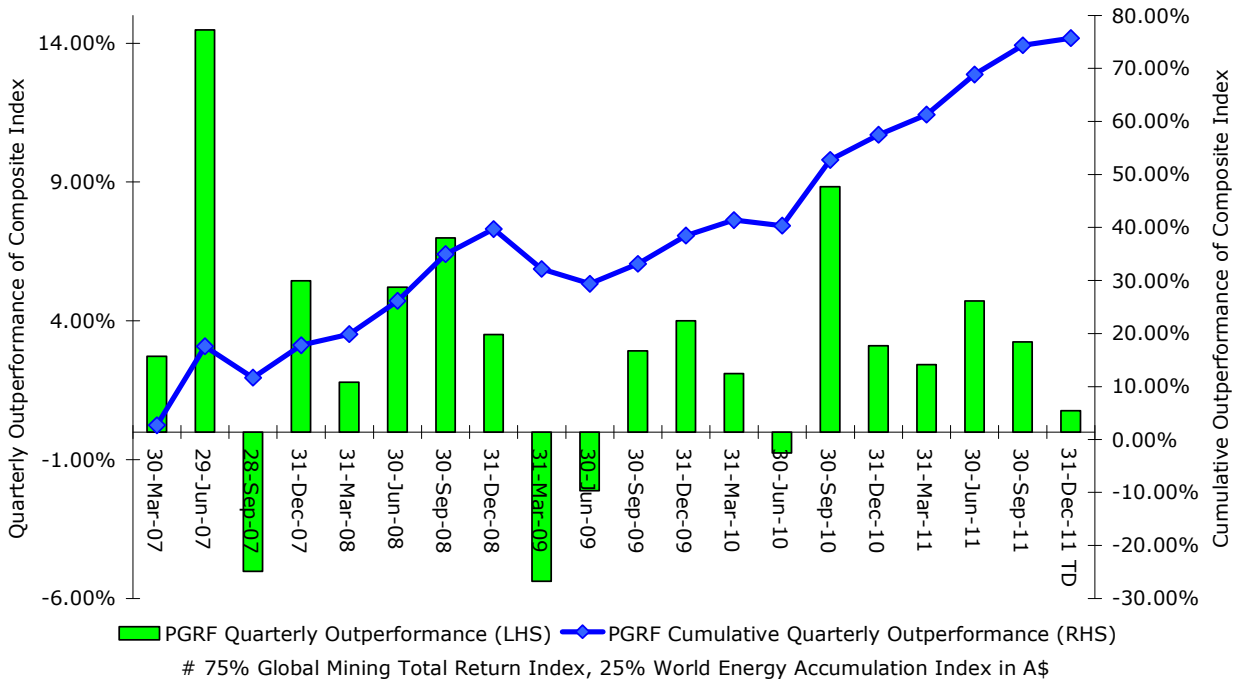
# Pengana Global Resources Fund October 2011 Update



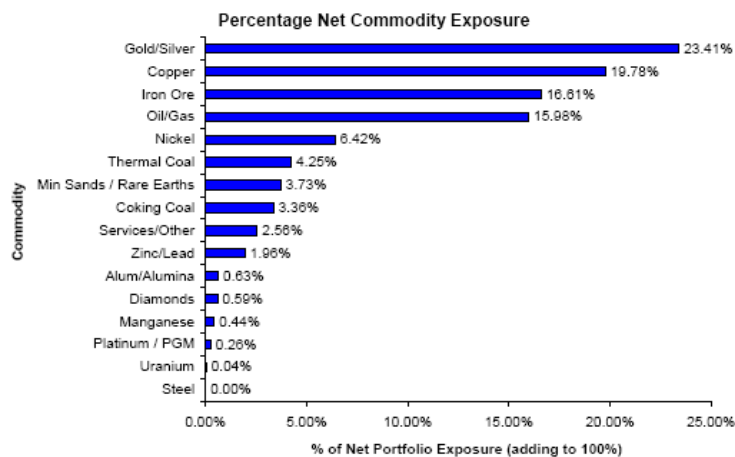
3 of 4

## Pengana Global Resources Fund – Quarterly and Cumulative Outperformance of Composite Index # From Inception<sup>3,4</sup>

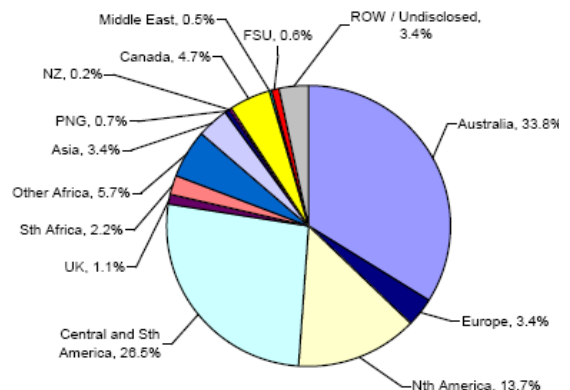
### Quarterly and Cumulative Outperformance of Composite Index\* From Inception



### Portfolio Commodity and Geography Exposures for October 2011



### Net Portfolio Exposure by Asset Geography (Adding to 100%)



Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Global Resources Fund (ARSN 142 322 361) (the "Fund"). A Product Disclosure Statement for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the Product Disclosure Statement and should consider the Product Disclosure Statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the fund is subject to investment risk including a possible delay in repayment and loss of income and principal invested.

# Pengana Global Resources Fund October 2011 Update



4 of 4

## Commodity Price Changes for October 2011

Commodity	US\$ Price Change	A\$ Price Change	€ Price Change
Oil	17.77%	8.75%	14.26%
Gold	6.34%	-2.68%	2.83%
Copper	10.78%	1.76%	7.27%
Aluminium	-0.91%	-9.93%	-4.42%
Zinc	0.71%	-8.31%	-2.80%
Nickel	5.03%	-3.99%	1.52%
Lead	-3.86%	-12.88%	-7.37%
Tin	4.92%	-4.10%	1.41%

### Portfolio Structure (as at end of October 2011)

Number of Stocks	31
Gross Exposure	93.8%
Net Long Exposure	68.3%
Breakdown by Strategy	Pairs 25.47% Directional Short 0.47% Directional Long 74.06%

### Top 5 Positions (in alphabetical order)

Antofagasta
BHP Billiton
Freeport McMoran Copper & Gold
Rio Tinto
Xstrata

## 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)