

Pengana Global Bond Fund

October 2009 Update, by Nick Griffiths



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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 Fees¹ (monthly)	0.25% p.a.
Fund Benchmark	Barclays Global Aggregate Index	Performance Fees¹ (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	Underlying investment management fees will not exceed 2%p.a. In addition, 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\$198.1m*

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%	1.4%	1.1%	0.5%*			6.8%*

*Manager estimate. This may change.

The Fund generated a return of 0.5% (A\$, estimate, net of fees and after reinvestment of distributions) for the month of October which was in line with the Barclays Global Aggregate Index, which returned 0.5% for month. The Fund has delivered a return of 6.8% (A\$, estimate, net of fees and after reinvestment of distributions) since inception in May 2009.

Bond markets were again driven by falling risk spreads over the month with high yield, credit, mortgages and emerging market debt all delivering reasonable returns. Performance was positive in all asset classes, with meaningful contributions coming from the Fund's exposure to relative value, mortgages and bank loans.

Opportunities in treasuries were again muted in October with expectations that government yield curves will flatten dramatically over the next two years as stimulus packages roll-off and central banks begin tightening. The timing of shifts in different regions will vary as interest rate cycles will not be synchronized. Australia and Norway have already tightened, with NZ and Canada expected to tighten early next year. The US is expected to tighten mid to late next year and Europe early 2011. This may present some good relative value opportunities in the next year.

The yield compression witnessed this year has been remarkable, considering that the bond market has absorbed a huge volume of new issuance and that companies are only beginning to demonstrate recovering revenues. The driving factors being fund flows and increased liquidity. It appears that towards the end of October spreads have begun to consolidate and the market could potentially be at risk of technical pull-back. However, the global economy continues to recover and therefore downside risks should be limited.

The bank loan sector continues to perform strongly. Loan issuance continues to be limited with companies preferring to tap into public markets. The bank loan exposure maintains a quality bias with exposure to healthcare, industrials and technology. The shorter maturity of bank loans should also provide some insulation in the event of short term pull-back in spreads.

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

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Pengana Global Bond Fund

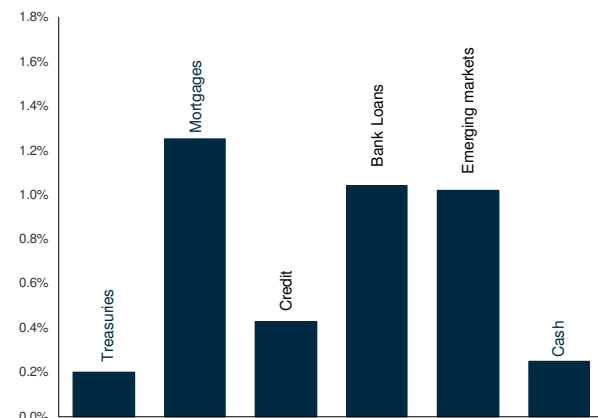
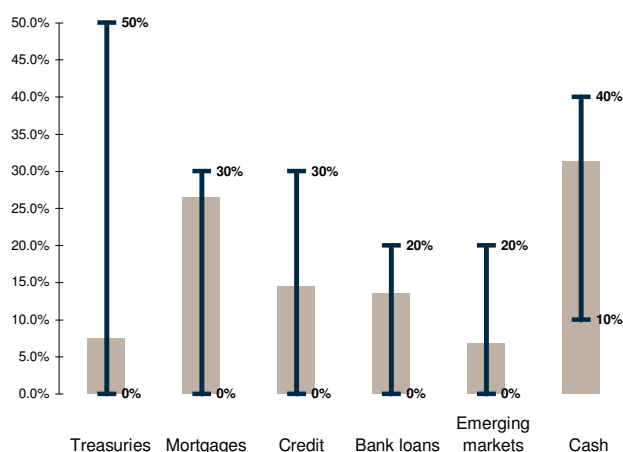
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The portfolio's exposure to mortgages performed well during the month. While agency mortgages look fully valued on the back of government support, non-agency mortgages continue to provide good yields and discounted prices. The portfolio continues to have exposure to non agency mortgages and agency CMOs and pass-throughs.

Emerging market debt continued to perform well driven by good GDP growth in Asia and Latin America. There appears to be a global re-balancing towards emerging economies and consequently investment in these economies continues to grow supporting investment in local currency opportunities. Asia and Latin America are the preferred exposures.

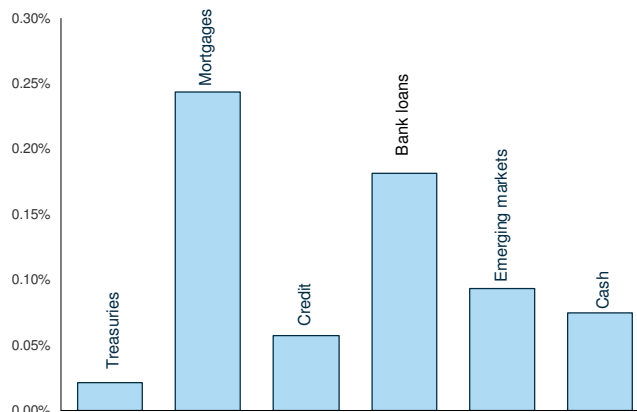
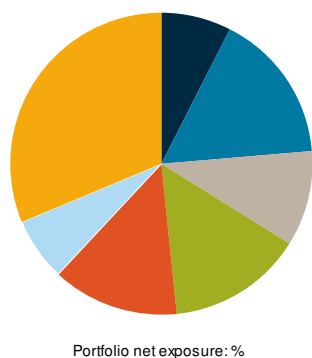
Current Asset Allocation and Ranges Performance by Asset Class – October 09*



* Manager estimate. This may change.

Manager Allocations by Asset Class Attribution by Asset Class – October 09**

- Treasuries / 7.4%
- Mortgages Manager 1 / 16.2%
- Mortgages Manager 2 / 10.2%
- Investment Grade / 14.5%
- Bank Loans / 13.6%
- Emerging markets / 6.8%
- Cash / 31.3%



** Manager estimate. Attribution is indicative only and may change.

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