Pengana Global Bond Fund
January 2010 Update, by Greg Clarke

PENGANA CAPITAL

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$203.7m*

Fund Commentary

Fund Performance (Class A Units, A$, net of fees and after reinvestment of distributions) [2]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.0%												1.0%
2009					1.6%	0.5%	1.5%	1.4%	1.1%	0.7%	0.5%	0.5%*	8.0%*
Fund Performance (Class B Units, A$, net of fees and after reinvestment of distributions) [2]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.1%												1.1%
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
2010	1.4%												1.4%
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 1.0%* for the month of January and underperformed the strongly performing Barclays Global Aggregate Index (BGAI), which delivered a return of 1.4%. The Fund has delivered a return of 9.3%* since its inception in May 2009, outperforming the BGAI return of 8.1%.

Treasury yields rallied over the back end of January due to investors concerns regarding Chinese policy tightening and the Obama Administration's backing of a financial regulation Bill. In response, a correction in risk assets is underway: equity and commodity prices are down materially from their peak, corporate bond spreads have widened, the dollar has rallied, and market volatility has increased significantly. Fortunately, the government bond market is helping provide a partial offset, with interest rates falling across the curve. Despite the Fund's defensive posture, performance held up well with positive contributions from all asset classes and substantial contributions from the credit and bank loan portfolios.

In any transition period in which the market moves away from simply discounting an economic recovery to fathoming the shape of a more normalized economic trajectory, one can expect heightened uncertainties and increased volatilities. However, when the amount of financial steroids pumped into the rescue of global economies is unprecedented and the risks of policy errors are high, one can expect markets in this transition period to be even more challenging.

While we believe that this corrective phase may have further to run the cyclical uptrend in risk assets remains intact although the speed and breadth should moderate this year. However, the fundamentals supporting asset markets remain in place: the global

[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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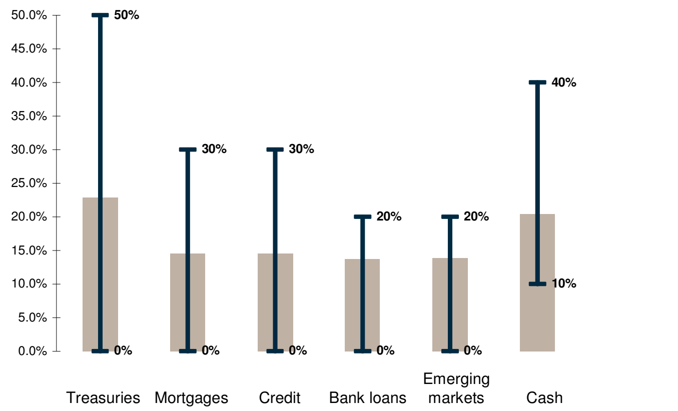
policy setting will stay accommodative for the foreseeable future, inflation is subdued, and the world economy is transitioning into a self-reinforcing recovery. Despite investor angst regarding recent Chinese policy tightening, the authorities are not likely to slow this economy materially. Policymakers are using administrative tools in order to respond to asset price speculation and growing evidence of bottlenecks in certain industries..

A more concerning policy issue is the shift by the Obama Administration's support of financial regulation. The Bill floated last week reflects a frustration over the housing "boom and bust" and its devastating effect on the economy. However, it does not address the many factors that actually contributed to the crisis: lack of proper regulation and oversight, lack of enforcement of existing rules, lack of effective disincentives or punishment for rule-breakers and fraudsters, inadequate accounting standards, and arguably, overly-lax monetary conditions. Still, the cyclical expansion in risk assets will not be derailed as long as the Administration's attempt does not become too disruptive to markets.

We continue to favour corporate bonds, bank loans and emerging markets but expect more muted returns and higher volatility this year. Government bond yields may move lower within their existing trading range as the correction in risk assets plays out. However, we remain underweight treasuries as longer-term fundamentals are poor and increased political uncertainty argues for a higher term premium.

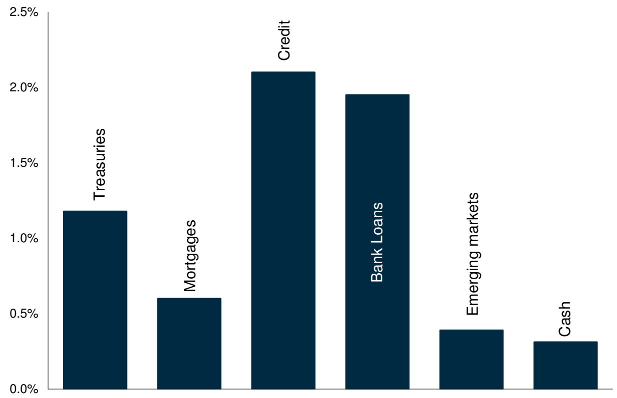
* Class A Unit A$, estimate, net of fees and after reinvestment of distributions

Current Asset Allocation and Ranges*



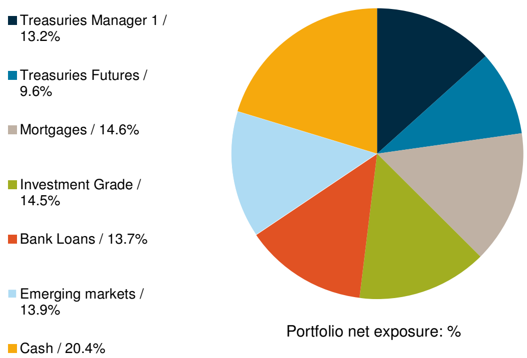
* Adjusted for applications/redemptions and manager changes at month end

Performance by Asset Class – January 2010**



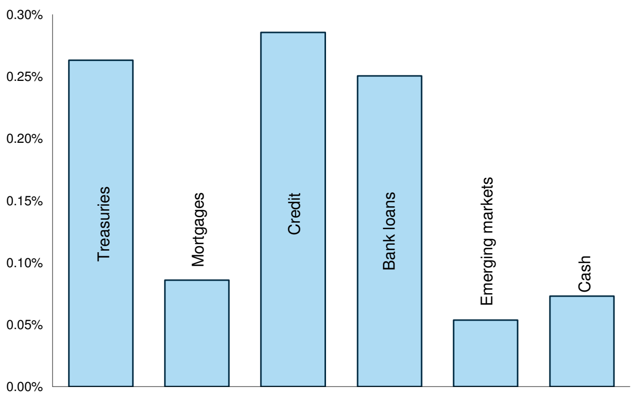
** Manager Estimate. These may change.

Manager Allocations by Asset Class*



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

Attribution by Asset Class – January 2010***



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

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