

# Pengana Global Bond Fund

## February 2010 Update, by Greg Clarke



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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

<b>Style</b>	Multi manager	<b>Management Fees <sup>1</sup> (monthly)</b>	Class A: 0.25%; Class B: 0% p.a.
<b>Fund Benchmark</b>	Barclays Global Aggregate Index	<b>Performance Fees <sup>1</sup> (quarterly)</b>	Class A: 10%; Class B: 20% p.a. (plus GST net of RITC) over benchmark, net of fees
<b>Fund Objective</b>	To outperform, on an after fees basis and assuming distribution re-investment, the Fund Benchmark over rolling 5 year periods with lower risk	<b>Underlying Manager Costs</b>	Underlying investment management fees will not exceed 2% p.a. In addition, underlying managers may charge performance fees
<b>Fund Structure</b>	Australian unregistered wholesale fund with monthly pricing	<b>Income Distribution</b>	Annual
<b>Minimum Initial Investment Amount</b>	A\$25,000	<b>Buy/Sell spread</b>	0.10% / 0.10%
<b>Inception Date</b>	May 2009	<b>Assets Under Management</b>	A\$205.6m*

### Fund Commentary

<b>Fund Performance (Class A Units, A\$, net of fees and after reinvestment of distributions) <sup>2</sup></b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.0%	0.4%*											1.4%*
2009					1.6%	0.5%	1.5%	1.4%	1.1%	0.7%	0.5%	0.7%	8.2%
<b>Fund Performance (Class B Units, A\$, net of fees and after reinvestment of distributions) <sup>2</sup></b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.1%	0.4%*											1.5%*
2009										0.7%	0.5%	0.6%	1.8%
<b>Barclays Global Aggregate Index (A\$)</b>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.4%	0.8%											2.1%
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 0.4%<sup>#</sup> for the month of February, underperforming the Barclays Global Aggregate Index (BGAI), which delivered a return of 0.8%. The Fund has delivered a return of 9.7%<sup>#</sup> since its inception in May 2009 and has outperformed the BGAI return of 9.0%.

Bond markets had a relatively benign month considering continuing concerns over sovereign default risks in a number of European countries and the impact that a monetary tightening stance in China will have on the global economy. Economic news continues to be mixed and consequently investors have adopted a cautious stance in the absence of economic clarity and need for G7 policy makers to withdraw liquidity. Concerns regarding Greece have subsided somewhat following its announced spending cuts. This has been met with the approval of the ECB and investors, causing CDS spreads to narrow by almost 100 basis points and taking some downward pressure off the Euro. In contrast, investor worries have shifted to the UK. While CDS spreads did not widen further, the GBP has been fallen substantially.

After a strong bull run in risk assets last year on the back of improved growth expectations and aggressive policy stimulus, investors have grown jittery about the potential for a widespread withdrawal of liquidity. Indeed, policymakers in most countries will either be tightening or preparing markets for their exit by the end of the year. However, in aggregate the major central banks are unlikely to

<sup>1</sup> Plus GST net of reduced input tax credits. Please refer to the Information Memorandum for more detail.

<sup>2</sup> Past performance is not a reliable indicator of future performance. The value of investments may rise and fall

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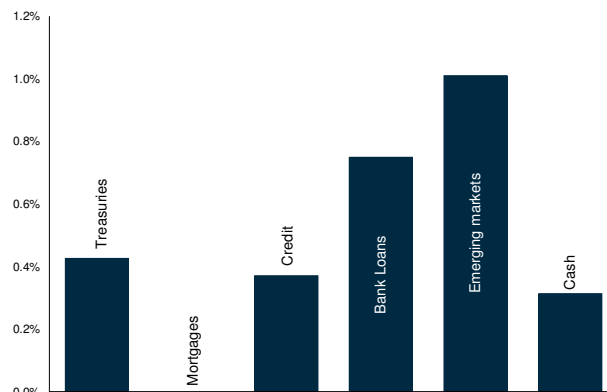
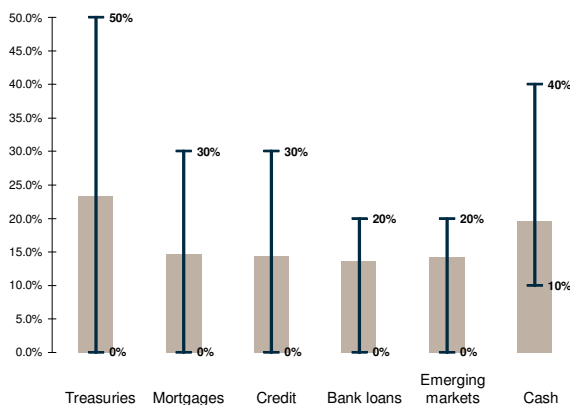


alter their policy settings substantially over the next several months. While policymakers have been encouraged by recent signs of recovery, they are still concerned that the economy remains fragile and growth could soften as inventory restocking and fiscal stimulus wane later this year. Similarly, investors should not expect much if any tightening from the ECB this year. The central bank will not be able to get the consensus needed to raise interest rates with broad money growth contracting and many member nations still struggling. The Bank of Japan will also face a weak domestic economy and ongoing deflationary pressures throughout the course of 2010. China will continue to tighten, but the lack of broad-based consumer price inflation will ensure that authorities move gradually and do not jeopardize bullish underlying fundamentals.

We expect sovereign bonds yields to be range bound in the short term however the risk remains that yields could move higher in the medium term. Therefore we remain underweight sovereign bonds and overweight Australian dollar cash. The fundamentals for risk assets remain intact despite a short term pull back. The Fund therefore holds a benchmark exposure to corporate bonds (including bank loans). Similarly, the Fund has maintained its exposure to emerging markets as the fundamentals for selected emerging economies and currencies remain strong.

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

### Current Asset Allocation and Ranges\* Performance by Asset Class – February 2010\*\*

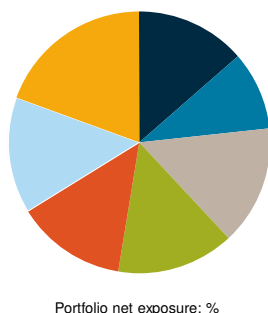


\* Adjusted for applications/redemptions and manager changes at month end.

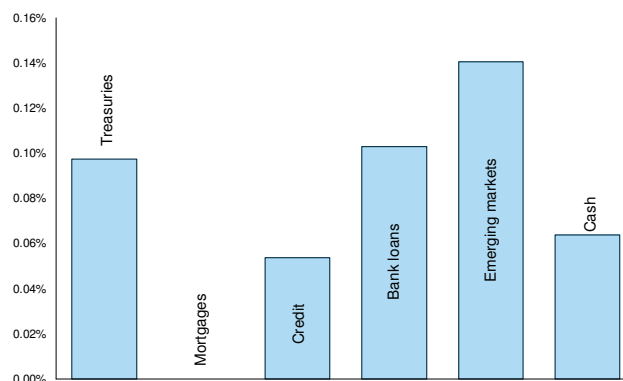
\*\* Manager Estimate. These may change.

### Manager Allocations by Asset Class\*\*\* Attribution by Asset Class – February 2010\*\*\*\*

- Treasuries Manager 1 / 13.5%
- Treasuries Futures / 9.8%
- Mortgages / 14.8%
- Investment Grade / 14.4%
- Bank Loans / 13.7%
- Emerging markets / 14.2%
- Cash / 19.6%



Portfolio net exposure: %



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

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

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