

# Pengana Global Bond Fund

## March 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

<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\$240.9*

### 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	0.6%	0.7%	0.8%*										2.2%*
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	0.6%	0.7%	0.8%*										2.1%*
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%	0.5%	0.3%										1.0%
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 0.8%\*<sup>2</sup> in March outperforming the benchmark return of 0.2%. Since inception the Class A units of the Fund have returned 10.3%pa\*<sup>2</sup> versus the benchmark return of 8.9%pa. In an absolute sense all parts of the portfolio contributed to performance and relative performance for the month was driven by both sector allocation and stock selection. On the asset allocation basis the overweight to emerging market bonds contributed to performance. Stock selection in the mortgage portfolio and emerging market portfolios made meaningful contributions.

Yields on US Treasury notes finished March higher however the path of yields was volatile, driven by geopolitical risks in the Middle East. Later in the month, during his March press conference, ECB President Trichet used hawkish language, driving yields in bonds and US Treasuries. Toward the middle of the month, the devastating earthquake and subsequent tsunami in Japan caused fears of a nuclear meltdown, sending Treasury yields to their annual lows. As fears subsided, Treasury yields climbed higher, ending March slightly above where they started the month, with longer dated maturities generally outperforming.

<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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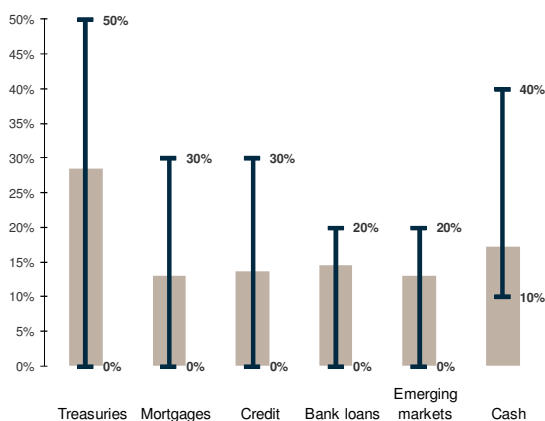


Credit markets and other spread asset classes proved resilient in March, with spreads holding up well despite a seemingly constant stream of negative headlines and a deluge of new corporate bond supply. With earnings season now behind, corporate bond issuance cranked up a gear during March, with US\$154 bill of supply from US corporate (vs US\$86 bill in Feb) and the equivalent of US\$217 bill from European corporates (vs US\$175 bill in Feb). US investment grade corporate spreads closed a little wider, while Euro investment grade spreads edged a bit tighter.

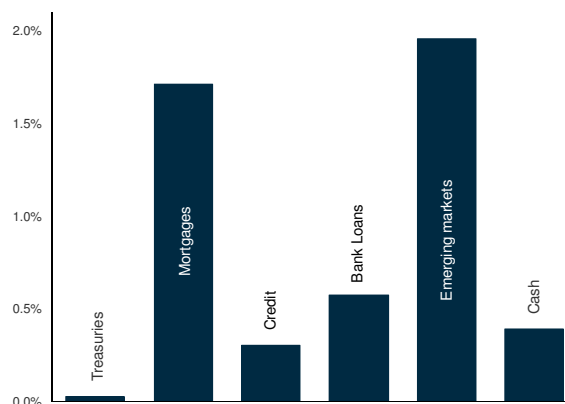
Emerging Market debt saw low levels of volatility and continued its upward trend in March despite ongoing tensions in the Middle East and North Africa and the huge tsunami that hit Japan. Portuguese bond yields surged to new highs confirming that European sovereign debt concerns continue to exist. The impact on Emerging Markets as an asset class was muted thus highlighting the strong fundamentals that EMD is built upon.

Despite the ongoing tensions in Africa and the Middle East, Ivory Coast was the star performer with the expectation that Ouattara, the UN recognised leader, will eventually come to power. Latin America also performed well. Belarus was the worst performing country as S&P and Moody's both downgraded it. Russia was a strong performer in March: as a key beneficiary of high oil prices, the Russian authorities are perceived to be taking responsible steps to consolidate their fiscal position. Brazil performed well over the month although the central bank raised its policy rate by 50 bps to 11.75% as inflation had been moving higher to 6% in January.

Current asset allocation and ranges\*



Monthly performance by asset class\*\*

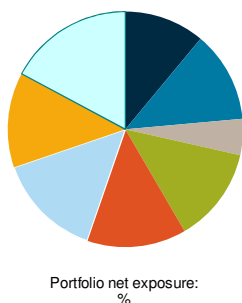


\* Adjusted for applications/redemptions and manager changes at month end.

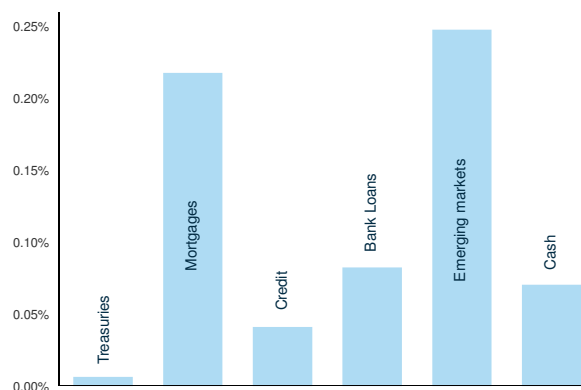
\*\* Manager Estimate. These may change.

Manager allocations by asset class\*\*\*

- Treasuries - Relative Value / 11%
- Treasuries - Futures / 12.6%
- Municipal / 5%
- Mortgages - Relative Value / 13.1%
- Investment Grade / 13.7%
- Bank Loans / 14.5%
- Emerging markets / 13.1%
- Cash / 17.2%



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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