

Cape Leeuwin Capital

Monthly Report 30-June-2005

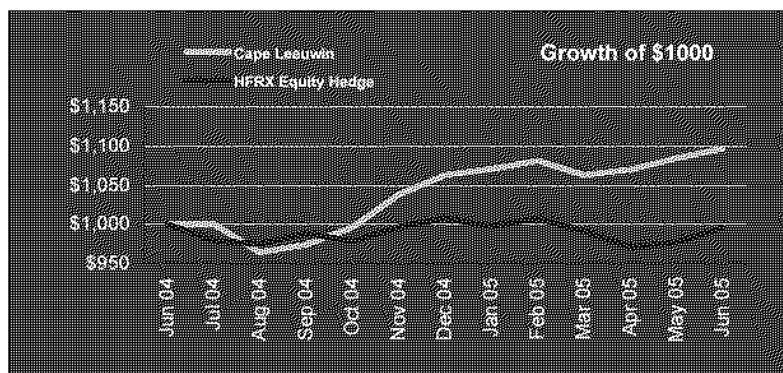
Fund Information

Strategy	Australian long short equity	Domicile	Australia, Caymans
Style	Systematic process using long term value and short term earnings and price indicators	Denomination	A\$ (on and offshore), US\$ (offshore)
Objectives	Consistent strong performance with a high level of capital protection	Management fee	1.5% per annum
Inception date	Jul-04	Performance fee	20% with high water mark
AUM	A\$8.0m	Redemptions	Monthly
		Lock Up	None
		Minimum subscription	\$100,000

Fund Performance

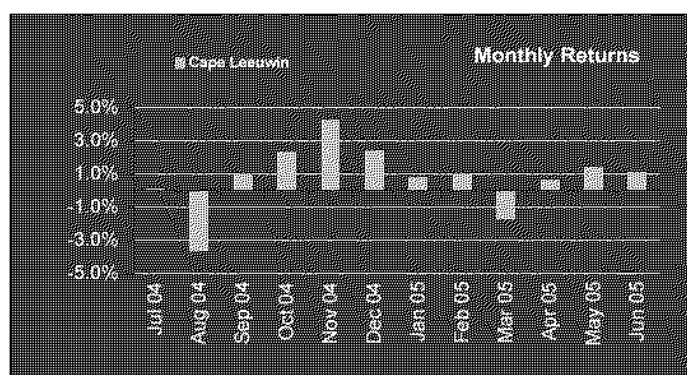
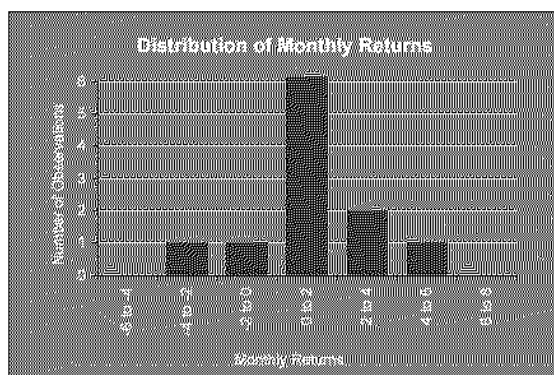
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2005	0.7%	1.0%	-1.7%	0.6%	1.4%	1.0%							3.1%
2004							0.0%*	-3.6%	1.0%	2.3%	4.2%	2.4%	6.2%

* part month



Performance Analysis

Since Inception	9.5%
Annualised since inception	9.5%
% positive months	83.3%
Best month	4.2%
Worst month	-3.6%
Average positive month	1.5%
Average negative month	-2.7%
Financial year	9.5%



Disclaimer

The information contained in this summary report has been prepared with all reasonable care by Pengana Capital. It is provided for information purposes only and should not be construed as an offer or solicitation. It should not be relied upon as the sole basis for making an investment decision, nor should a decision be made until the risks of the investment are fully understood. Pengana Capital assumes no responsibilities for errors, inaccuracies or omissions in this summary. The information is provided without warranty of any kind. Past performance is not indicative of future performance. Investors may not get back the full amount originally invested.

Cape Leeuwin Capital Pty Ltd
Level 2, The Terraces, 155 George St
Sydney NSW 2000 Australia
Phone: +61-2-9252-2313

Pengana Capital Limited ACN 103 765 082
Level 29, 20 Bond Street
Sydney NSW 2000 Australia
Phone: +61-2-8524-9900



Strategy Description

Cape Leeuwin Capital's management team has significant experience in securities analysis and has developed an investment process that incorporates a combination of short and long-term performance criteria to construct quality, low net exposure portfolios. Cape Leeuwin's underlying investment philosophy is that true value will eventually be recognised by the market. However, stocks may trade at a discount or premium to value for some time and the discount or premium may get larger before true value is realised. The process therefore utilises a discounted cash flow measure as a long term indicator of value and supplements this with 2 short term indicators to help time entry and exit from stocks – earnings revision and price momentum.

The steps in the investment process are 1. key performance indicator analysis, 2. analytical assessment, 3. identify additional opportunities, 4. risk analysis & portfolio construction, 5. execution, 6. portfolio rebalancing. The process selects a core long short portfolio of ASX 100 stocks. The portfolio can be a maximum of 100% long or 100% short, implying a leverage limit of 2x. Single stock positions may not exceed 15% of the portfolio value. No sector limits are imposed but the overall portfolio risk is controlled through the use of VaR analysis, which predicts the maximum loss over a target horizon within a given confidence interval.

Month End Portfolio Analysis

Top 5 positions		Exposure	
BHP	8.5%	Gross Long	68.1%
CTX	6.7%	Gross Short	71.2%
RIN	6.4%	Net	-3.0%
RIO	6.1%	# long holdings	14
ANZ	5.7%	# short holdings	20

Risk Analysis (since inception, annualised)

Standard Deviation	6.9%
Downside Deviation	4.0%
Sharpe Ratio (5%)	0.65
Sortino Ratio	2.29

Drawdown Analysis

Depth	Length	Recovery	Peak	Valley
-3.6%	1	3	Jul-2004	Aug-2004
-1.7%	1	2	Feb-2005	Mar-2005

Contact Information

Principal:	Risk Management:
Michael Bassett	Nick Griffiths:
+61-2-9252-2313	+61-2-8524-9938
mike@clcapital.com.au	Nick@pengana.com.au
Investment Enquiries:	Operations:
Damien Hatfield:	Katrina Glendinning
+61-2-8524-9944	+ 61-2-8524-9950
Damien@pengana.com.au	Katrina@pengana.com.au

Performance and Market Commentary

The Australian equity market (ASX100) ended the financial year strongly, rising 4.0% during June after establishing new intra month record highs. Strong liquidity after the completion of a number of large takeovers and monthly superannuation flows, coupled with already high cash levels and a slowing in the number of profit warnings was enough to give the market fresh impetus.

Energy stocks, Healthcare, Resources and building materials all outperformed, while Telecommunication stocks, Utilities, Financials and Property Trusts all underperformed.

The portfolio continued to be positioned in the lower beta stocks and slightly net short in a very strong month when the higher beta stocks were again in favour. In this environment the portfolio gained 1.1% and there were gains and losses on both sides.

Given the strength of the market once again the longs outperformed the shorts. Gains were made from long positions in Rio Tinto, BHP, Rinker, Caltex, Woodside and Oilsearch. Losses were experienced from short positions in Macquarie Bank, Santos, Lihir Gold, Boral Building and Leightons.

Although we expected liquidity to support the market we were again surprised by the its strength, reaching all times high in the face of over 150 profit warnings and slowing domestic and global economies. We continue to believe that the top down and bottom up views will be reconciled and the catalyst will be the coming reporting season. We expect July to be quiet on the domestic front with few new company releases during the reporting blackout season. If there is a lead we expect it to come from the international markets and most specifically the US as their reporting season commences mid July.

Notes

Pengana Capital is a boutique funds manager based in Sydney Australia. In July 2004 Pengana listed Pengana Managers Limited (PML) on the ASX to raise seed capital for new or recently formed hedge fund managers. Pengana provides Cape Leeuwin Capital with seed capital, fund structuring, operational, risk management and marketing support. Cape Leeuwin commenced trading in July 2004.

Service Providers

Offshore Administrator:	Onshore Administrator:	Auditor:	Prime Broker:
Citico Fund Services	BNP Paribas Securities Services	Ernst & Young	UBS AG

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