Pengana Global Bond Fund
May 2011 Update, by Greg Clarke

PENGANA CAPITAL

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[3]	**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$20,000	**Buy/Sell spread**	0.10% / 0.10%
Inception Date	May 2009	**Assets Under Management**	A$245.5

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%	0.8%	1.1%	0.9%*								4.3%
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%	0.8%	1.1%	1.0%*								4.3%
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%	0.3%	1.2%	1.4%								3.6%
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

The Class A units delivered a return of 0.9%*[2] in May and underperformed the benchmark return of 1.4%. Since inception the Class A units of the Fund have returned 10.5%pa*[2] versus the benchmark return of 9.5%pa. In an absolute sense all parts of the portfolio contributed to performance for the month with treasuries and the global credit portfolio making notable contributions. On a relative basis an overweight to cash and an underweight to treasuries detracted from performance.

Bonds markets exhibited a very cautious tone for the month of May. Concerns regarding European sovereign debt and a series of weaker US economic numbers dominated market psychology. Investors re-emphasised credit quality during this month of risk-off trading and U.S. Treasury markets rallied with 10-year yields coming in 23 basis points to 3.06% at the end of the month. Consequently, government bonds were the best performing asset class in the benchmark and the Fund's underweight position resulted in underperformance.

[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
[3] This is not intended to be a forecast. It is only an indication of what the Fund aims to achieve over the medium to long term. The Fund may not be successful in meeting its objective. Returns are not guaranteed.

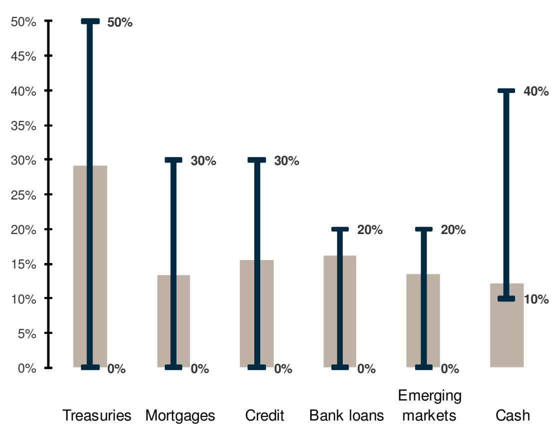
Pengana Global Bond Fund
May 2011 Update, by Greg Clarke

The municipal bond market continued to recover in May, with the Barclays Capital Municipal Bond Index rising 1.7%. The positive performance was broad-based, across both the yield and credit curves.

With rising risk aversion, spread assets were under pressure in the latter part of the month. Credit markets were mostly weaker on the back of poor macroeconomic data across the globe, further Chinese tightening, and more risk flare ups in the Eurozone. Within global credit, financials generally underperformed, particularly subordinated and Tier 1 debt. Non-financial performance was more mixed but mostly wider in credit spreads. Bank loans were also impacted but the portfolio is overweight higher quality names and therefore the impact was somewhat mitigated.

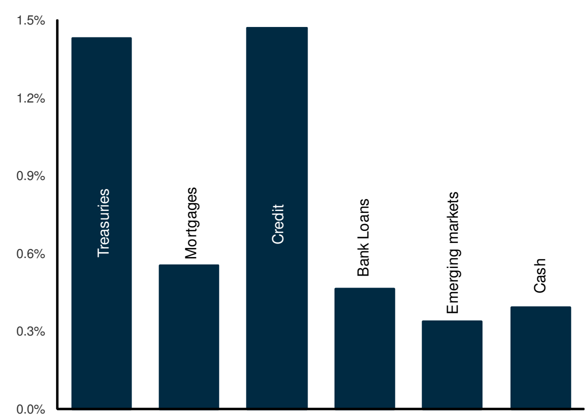
A notable exception to this month's volatility was Emerging Market dollar debt which held up well despite jittery markets. Key drivers of external debt performance have been Asia on a regional basis and Peru as the stand out country performer. Emerging Market growth continues to strengthen with many countries including Indonesia & China recording strong Q1 GDP numbers. Inflation pressures remain high and developing country central banks are cognisant of the need to allow their currencies to appreciate to temper inflation and to facilitate global rebalancing. This will be beneficial for local currency returns in the near term.

Current asset allocation and ranges*



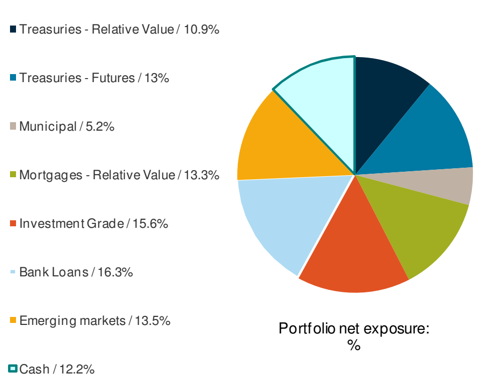
* Adjusted for applications/redemptions and manager changes at month end.

Monthly performance by asset class**



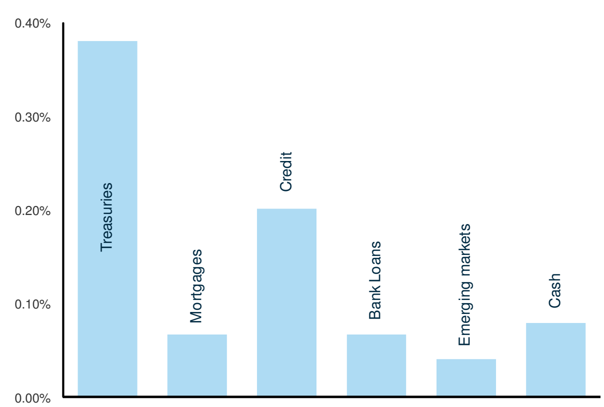
** Manager Estimate. These may change.

Manager allocations by asset class***



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

Monthly attribution by asset class****



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

Contact Details

Pengana Capital Limited ▪ Level 12, 167 Macquarie Street, Sydney, NSW 2000, Australia ▪ T +61 2 8524 9900 ▪ F +61 2 8524 9901

ABN 30 103 800 568, AFSL 226566. For further information, please visit our website at **www.pengana.com** or contact:

Institutional Clients: Denis Carroll, +61 2 8524 9974, denis.carroll@pengana.com

Private Clients: Juliet Dunworth, +61 2 8524 9984, juliet.dunworth@pengana.com

Advisors & Retail Clients: Justin Brooks, +61 3 8663 7906, justin.brooks@pengana.com