

# Pengana Global Bond Fund

## October 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 invests in government bonds, mortgage and asset backed securities, corporate credit, senior secured back loans, emerging market debt 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: 0.2563%; Class B: 0.00%; Class C 0.3075% p.a.
<b>Fund Benchmark</b>	Barclays Global Aggregate Bond Index (hedged into Australian Dollars).	<b>Performance Fees<sup>1</sup> (quarterly)</b>	Class A: 10.25%; Class B: 20%; Class C 15.375% p.a. (incl. 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 <sup>3</sup>	<b>Underlying Manager Costs</b>	Underlying investment management fees do not currently exceed 2% p.a. In addition, underlying managers may charge performance fees.
<b>Fund Structure</b>	Australian registered fund with daily pricing	<b>Income Distribution</b>	Annual
<b>Minimum Initial Investment Amount</b>	A\$20,000	<b>Buy/Sell spread</b>	0.10% / 0.10%
<b>Inception Date</b>	May 2009	<b>Assets Under Management</b>	A\$81.1m

### 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%	1.1%	0.9%	0.5%	1.9%	-0.4%	-0.9%	2.2%			7.7%
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	0.6%	0.7%	0.8%	1.1%	1.0%	0.6%	1.9%	-0.4%	-0.9%	2.2%			7.8%
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%	1.2%	1.4%	0.2%	1.5%	1.7%	1.1%	0.3%			8.7%
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%

The Class A units delivered a return of 2.2%<sup>2</sup> in September and outperformed the benchmark return of 0.3%. Since inception the Class A units of the Fund have returned 10.2%pa<sup>2</sup> versus the benchmark return of 9.9%pa. Bank loans and emerging markets contributed to performance in both an absolute and relative sense while the portfolio's US treasury exposure detracted from absolute performance.

Markets stabilized and rallied from early October lows following a series of positive announcements related to Europe. Better than expected U.S. economic data and solid third quarter earnings results also buoyed markets. Consequently spread assets enjoyed a dramatic rebound in October, with lower quality bonds generating returns over 5%. European credits outperformed their US counterparts. High quality government bonds retreated for the first time since early Q3 as investors were no longer willing to accept a paltry yield in exchange for perceived safety, with the 10 year and the 30 year US Treasury bonds declining.

<sup>1</sup> Please refer to the Product Disclosure Statement for more detail.

<sup>2</sup> Total return performance figures are shown net of all fees and charges and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance. The value of investments may rise and fall.

<sup>3</sup> 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.

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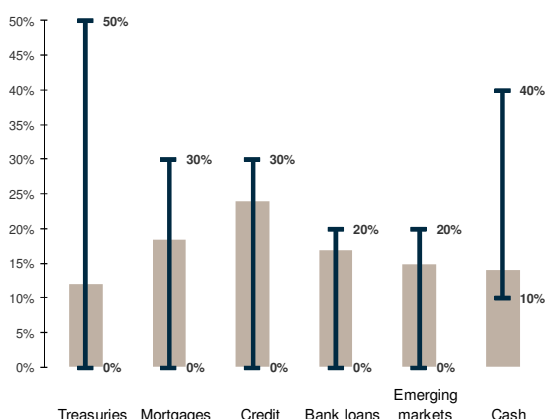


Corporate bond returns continue to be driven more by headline news out of Europe than by fundamentals. Companies are well capitalized and have few impending debt maturities. The general trend this earnings season has been one of positive third quarter earnings and prudent cash flow management. We believe a cautious outlook will translate into further balance sheet and bondholder friendly actions by management teams.

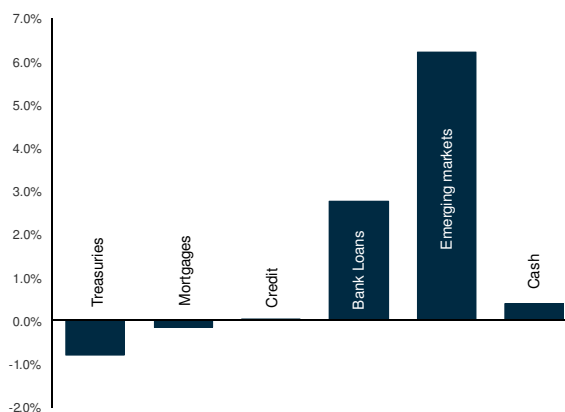
Emerging markets recovered in October. The early part of the month saw Asian central banks intervene to support the bond and currency markets. Indonesia and Brazil cut rates with China hinting at a more flexible fiscal and monetary policy in a sign that the hiking cycle might be over. Despite the recent sell off in Emerging Market assets the fundamentals haven't changed. They still remain in positive growth territory and have demonstrated that they have the tools to weather any sign of slowdown or volatility.

Markets have traded on events in Europe for some time now and we expect continued volatility going forward. However fundamentals in both emerging markets and corporate credit remain strong and we expect them to continue to reward investors over the medium term.

### Current asset allocation and ranges

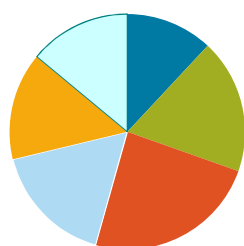


### Monthly performance by asset class



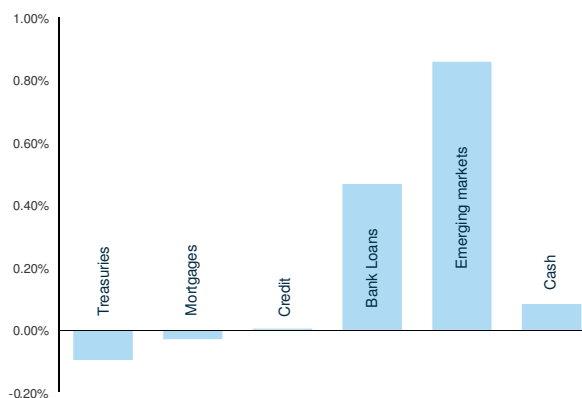
### Manager allocations by asset class

- Treasuries - Futures / 12%
- Mortgages - Relative Value / 18.4%
- Investment Grade / 23.9%
- Bank Loans / 16.9%
- Emerging markets / 14.8%
- Cash / 14%



Portfolio net exposure: %

### Monthly attribution by asset class



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