Pengana Global Bond Fund
August 2009 Update, by Nick Griffiths

Fund Description

The Pengana Global Bond Fund (the Fund) uses a multi manager approach, investing with investment specialists in different debt asset classes to produce a global diversified bond portfolio. The characteristics of debt instruments vary widely requiring particular expertise for active management. Pengana has selected investment managers that demonstrate a superior understanding of the instruments in which they invest and the markets they trade in. The Fund currently invests in government issued securities, corporate debt, mortgages, bank loans and cash. The Fund's investments are managed within ranges to allow the Fund to take advantage of investment opportunities and manage risk. The exposure to international debt investments is hedged back into Australian dollars with the intention of limiting the Fund's exposure to currency risk.

Fund Features

Style	Multi manager	**Management Fees [1] (monthly)**	0.25% p.a.
Fund Benchmark	Barclays Global Aggregate Index	**Performance Fees [1] (quarterly)**	10% p.a. over benchmark hurdle (net of fees)
Fund Objective	To outperform, on an after fees basis and assuming distribution re-investment, the Fund Benchmark over rolling 5 year periods with lower risk	**Underlying Manager Costs**	The costs will be within the range of 0.5% p.a. to 2% p.a. Underlying managers may charge performance fees
Fund Structure	Australian unregistered wholesale fund with monthly pricing	**Income Distribution**	Annual
Minimum Initial Investment Amount	A$25,000	**Buy/Sell spread**	0.10%
Inception Date	May 2009	**Assets Under Management**	A$150.5m*

Fund Commentary

Fund Performance (A$, net of fees and after reinvestment of distributions) [2]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**YTD**
2009					1.6%	0.5%	1.5%	0.9%*					4.6%*

* Manager estimate. This may change.

The Fund generated a return of 0.9% (A$, estimate, net of fees and after reinvestment of distributions) for the month of August. The Barclays Global Aggregate Index returned 1.2% over the same period. The return since the inception of the Fund in May is 4.6% with the Fund generating a positive return in each of the 4 months.

All of the asset classes invested in generated positive returns for the month. Mortgages and investment grade credit were the strongest performers and made meaningful contributions at the portfolio level. The bank loan exposure also proved beneficial, as it has in previous months, although the returns from this sector have slowed as valuations approach more normal levels.

We have maintained the Fund's Treasury exposure towards the bottom of its asset allocation range. Yields have fallen recently due to abating inflation fears however we believe the medium term outlook remains poor. The Treasury's program of planned bond purchases will cease in October and the market will have to operate without this support. Ongoing Treasury supply will become a more dominant force going forwards and risk appetite is likely to increase as the recovery persists. The demand supply equation therefore suggests that the medium to long term outlook for longer duration Treasuries is particularly poor and we see limited upside from this sector.

Central banks are likely to remain on hold until late 2010 (the RBA being the exception). In the last four recessions the Fed has not raised rates until at least 12 months after a peak in the unemployment rate. The environment for corporate debt remains good despite the continued reduction in spread which now indicates fair value on a historical basis. Investment grade continues to offer a better risk return profile than high yield and we believe will do so until the default cycle shows clear evidence that it has turned.

High Yield has significantly outperformed in recent months and there has been considerable new issuance in this sector. The bank loan market however has yet to see a broad recovery with the "flow" names dominating the strong performance year to date. There has been little new issuance and virtually no new CLOs. Valuations have improved but there remain good opportunities for bottom up investors that can assess and manage the credit and illiquidity risks in the less traded names.

[1] Plus GST net of reduced input tax credits. Please refer to the Information Memorandum for more detail.
[2] Past performance is not a reliable indicator of future performance. The value of investments may rise and fall

Pengana Global Bond Fund
August 2009 Update, by Nick Griffiths

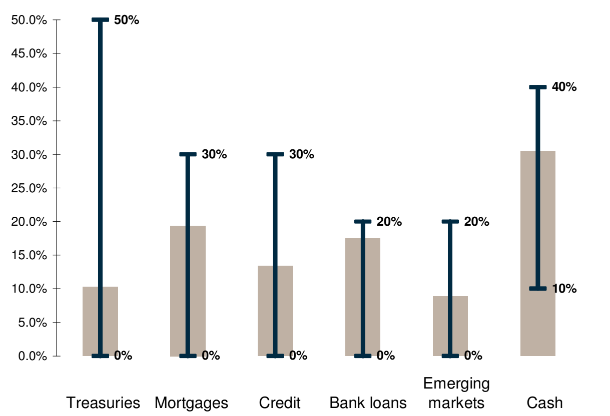
Despite recent gains in some States, the US housing market remains depressed. The Californian market has fallen -46% year on year, and Florida -42%. 3 years ago 10% of sub prime loans were in serious delinquency, now it is 43%. High expected defaults have however been factored into prices and a floor has been placed under the pricing by the PPIP (Public Private Investment Program). Good opportunities exist in non-agency mortgages and this remains an attractive investment sector.

Emerging markets had a solid month. Spreads have reduced significantly in some markets this year and now trade close to historical lows. Brazilian debt for example is trading at a spread of 270bps due to the recovery in the currency this year and the stable projected GDP growth rate. This sector remains attractive but active management will be required to identify the best opportunities.

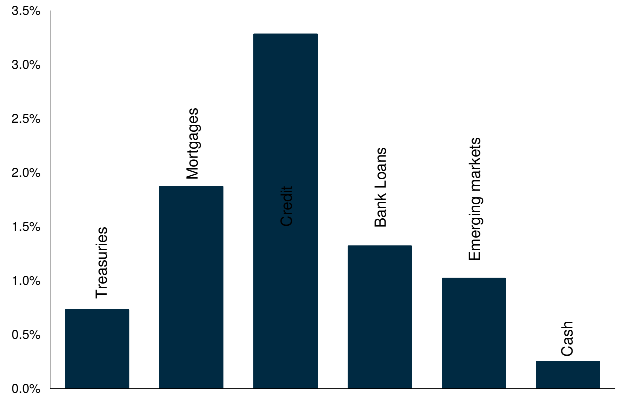
There were no investments or divestments from the existing managers at month end.

Current Asset Allocation and Ranges

* adjusted for applications/redemptions and manager changes at month end

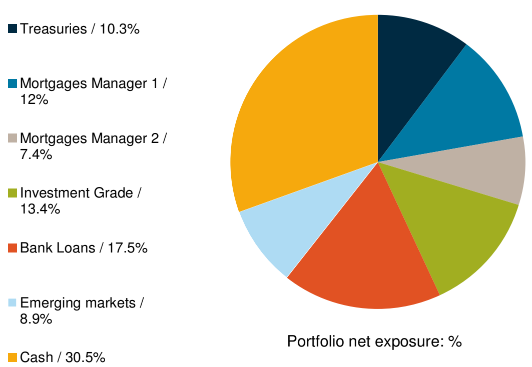


Performance by Asset Class – August 09*

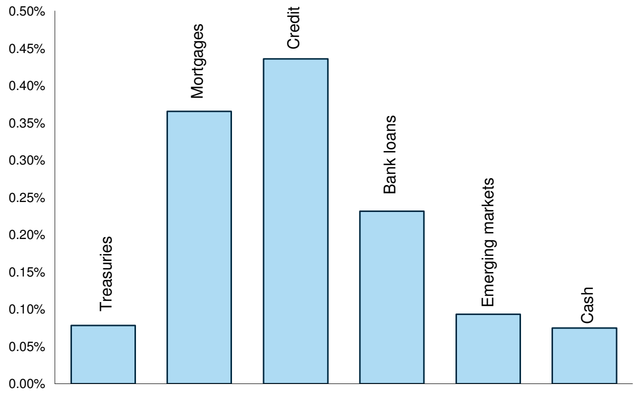


* Manager estimate. This may change.

Manager Allocations by Asset Class



Attribution by Asset Class – August 09*



* Manager estimate. This may change.

Contact Details

Pengana Capital Limited ▪ Level 29, 20 Bond 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** or contact:

Institutional Clients: Denis Carroll, +61 2 8524 9974, denis.carroll@pengana.com

Private Clients: Juliet Dunworth, +61 2 8524 9984, juliet.dunworth@pengana.com

Advisors & Retail Clients: Justin Brooks, +61 3 8663 7906, justin.brooks@pengana.com