

Pengana Global Bond Fund December 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\$235.8*

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%	0.9%	-0.2%	-0.1%*	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%	1.0%	-0.2%	0.0%*	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%	-0.7%	0.0%	9.3%
2009					0.4%	1.1%	1.5%	1.3%	1.0%	0.5%	1.3%	-0.6%	6.7%

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

The Class A units delivered a return of -0.1%* in December marginally underperforming the benchmark return of 0%. Since inception the Class A units of the Fund have returned 10.5%pa* versus the benchmark return of 9.6%pa. Contributors for the month included bank loans, mortgages and emerging markets while the exposure to government debt was the biggest detractor for the month.

Global bond markets generally weakened in December as increasing optimism regarding the outlook for the global recovery saw investors offload the relative safety of government debt in favour of riskier assets such as shares. The US ten-year bond yield rose by 0.78% to 3.29% while Germany's ten year bond yield rose by 0.68% to 2.96%. In the U.S., non-farm payroll numbers were disappointing, however an extension of the Bush tax cuts should provide an additional stimulus with an estimate 0.5 to 1% addition to 2011 GDP growth. Nevertheless, global sentiment looks generally benign heading into 2011 with continued dovish policies from G10 central banks and a diminished possibility of a double dip recession. The Fund's underweight to treasury assets helped however the defensive position in US 10 year treasury futures detracted from performance as the yield on US treasury bonds increased more than other sovereign bonds. We continue to believe that sovereign yields will continue to rise and therefore remain underweight sovereign bonds.

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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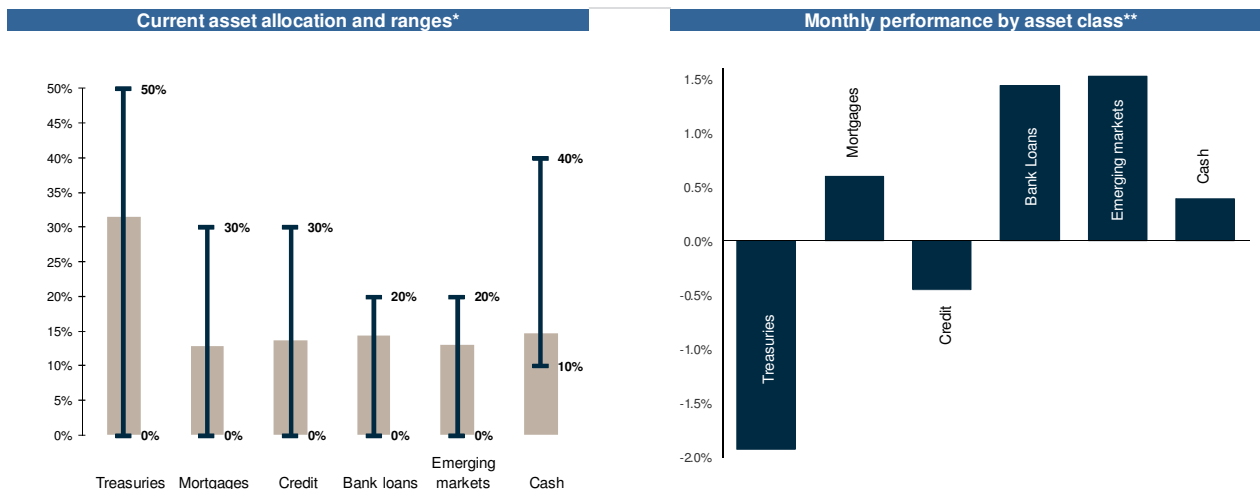
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Credit markets were also impacted by the back up in treasury yields and credit returns were again negative for the month. While corporate profitably remains rising treasury yields will lead to rising corporate yields in the absence of further spread compression. The bank loan exposure again helped as the asset class is relatively immune to rising yields.

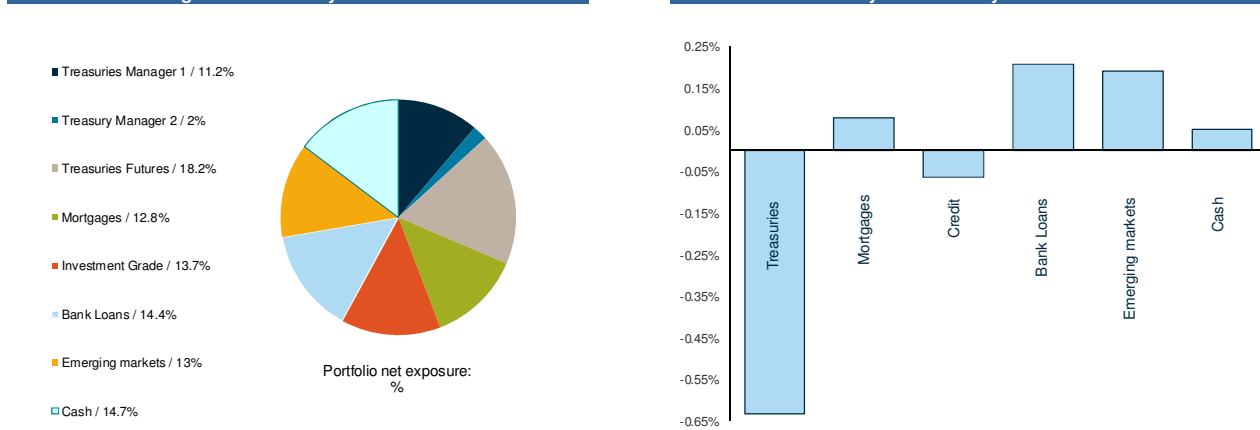
Emerging market (EM) local debt was strongly positive while EM external debt was mixed. In external debt over the month, Eastern Europe was one of the better performing regions while Latin America performed generally in line with the overall market, although the higher beta markets of Venezuela and Argentina were the best performers globally. In local markets, Eastern Europe bounced back, partly due to links with the Euro which appreciated almost 3% in December. The outlook for emerging economies remains strong although some inflationary pressures are appearing in some countries.

While low inflation, central bank government bond purchases and the absence of any near-term monetary tightening should help keep bond yields in key advanced countries reasonably low in the short term, the risk of a sharp back-up in global bond yields at some point is very high. Bond yields in key advanced countries are still well below longer-term sustainable levels and sooner or later the record inflows into bond funds seen in recent years are at risk of becoming record outflows. The back up in bond yields over the last few weeks may be a warning sign of things to come.



* 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****



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

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

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