

Pengana Global Bond Fund

September 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

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\$234.0*

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%	0.6%	1.1%	1.2%*				8.5%*
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%	0.7%	1.1%	1.3%*				8.7%*
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%	2.1%	0.2%				9.8%
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 Class A units delivered a return of 1.2%* in September outperforming the benchmark return of 0.2%. Since inception the Class A units of the Fund have returned 12.0%pa* versus the benchmark return of 11.8%pa. All components of the Fund were positive for the month with meaningful contributions coming from emerging market debt, investment grade credit and the mortgage portfolios.

Over the past few months, markets have been influenced heavily by central bank policy and communication. While the Bank of Japan has already committed to increasing asset purchases and has intervened in currency markets, the Fed and Bank of England have yet to step back into the fray. However, in sequence of communications Fed officials have progressively prepared the market for a further round of balance sheet expansion (QE2), which all-but seems inevitable now. Bond and currency markets were quick to react, with Treasury yields and the USD declining in earnest since July, while equity markets have responded with a healthy rise over the past month.

During the month, the exposure to government bonds was increased via US Treasury futures. With QE2 imminent, it appears that technical factors may drive yields lower irrespective of fundamentals and therefore the position was initiated to reduce the relative impact of falling bond yields on the portfolio. That said, there is an expectation that QE2 is likely to be a gradual process rather than

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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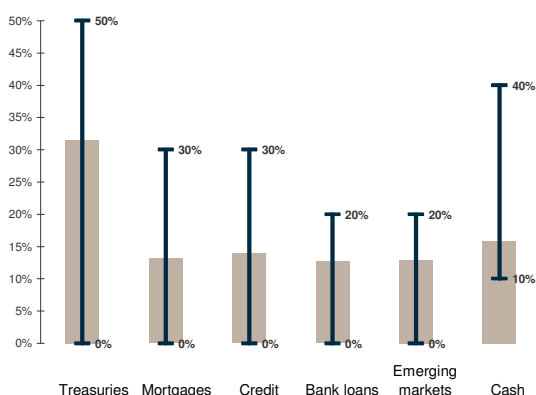
a “shock and awe” strategy which could result in a sell-off in bonds and therefore we remain underweight government bonds relative to benchmark.

The Fund’s exposure to investment grade credit and bank loans contributed to performance in the month. Fundamentals for corporate debt remain positive however we remain cognisant of valuations. Mortgages remain unattractive from a directional perspective and therefore the portfolio remains underweight.

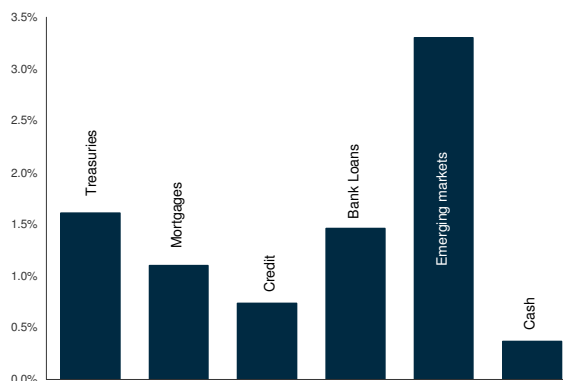
In September, EM external debt and EM local markets continued their strong upward trajectory. While QE2 is unlikely to help global growth given such large debt levels, increased global liquidity will be good for emerging market assets as emerging markets have improving fundamentals, considerably lower debt to GDP ratios than developed markets, significant reserves and strong and improving GDP growth – much of it based on increasing domestic consumption and intra-EM trade. The Fund retains its overweight position to emerging market bonds.

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

Current asset allocation and ranges*



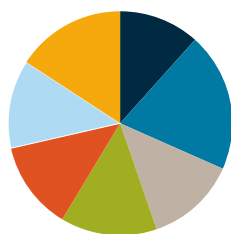
Monthly performance by asset class**



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

Manager allocations by asset class***

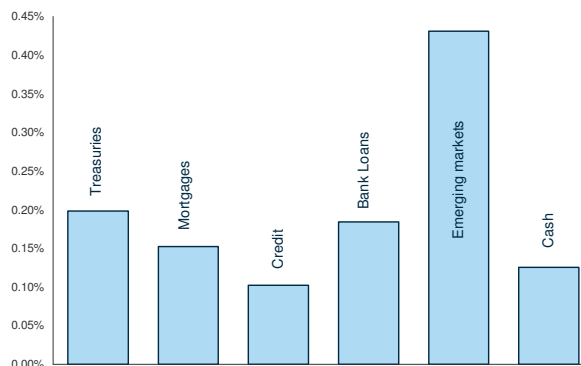
- Treasuries Manager 1 / 11.6%
- Treasuries Futures / 19.9%
- Mortgages / 13.1%
- Investment Grade / 13.9%
- Bank Loans / 12.7%
- Emerging markets / 12.9%
- Cash / 15.8%



Portfolio net exposure: %

** Manager Estimate. These may change.

Monthly attribution by asset class****



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

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

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