

# Pengana Global Bond Fund

## January 2011 Update, by Greg Clarke



1 of 3

### 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\$237.6m*

### 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
2011	0.7%*												0.7%*
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%
<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
2011	0.7%*												0.7%*
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%	9.5%
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
2011	0.1%												0.1%
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 0.7%\* in January outperforming the benchmark return of 0.1%. Since inception the Class A units of the Fund have returned 10.4%pa\* versus the benchmark return of 9.2%pa. Relative and absolute performance for the month was helped by the Fund's allocation to bank loans which continued to provide an enhanced spread as well as insulation from rising yields. Also making a meaningful contribution was stock selection in the mortgage portfolio, the funds underweight to government bonds and an overweight to cash.

During January government bond yields consolidated at levels reached in December 2010 with the US 10 Year Treasury bonds yields finishing just 0.01% up at 3.38%. Although there was further evidence during the month of a more sustainable economic recovery in the US a number of risks remain for global bond markets. These include continued uncertainty regarding European debt problems,

<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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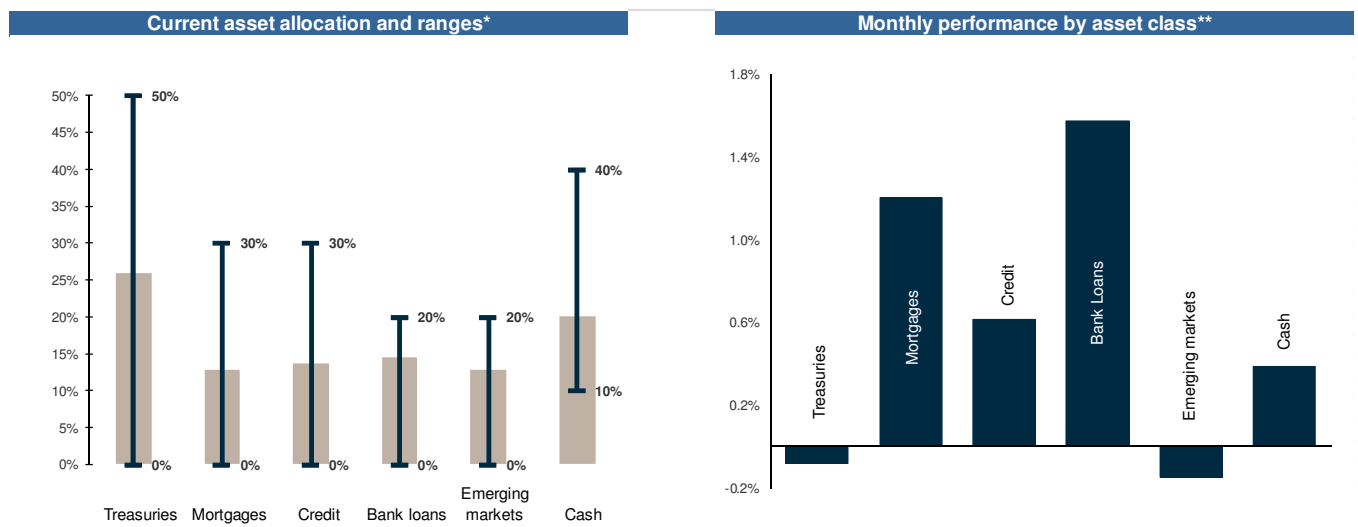


rising inflation in a number of developing countries (and subsequent policy responses) and the potential for greater instability in the Middle East.

While sovereign bonds have backed up considerably they remain in expensive territory. The consolidation phase in January represents a pause while investors await further evidence of stable economic growth. We have taken the opportunity to trim the weight in treasuries and the Fund benefited in early February when government yields continued their upward march.

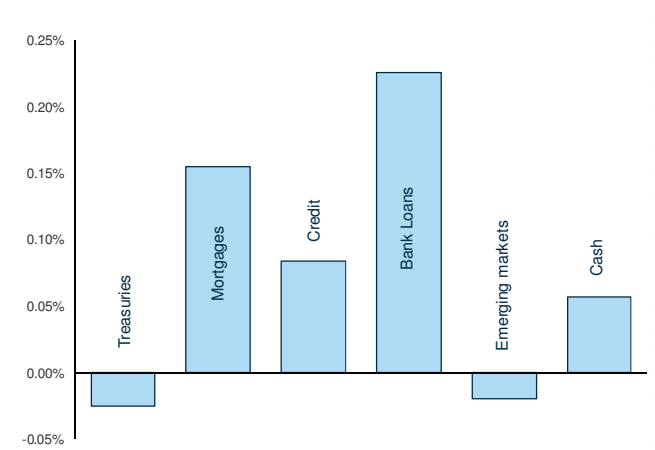
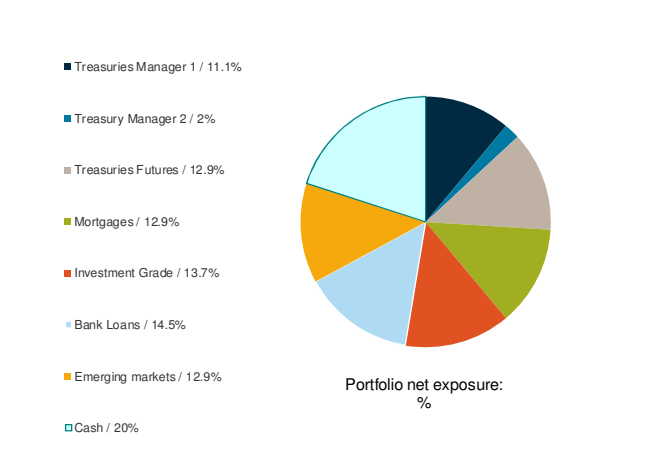
Credit markets benefited from a more stable yield environment and outperformed government bonds which benefited the portfolio. The portfolio also benefited from good stock selection in the credit portfolio. While investment grade bonds typically benefit from a stable economic environment we believe that absolute returns are increasingly susceptible to rising yields. Bank loans on the other hand have benefitted from spread compression as investors see the appeal of floating rates instruments. The portfolio continues to benefit from exposure to this sector. Mortgages remain poor value although the opportunity to add absolute returns within the asset class remain strong.

Emerging markets (EM) were impacted towards the end of the month, as the overthrow of Tunisia's government was followed by crippling protests in Egypt leading to the dismissal of its government. While we may see further volatility and political pressures in the region, most emerging countries remain in a very strong position with solid fundamentals, an upward growth trajectory and increasing importance to the world economy although inflation remains a 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\*\*\*\***



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

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

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3 of 3

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