Investment Report

31/10/2004

Pengana Managers Ltd

Company Information

Stock code	PGN	**Listed**	Jun-04	**Sector**	Listed Investment Company - Fund of Hedge Funds

Background

On 1st July 2004 Pengana Managers Limited (PML) listed on the ASX. Utilising the expertise of Pengana Capital, PML raises seed capital for new or recently formed hedge fund managers. Pengana now provides seed capital, fund structuring, operational, risk management and marketing support to four Australian domiciled hedge funds. Pengana Capital is a boutique funds manager based in Sydney Australia, which manages both traditional and alternative asset classes.

Performance of underlying investment portfolio

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2004							0.3% *	-0.5%	-1.3%	1.0%			-0.6%

* part month

Investment Commentary

October was generally a good month for hedge fund strategies with the HFRI Fund Weighted Composite Index rising 1.08%. Of the HFRI sub indexes, Convertible Arbitrage was the only one to post a negative return.

As a whole PML's managers performed well during the month. Camelotfund generated a return of 1.94%. The Fund held long positions in the Euro and the Australian dollar which tracked higher on rising commodity prices and the US dollar weakness.

Cape Leeuwin also enjoyed a profitable month, returning 2.27%. The strong performance was despite the rising oil price and a sell of in base metals, which led to falls in many Australian resource company stocks. Long positions in both Computershare and WMC Resources had a significant impact.

Percon started strongly but short positions established mid month in the Eurodollars became unprofitable as rising crude oil prices caused both the short and long end of the yield curve to rally further. Choppy European markets, especially the DAX contract, caused further losses in the last 2 weeks of October. The Fund eventually finished 1.36% down.

Stanley Fund Managers launched its Global Resources Long Short Fund on November 1st. This Fund uses a fundamental market neutral approach to generate returns from mis-valuations within the developed global resource equity sector. The Fund's differentiated strategy is gaining early interest from investors.

Month End Portfolio Analysis

Breakdown of NTA	
Cape Leeuwin	$6,969,900
Camelotfund	$7,049,000
Percon	$6,850,900
Stanley	$7,005,178
Other	$574,481
Total	**$28,449,459**
NTA per Share	**0.94**
Asset Allocation	
Cape Leeuwin	24.5%
Camelotfund	24.8%
Percon	24.1%
Stanley	24.6%

Manager performance since inception

Camelotfund Global Macro	**1.9%**	**Percon Managed Futures**	**-1.4%**
HFRI Macro Index	1.7%	Calyon Barclay MF Index	2.7%
Cape Leeuwin Long Short Equity	**2.3%**	**Pengana Managers Limited**	**1.0%**
HFRI Equity Hedge Index	0.7%	HFRI Fund Weighted Composite Index	1.1%

Hedge Fund Strategies

Camelotfund - Australian macro fund, discretionary process applied to currency and share markets

Cape Leeuwin - Australian long short equity fund, factor model with judgmental overlay

Percon - managed futures, systematic intraday process applied to 18 futures markets

Stanley - global resources market neutral equity, fundamental pairs trading in developed equity markets

Contact Details

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Disclaimer

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