# PERCON CAPITAL

## Monthly Report

31/12/2004

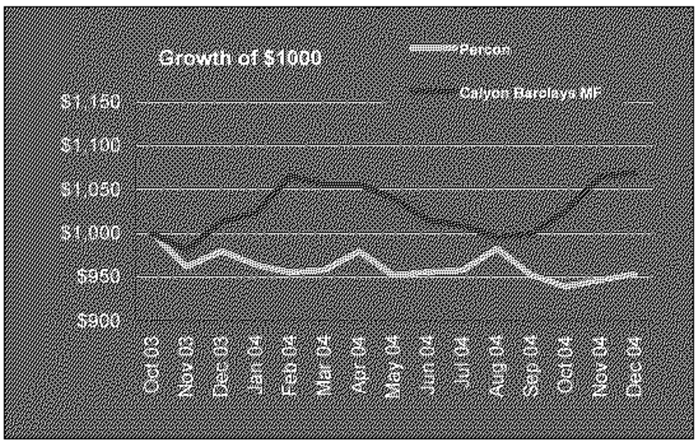
### Fund Information

| | | | |
|---|---|---|---|
| **Strategy** | Managed Futures Program | **Domicile** | Australia, Caymans |
| **Style** | Systematic trading of commodity, equity, currency and interest rate futures | **Denomination** | A$ (on and offshore), US$ (offshore) |
| | | **Management fee** | 2% per annum |
| **Objectives** | In excess of 20% pa while outperforming recognized managed futures indexes | **Performance fee** | 20% with high water mark |
| | | **Redemptions** | Monthly |
| **Inception date** | Nov-03 | **Lock Up** | None |
| **AUM** | A$9.0m | **Minimum subscription** | $100,000 |

### Fund Performance

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2004 | -1.60% | -0.90% | 0.30% | 2.20% | -2.80% | 0.40% | 0.24% | 2.58% | -3.12% | -1.36% | 0.79% | 0.79% | -2.69% |
| 2003 | | | | | | | | | | | -3.8%* | 1.85% | -2.02% |

* part month

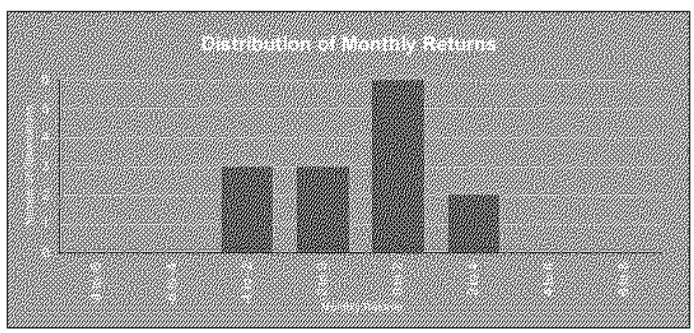



### Performance Analysis

| | |
|---|---|
| **Return since inception** | -4.66% |
| **Annualised return since inception** | -4.01% |
| **Calendar year return** | -2.69% |
| **Annualised calendar year return** | -2.69% |
| **Financial year return** | -0.16% |
| **Annualised financial year return** | -0.32% |
| **Average positive month** | 1.13% |
| **Average negative month** | -2.26% |
| **Best month** | 2.58% |
| **Worst month** | -3.80% |
| **% positive months** | 57.14% |

### Risk Analysis (since inception, annualised)

| | |
|---|---|
| **Standard Deviation** | 6.93% |
| **Downside Deviation** | 5.64% |
| **Sharp Ratio (5%)** | -1.26 |
| **Sortino Ratio** | -0.72 |
| **Round Turns (per $M per year)** | 3652 |
| **Average margin to equity** | 1.22% |
| **Average VaR (daily 95%)** | 0.41% |




### Disclaimer

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### Correlation Analysis

| Benchmark | Alpha | Beta | R Sq |
|---|---|---|---|
| Australia All Ordinaries Index | -0.71% | 0.26 | 0.06 |
| Calyon / Barclay MF Index | -0.39% | 0.14 | 0.02 |
| Lehman Aggregate Bond Index | -0.31% | -0.02 | 0.00 |
| MSCI The World Index - Net | -0.33% | 0.01 | 0.00 |

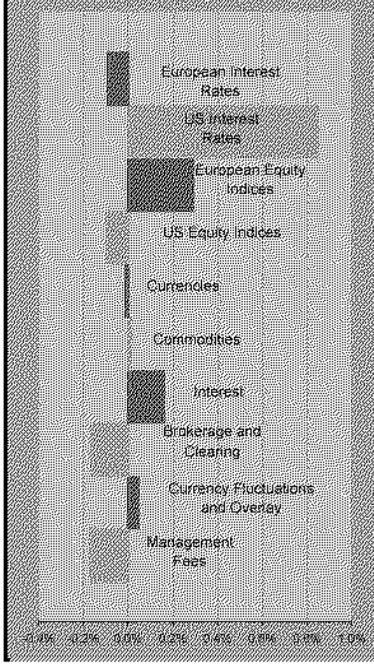
### Drawdown Analysis

| Depth | Length | Recovery | Peak | Valley |
|---|---|---|---|---|
| -6.15% | 12 | 0 | Oct-2003 | Oct-2004 |

### Strategy Description

Percon employs a short term managed futures program, designed to generate returns uncorrelated with other systematic traders while being resilient to periods of stress and crisis events. The approach is based on non linear analysis of market persistence with each model developed using intraday price data. The program trades 18 futures contracts across commodity, equity, currency and interest rate markets. Portfolios are constructed using Monte Carlo analysis to avoid reliance on return distribution and correlation assumptions. Most trades are very short term (closed within the same session) with the system performing well in markets that have been range bound and then break or markets that break out and fail within subsequent sessions.

### Performance by Asset Class




### Performance and Market Commentary

On the 1st of December oil prices fell by 7%, the largest drop in 3 years, which caused the Dow to rally 162 points. Long positions established in the S&P500, DAX and Russell 2000 caught this move and made 0.38% for the Fund.

Treasury prices jumped sharply early the following Friday after job creation, as measured by non-farm payroll figures, returned to a familiar lackluster trend during November. Traders had expected 220,000 new jobs in the wake of an originally reported gain of 337,000 for October. Instead, non-farm payrolls grew by just 112,000 in November, while October's increase was revised down to a 303,000 increase. The unemployment rate fell a tenth of a percentage point to a three-month low of 5.4%, matching Wall Street's expectations. The data sparked a strong rally in Treasuries, led by the five-year note, whose yield initially plunged 14 basis points to 3.60%. Long positions established on that Friday across the curve, were profitable.

The 8th of December saw a further strong rally in the Treasuries, buoyed initially by the apparent unwinding of a popular trade that had favoured European debt over U.S. government securities and given further impetuous by a robust $15 billion auction in the five-year note. Long positions established in the previous week captured this move.

The second half of the month was fairly quiet as most traders began to close out their positions with the holiday season approaching. The Fund finished the month up 0.79%.

### Notes

Pengana Capital is a boutique funds manager based in Sydney Australia. In July 2004 Pengana listed Pengana Managers Limited (PML) on the Australian Stock Exchange to raise seed capital for new or recently formed hedge fund managers. Pengana entered into an agreement with Percon Capital Limited in 2003 to provide fund structuring, operational, risk management and marketing support to its Fund. Percon commenced trading in November 2003 and received investment capital from PML in July 2004.

### Service Providers

**Offshore Administrator:**
Citco Fund Services

**Onshore Administrator:**
BNP Paribas Securities Services

**Auditor:**
Ernst & Young

**Prime Broker:**
Calyon Financial

### Contact Details

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