

# Pengana Global Bond Fund

## March 2010 Update, by Greg Clarke



1 of 2

### 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\$217.9m*

### 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%	0.6%	1.2%*										2.9%*
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%	0.6%	1.2%*										3.0%*
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%	0.6%										2.7%
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 1.2%\*<sup>2</sup> for the month of March and outperformed the Barclays Global Aggregate Index (BGAI), which delivered a return of 0.6%. The Fund has delivered a return of 11.3%\*<sup>2</sup> since its inception in May 2009 and has outperformed the BGAI return of 9.6%. With the exception of the Fund's risk mitigation position in US Treasuries, all elements of the portfolio contributed to performance. Key contributions came from the mortgage portfolio which benefited from a position in more seasoned mortgage pools against newer pools, the latter coming under pressure as government support for agency mortgages drew to a close. The bank loan portfolio performed well as spreads continued to narrow, as did the Treasury portfolio which was well positioned to take advantage of changes in the US yield curve.

Concerns regarding sovereign default somewhat subsided with the announced bailout out of Greece and improving macroeconomic and earnings data in the US, Europe and Asia suggesting that a gradual recovery is largely intact. Monetary policy seems set to remain accommodative for an 'extended period' in the US and Europe and some concerns appear to have waned, although the sovereign debt issues in Europe will remain a cause for concern over the coming months.

Government bond yields rose in March with better-than-expected economic data. However they continue to trade in a range, awaiting a change in monetary policy stance. The short end of the US yield curve continues to be anchored by low cash rates

<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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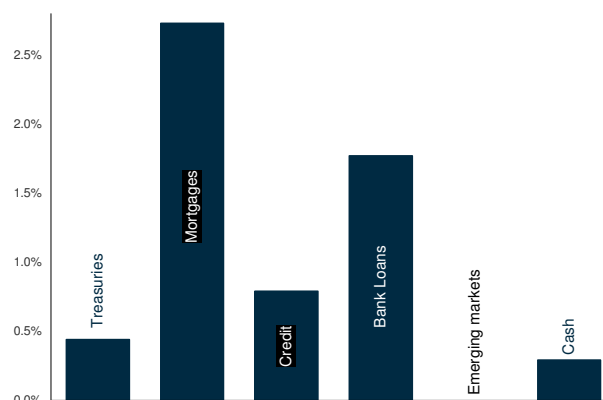
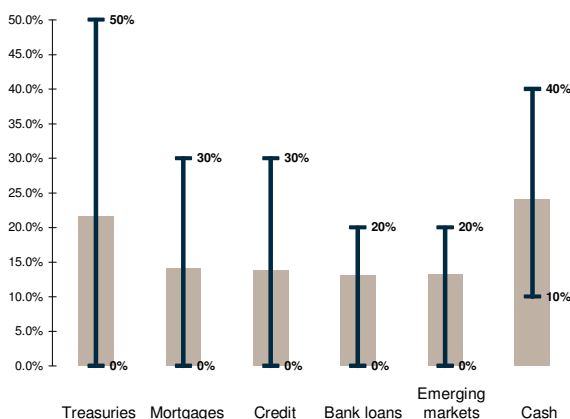


however our expectation over the medium to long term is that US yields will rise and therefore we remain underweight government bonds. This is offset by an overweight exposure to Australian cash which has a similar yield but without the duration risk. Valuations for spread asset classes appear to be in line with fundamentals with the exception of agency mortgages. Spreads on mortgages remain tight on the back of US government support. The portfolio is underweight mortgages but has exposure to more seasoned pools which will be less impacted by widening spreads. Corporate credit spreads appear to have discounted recovering profitability and falling default rates however, broadly speaking, valuations remain undemanding and below historic norms. The portfolio retains a quality bias in both the credit and loan portfolios as default risks continue to be substantially greater in the lower quality issues.

Emerging markets continued to rally, aided by a change in investors' risk appetite. Economic data has been positive of late and with inflation data also benign, rates and equities continue to rally alongside each other. Emerging markets' fundamentals continue to remain superior to those of the G7 countries and emerging market bond yields continue to set new lows. Risks to the positive sentiment emanate mainly from US-China relations, EU tensions over Greece, data releases, and monetary policy tightening in China. The portfolio retains an overweight exposure to emerging market bonds.

### Current Asset Allocation and Ranges\*

### Performance by Asset Class – March 2010\*\*



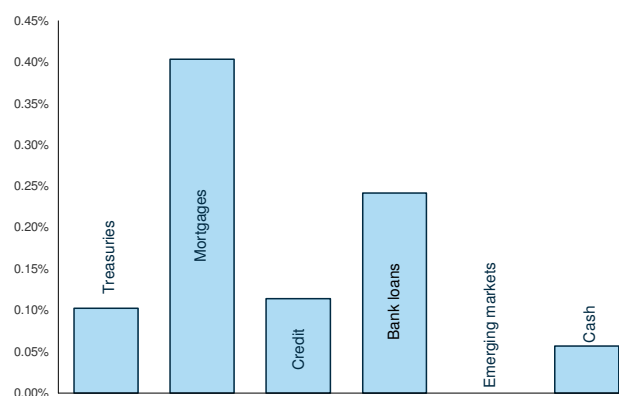
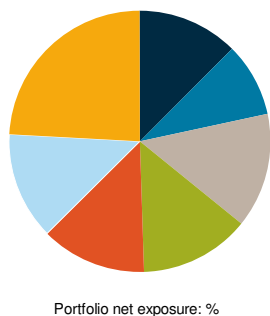
\* Adjusted for applications/redemptions and manager changes at month end.

\*\* Manager Estimate. These may change.

### Manager Allocations by Asset Class\*\*\*

### Attribution by Asset Class – March 2010\*\*\*\*

- Treasuries Manager 1 / 12.6%
- Treasuries Futures / 9%
- Mortgages / 14.1%
- Investment Grade / 13.7%
- Bank Loans / 13.1%
- Emerging markets / 13.3%
- Cash / 24.1%



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

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