

Pengana Global Bond Fund

October 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\$231.0*

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%	0.6%*			9.2%*
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%	0.6%*			9.4%*
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%	0.3%			10.1%
2009					0.4%	1.1%	1.5%	1.3%	1.0%	0.5%	1.3%	-0.6%	6.7%

*Manager estimate, this may change. Net of fees and after reinvestment of distributions.

The Class A units delivered a return of 0.6%* in October outperforming the benchmark return of 0.3%. Since inception the Class A units of the Fund have returned 11.7%pa* versus the benchmark return of 11.3%pa. All components of the Fund were positive for the month with meaningful contributions coming from emerging market debt, bank loans and the mortgage portfolios.

Investors in October were firmly focused on the Federal Reserve's announcement in early November regarding the size of the next round of quantitative easing (QE2). As the month progressed investors felt increasingly comfortable that the Fed's treasury purchase plan was going to be sizable enough to keep yields at the low end of the 18 months trading range. Consequently, treasury yields ebbed and flowed but essentially finished the month slightly higher whilst risk assets rallied including equity markets and spread products. Whether QE2 will be able stimulate the US economy and particularly the US employment market will only be known over time.

The Fed's treasury purchase plan combined with mortgage rolls and overseas demand effectively means demand will exceed supply for the foreseeable future. This should ensure treasury yields remain at the bottom end of a trading range in the absence of stronger US economic data. For this reason we have maintained our defensive position in US treasury futures.

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

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services licence number 226566) is the issuer of units in the Pengana Global Bond Fund (the "Fund"). Only wholesale clients may invest in the Fund. An Information Memorandum for the Fund is available and can be obtained from our distribution team. A person should obtain a copy of the Information Memorandum and should consider the Information Memorandum carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund. An investment in the fund is subject to investment risk including a possible delay in repayment and loss of income and principal invested.

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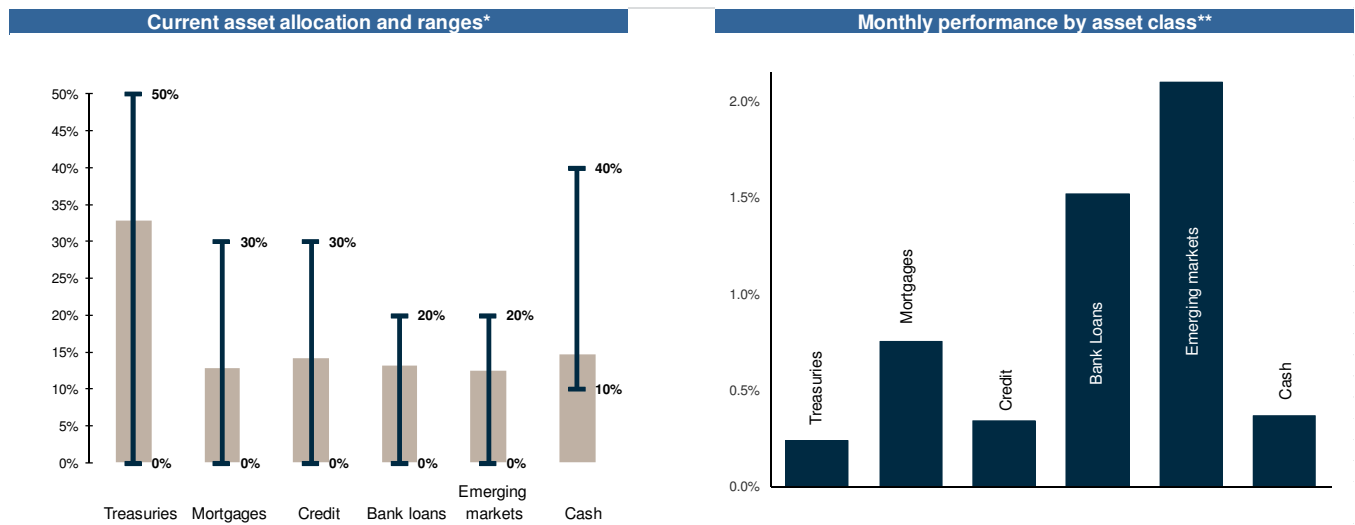


However, we still believe that there are risks that in the event of stronger economic data, that there may be sharp upward move in yields and therefore the portfolio maintains an underweight position relative to benchmark.

Continued low yields have been positive for company profitability and many companies have taken the opportunity to lock in cheap debt. Consequently, corporate bonds and bank loans continue to perform well. While spreads in investment grade corporate debt are around "fair value" they should continue to be well supported by strong corporate profits and access to cheap debt. The fund maintains its exposure to both corporate debt and the bank loans.

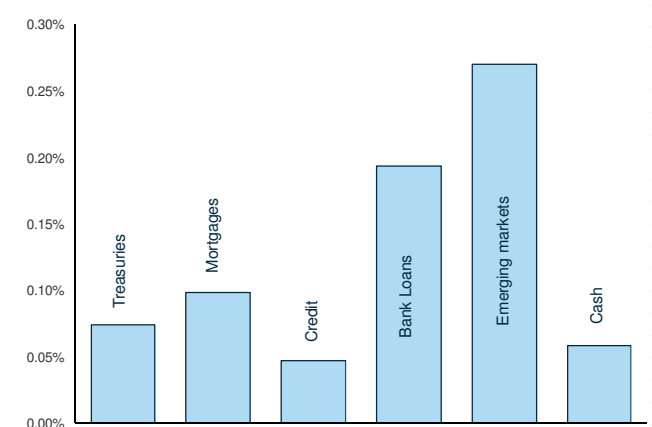
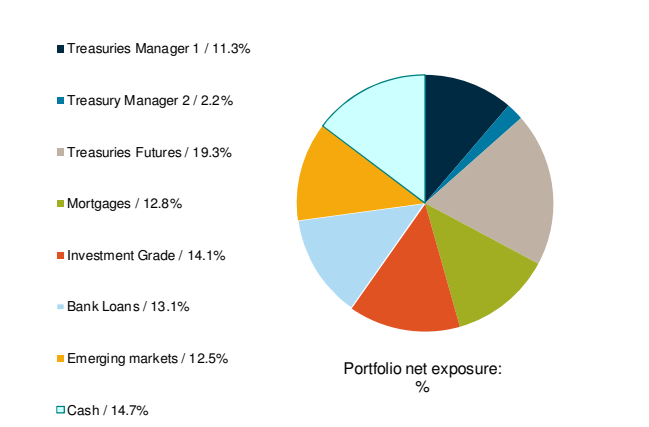
In October, both EM external debt and local currencies posted positive gains. QE2 should be positive for inflows into emerging markets which will be supportive for performance. The upcoming G20 summit starting on 11th November should see proposals on alternate reserve currencies and assets. These steps recognise the increasing importance and strong fundamentals of emerging markets, particularly in the face of a declining US dollar and QE2 will likely accelerate its devaluation.

In November, sovereign risk is again on the rise within the Eurozone. This time Ireland is the focal point, though concerns are spreading to Portugal as well other markets that are more vulnerable. After strong and uninterrupted gains since late August, global equity and risk asset markets may be vulnerable in the short term to rising sovereign risk.



* Adjusted for applications/redemptions and manager changes at month end.
Manager allocations by asset class***

** Manager Estimate. These may change.
Monthly attribution by asset class****



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

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