Pengana Global Bond Fund
July 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)**	Class A: 0.25%; Class B: 0% p.a.
Fund Benchmark	Barclays Global Aggregate Index	**Performance Fees [1] (quarterly)**	Class A: 10%; Class B: 20% 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% / 0.10%
Inception Date	May 2009	**Assets Under Management**	A$226.7*

Fund Commentary

Fund Performance (Class A Units, A$, net of fees and after reinvestment of distributions) [2]													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.0%	0.6%	1.9%	1.1%	-0.1%	1.0%*	0.9%*						6.3%*
2009					1.6%	0.5%	1.5%	1.4%	1.1%	0.7%	0.5%	0.7%	8.2%
Fund Performance (Class B Units, A$, 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%	0.6%	1.8%	1.1%	-0.1%	1.0%*	0.9%*						6.5%*
2009										0.7%	0.5%	0.6%	1.8%
Barclays Global Aggregate Index (A$)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	1.4%	0.8%	0.6%	0.9%	1.2%	1.2%	1.1%						7.3%
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 portfolio (Class A Unit, A$) delivered a return of 0.9%* in June and marginally underperformed the benchmark return of 1.1%. Since inception the Fund (Class A Unit, A$) has returned 11.9%pa* versus the benchmark return of 11.4%pa. Performance for July was driven by the credit portfolio, bank loan portfolio and the defensive position in US 10-year bond futures.

Global economic data in July remained mixed, however corporate earnings reports defied global investor pessimism delivering better than expected results. In response investors' motivations once again moved towards risk taking driving up global equity markets and narrowing risk asset spreads. But in an apparent breakdown between bond and equity markets global treasury yields have continued to rally and are now at levels last seen in April 2009. With this backdrop, the Fund's defensive treasury position contributed to performance. Since 6 April 2010, the US 10 Year Treasury Bond has fallen from 3.97% to 2.91%. On this basis we believe that further downward movements in yields will be limited and therefore we have removed the futures position. That said the Fund retains a defensive posture with a significant cash position. We would look to re-instate the treasury position if yields were to rise substantially.

The Fund's exposure to both corporate credit and bank loans made strong contributions to performance on the back of a solid corporate reporting season. Looking forward corporate credit fundamentals remain favourable. To begin, valuations are well

[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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supported by fundamentals. While there is considerable uncertainty about the path of the global economy over the next 12-18 months, global growth should remain resilient. Against this backdrop, corporate earnings growth should be robust in 2010 and support credit markets. In addition investment grade credit spreads may not fully reflect the recent strength in 2010 H1 earnings.

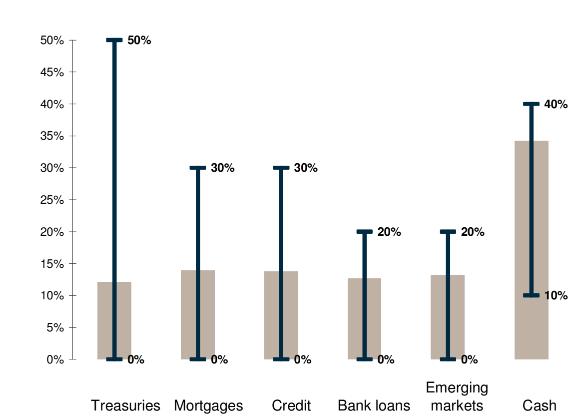
Beyond earnings, other corporate fundamentals are also supportive. Debt-servicing costs have fallen with lower interest rates and tighter spreads, and also due to de-leveraging. Corporate cash flow has been supported by declines in unit labour costs. In other words, "micro" factors including lower leverage, higher interest cover, and robust profitability all make for a supportive environment for credit, suggesting further compression in spreads.

The landscape for emerging markets remains positive. The IMF has projected that EM are likely to grow at 6.8% in 2010 and 6.4% in 2011. The emerging market debt portfolio retains an overweight to Russian external debt (strong growth and reserves), Indonesian external debt (upgrade to investment grade) and Brazilian external debt.

We remain wary of rising bonds yields particularly after the recent rally. In addition we believe even in light of uncertainty regarding the global economic environment that certain quality risk assets offer the potential for greater risk adjusted returns and maintain exposure to high quality corporate credit and emerging market debt.

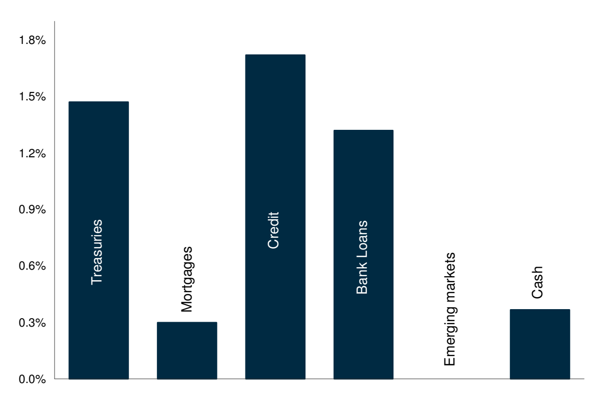
* Class A Unit A$, estimate, net of fees and after reinvestment of distributions

Current asset allocation and ranges*



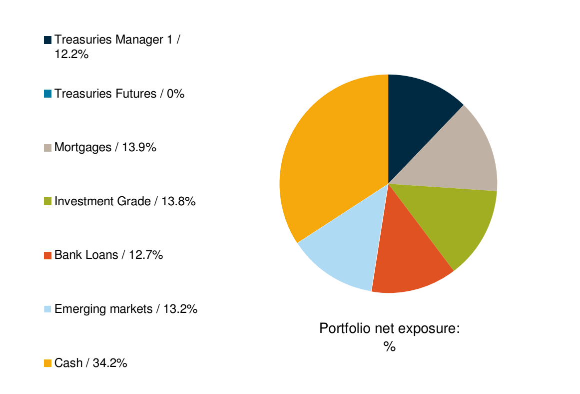
* Adjusted for applications/redemptions and manager changes at month end.

Monthly performance by asset class**



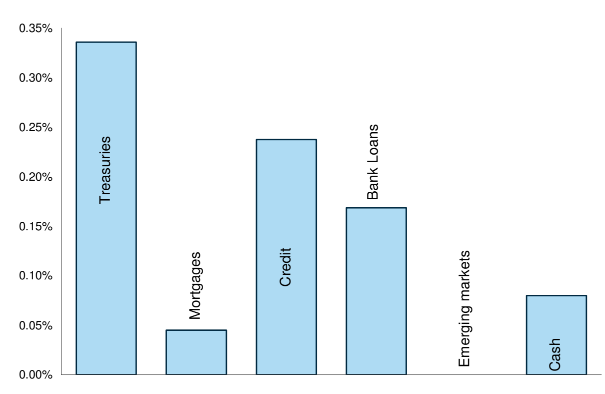
** Manager Estimate. These may change.

Manager allocations by asset class***



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

Monthly attribution by asset class****



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

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