

Pengana Global Bond Fund

February 2011 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\$239.1m*

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
2011	0.6%	0.7%*											1.3%*
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
2011	0.6%	0.7%*											1.3%*
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%
Barclays Global Aggregate Index (A\$)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	0.1%	0.5%											0.6%
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 February outperforming the benchmark return of 0.5%. Since inception the Class A units of the Fund have returned 10.3%pa* versus the benchmark return of 9.1%pa. In an absolute sense all parts of the portfolio contributed to performance. Relative performance for the month was driven by both sector allocation and stock selection. On the asset allocation basis the underweight to government bonds and overweight to municipal and emerging market local currency bonds contributed to performance. Stock selection in the mortgage portfolio also made a meaningful contribution.

In February rising oil prices were at the forefront of investors' minds, with ongoing tensions in the Middle East and Africa creating a supply-side shock, pushing crude prices up +7.4% to over US\$100 a barrel for the first time since Oct-2008. Fears of rising inflation and central bank measures to curb inflation raised concerns of a reduction in consumer spending and a hampered global recovery. After an initial sell-off in government bonds which pushed the US 10 year treasury to 3.72%, the growing concerns of a slowdown in global economic growth saw yields finishing the month relatively flat. The underweight to government bonds helped the portfolio as

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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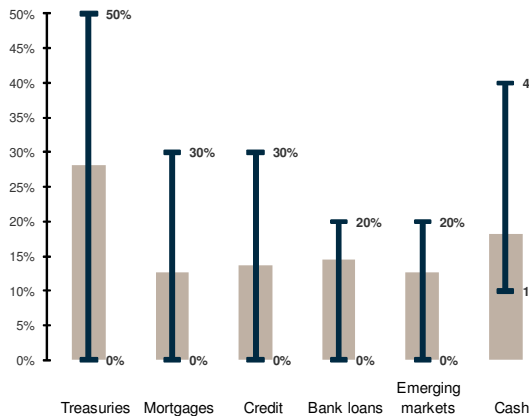


most other asset classes outperformed. While the past month has seen an increase in risk, we believe the medium to long term outlook for government bonds remains poor and therefore maintain an underweight.

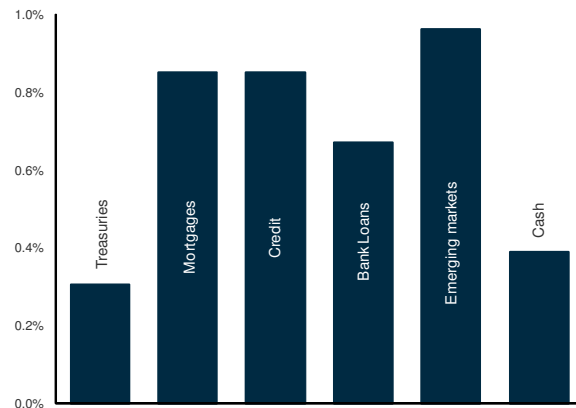
February was another solid month for global credit markets, with corporate bond spreads continuing to tighten against a volatile macro landscape. With credit investors looking to put cash to work (amid improved corporate earnings & economic data) and minimal new corporate bond supply, spreads tightened in the first 3 weeks of February, before retracing a tad on Middle-Eastern (and oil price) fears. Investment grade corporate bond indexes closed the month around 10bp tighter. The corporate environment remains solid and therefore we retain an overweight to credit primarily in the form of floating rate bank loans.

Emerging market debt performed well in February. Valuations in both external debt and local currency-denominated instruments were positive for the month buoyed by stronger economic data out of the G7 economies and sound management of local market cycles across the emerging markets. Budding concerns about inflation, particularly in light of higher oil prices, have largely been muted as a result of strong and orthodox monetary and fiscal policy across emerging markets. Fundamentals in EM continue to remain strong and in fact are generally the main beneficiaries of elevated commodity prices. Corporate debt issuance across EM has continued to be strong demonstrating the strength of EM growth. The majority of new issuance has been of investment grade quality – yet offering far more attractive risk-return profiles compared to similarly rated credits in the developed markets.

Current asset allocation and ranges*

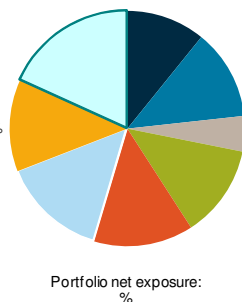


Monthly performance by asset class**



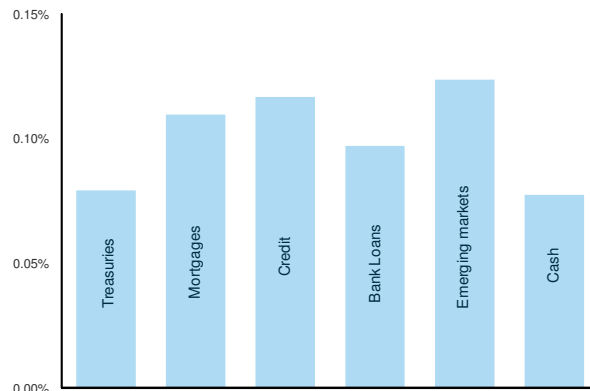
* Adjusted for applications/redemptions and manager changes at month end.
Manager allocations by asset class***

- Treasuries - Relative Value / 10.9%
- Treasuries - Futures / 12.4%
- Municipal / 4.9%
- Mortgages - Relative Value / 12.7%
- Investment Grade / 13.7%
- Bank Loans / 14.5%
- Emerging markets / 12.7%
- Cash / 18.2%



** 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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