

Pengana Global Bond Fund

December 2009 Update, by Greg Clarke



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. (plus GST net of RITC) over benchmark, 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\$213.4m*

Fund Commentary

Fund Performance (Class A Units, 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%	0.7%	0.5%	0.5%*	8.0%*
Fund Performance (Class B Units, A\$, net of fees and after reinvestment of distributions) ²													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009										0.7%	0.5%	0.5%*	1.7%*
Barclays Global Aggregate Index (A\$)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009					0.4%	1.1%	1.5%	1.3%	1.0%	0.5%	1.3%	-0.6%	6.7%

*Manager estimate. This may change.

The Fund returned 0.5% (estimate, Class A and B units, A\$, net of fees and after reinvestment of distributions) for the month of December and outperformed the Barclays Global Aggregate Index (BGAI), which delivered a return of -0.6%. The Fund has delivered a return of 8.0% (estimate, Class A units, A\$, net of fees and after reinvestment of distributions) since its inception in May 2009 outperforming the BGAI return of 6.7%.

December was a month of two halves with all risk assets sold off heavily after Dubai World asked for a standstill agreement in regard to \$5bn debt rollover. All 'high risk' sovereign debt spreads widened especially Greece, Spain and Ireland. However stronger economic data from the U.S. and China caused yields to back up into the end of the year. In what was probably the most positive sign of the year, the 'Big 3' US consumer banks repaid TARP.

Government bond markets appear to be caught in a stalemate, with bond yields trading in a narrow range. A glut of private-sector savings, weak economic growth, dysfunctional banks and large output gaps around the world have all created a benign environment for interest rates. Near-zero interest rates that have prevailed in the U.S., Europe and Japan have also served as an anchor to the entire interest-rate curve. However not all forces are positive for government bonds. There are many negatives including the rapid escalation of government debt issuance and public-sector spending, rapid recovery in several commodity prices since March of this year and eventual impact on inflation, increasing signs of a pickup in business activity in the world economy (China's in particular) and the potential for a "V"-shaped economic recovery in the U.S. in the first half of next year.

All of these negatives and positives are in a standoff, keeping bond yields in a narrow range although the risk of higher yields remains. There is not likely to be a large selloff in bonds, but rather a slow, creeping bear-market pattern and on that basis we are content to be underweight treasuries in favour of the relative safety of cash.

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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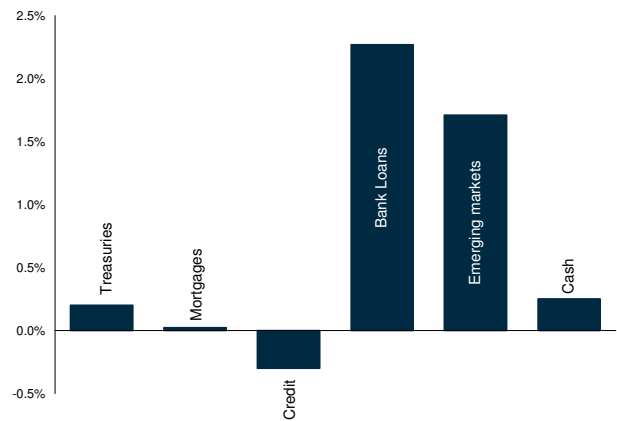
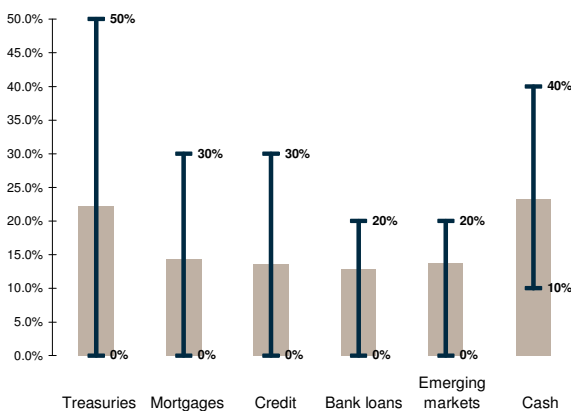


With most issuers having already fulfilled their 2009 funding requirements, global corporate/financial bond issuance predictably tapered off in December. The drop-off in primary issuance & some further signs of a global economic recovery saw secondary market demand pick up and the rally in credit spreads continue. Consistent with the positive tone in corporate bond markets, most spreads finished tighter on the month with US financial names leading the charge after Bank of America, Citi & Wells Fargo all repaid TARP funds ahead of year end. The corporate bond market appears to be in the final leg of the spread-narrowing process. However, while spreads should stop narrowing, the credit market is unlikely to go into another bear phase. Spreads should trade horizontally for some time as the economy continues to repair. From an absolute return point of view, the credit markets and bank loans appear to be a good vehicle for asset diversification.

Fundamentals and technicals continue to look strong for emerging markets. There have been several new bond issues so far including Philippines, Brazil and Turkey. Sentiment continues to improve as investors are starting to associate developed countries with sovereign default risk, and emerging markets with relative safety. Asian central banks are looking as if they are starting to allow their currencies to rally at last, and have started to diversify reserves: in Q3 around 20% of additional global reserve accumulation went to non-traditional assets. The big upward adjustment in emerging currencies may be coming soon.

During the month, the exposure to mortgages was reduced in line with our view that spreads particularly in agency mortgages no longer represent good value and that spreads are likely to widen. The capital has been redeployed across other asset classes within the Fund.

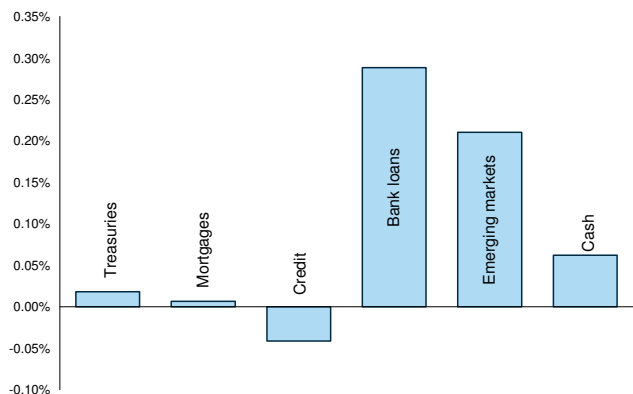
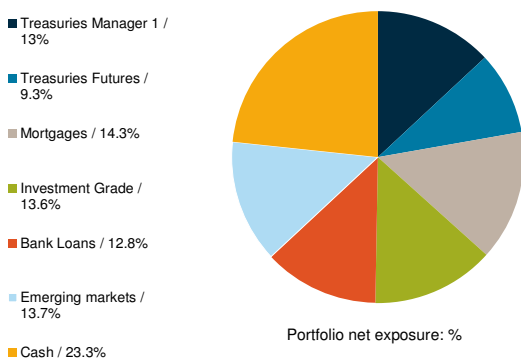
Current Asset Allocation and Ranges* Performance by Asset Class – December 09**



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

** Manager Estimate. These may change.

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



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

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