PENGANA CAPITAL GROUP

MONTHLY REPORT
JUNE 2026

PENGANA ALPHA ISRAEL FUND

DESCRIPTION

The Pengana Alpha Israel Fund invests in listed Israeli companies that produce cutting edge – both high and low tech – technologies. These Israeli listed companies have developed solid intellectual property coupled with strong global distribution.

The Fund offers Australian investors diversification within global equity exposure to a unique and promising market that is very much skewed to industries and technologies that are either limited, or do not exist, in the Australian market place, such as: the semiconductor industry, solar and water treatment technology, aerospace and electronic defence industries, and cyber security technologies.

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Jun 2026[i]

Alpha Israel Fund Class A (AUD)

	1M	1Y	2Y	3Y	5Y	Since Strategy Inception March 2021[2]	Since Fund Inception January 2018
Alpha Israel Fund Class A[1]	-8.5%	22.2%	36.3%	24.8%	13.8%	13.5%	12.6%
Current Strategy (Partial Simulation)[2]	-8.5%	22.2%	37.8%	27.0%	15.7%	16.0%	
Tel Aviv Stock Exchange 125 Index[3]	-9.5%	32.7%	43.5%	31.2%	17.8%	18.2%	13.5%

Alpha Israel Fund Class B (USD)

	1M	1Y	2Y	3Y	5Y	Since Strategy Inception March 2021[2]	Since Fund Inception January 2018
Alpha Israel Fund Class B[1]	-8.4%	22.6%	36.6%	25.6%	14.7%	14.3%	13.5%
Current Strategy (Partial Simulation)[2]	-8.4%	22.6%	38.1%	26.7%	15.2%	15.5%	
Tel Aviv Stock Exchange 125 Index[3]	-9.5%	32.7%	43.5%	31.2%	17.8%	18.2%	13.5%

TOP HOLDINGS (ALPHABETICALLY)

Azrieli Group Ltd.	Real Estate Operating Companies
Bank Hapoalim BM	Diversified Banks
Tachlit SAL (40) INDEX ISRAEL BANKS IL	Other
Telsys Ltd.	Technology Distributors
Teva	Health Care

SECTOR BREAKDOWN

Communication Services	3.2%
Consumer Discretionary	10.7%
Financials	20.8%
Health Care	3.5%
Industrials	6.7%
Information Technology	23.5%
Real Estate	15.8%
Utilities	3.4%
Consumer Staples	1.1%
Options	0.7%
Other	4.8%
Debt	0.7%
Cash	5.2%

CAPITALISATION BREAKDOWN

Under 100m USD	0.7%
In between 100 - 1bn USD	17.3%
In between 1bn - 5bn USD	35.5%
Above 5bn USD	35.2%
Options	0.7%
Other	4.8%
Debt	0.7%
Cash	5.2%

STATISTICAL DATA

VOLATILITY[3]	13.2%
NUMBER OF STOCKS	38
BETA[4]	0.71
MAXIMUM DRAW DOWN	-15.7%

JUNE REPORT

COMMENTARY

- Israeli equities declined in June, with the TA-125 Index falling 9.5% and reversing a large portion of the gains recorded earlier in 2026. The decline was broad-based and reflected profit-taking after considerable appreciation, alongside growing market sensitivity to macro and geopolitical developments.
- A new framework agreement between the US and Iran introduced uncertainty over the region's strategic outlook, weighing on sentiment despite reduced near-term conflict risk. In late May, the Bank of Israel cut its benchmark rate by 25 basis points to 3.75%, citing inflation within target and continued shekel appreciation.
- The Fund declined 8.5% (Class A, AUD) and 8.4% (Class B, USD), holding up better than the broader index. Weakness in **Qualitau**, **Payton**, and **Nayax** was partly offset by a contribution from **Telsys**.

Market Review

Israeli equities recorded a sharp decline in June, with the TA-125 Index falling 9.5% and reversing much of the strong year to date performance. The index had returned approximately 21% through the end of May, before closing the first half of 2026 at approximately 9.5%. Declines were broad-based across sectors, with the insurance sector falling 14%, technology stocks declining 11%, oil and gas stocks declining 9%, and the banking sector falling 7%. The decline reflected natural profit-taking after a period of considerable appreciation, against a market increasingly sensitive to macro news, currency, and geopolitical developments. Analysts note that first-half gains stemmed largely from multiple expansion rather than earnings growth, with further advances likely to require fundamental delivery to justify current valuations.

The most influential geopolitical development was the emergence of a new framework agreement between the US and Iran. While the prospect of a diplomatic resolution had previously supported Israeli equities by lowering the geopolitical risk premium, the agreement itself introduced fresh uncertainty. Questions remain over implementation, durability, and how a rehabilitated Iran might reposition within the region.

On the macro front, the Bank of Israel cut its benchmark rate by 25 basis points to 3.75% on 25 May, its second reduction of 2026. The move was supported by inflation within the 1% to 3% target band and continued shekel strength. Israel's currency has appreciated approximately 6% to 7% year to end June against the US dollar, reaching a 33-year high. The strength reflects capital inflows, a declining risk premium, and growing investor confidence in the local economy. Post month-end, the Bank of Israel delivered a further 25 basis point cut on 6 July, bringing the policy rate to 3.50%.

Portfolio Commentary

The Fund declined but held up modestly better than the broader market, with downside protection from convertible bond positioning cushioning weakness across core semiconductor and technology holdings. Losses were partly offset by a positive contribution from **Telsys**. Sharp price moves are viewed as largely valuation-driven rather than reflecting deterioration in business fundamentals.

The main contributor was Telsys, an electronics group whose subsidiary, Variscite, is a global leader in the System on Module (SOM) space. It rose 3% against the broader decline, supported by customer inventory normalisation and rising memory chip prices. Variscite's product is critical yet a small share of end-customer costs, allowing passthrough of memory increases and a corresponding lift to its own revenue. A growing order backlog and rising customer advance payments already reflect this dynamic.

Qualitau, a semiconductor reliability testing equipment provider, was the main detractor, declining 31% and giving back much of its year to date gains. This came amid broad-based selling in Israeli technology names and some disappointment over the pace of growth in recent results. Some of the underperformance also reflects communication factors viewed as specific and transient, with active engagement underway. Conviction in the underlying business remains high, and the current valuation is seen as an opportunity.

Further declines came from Payton, a specialist electronics manufacturer, and Nayax, a cashless payment solutions provider, which fell 26% and 11%, respectively. Both moves reflected the broader technology selloff rather than company-specific news.

During the quarter, the Fund converted a meaningful portion of its semiconductor equity exposure into convertible bonds across Camtek, Nova, and Tower Semiconductor. The shift reflects a considered view on risk and reward given elevated valuations, retaining upside while adding downside protection. Options are used to hedge and capture pricing discrepancies between the convertibles and underlying equities.

A new addition is Ormat, a global renewable energy company, again via convertible bonds. Following strong performance from a shorter-dated series, the position was rotated into a longer-dated one with more meaningful protection. A written call and purchased put provide an added zero-cost hedge.

The portfolio remains well positioned across structural tailwinds, including AI-driven semiconductor investment and NVIDIA’s deepening role in the Israeli technology ecosystem. Recent weakness has enabled reinforcement of conviction positions at more attractive valuations, and the Fund enters the second half with confidence in the portfolio’s fundamentals.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A$ 1.7666
FEES *	Management Fee: 1.50% p.a. paid monthly in arrears Performance Fee: 20% above the TA-125 Index paid semi-annually in arrears. No performance fee is payable if performance for the half year is not positive.
MINIMUM INITIAL INVESTMENT	A$250,000 for the AUD class and the US$ equivalent of A$250,000 for the USD class
STRATEGY INCEPTION DATE	1 January 2018
BENCHMARK	The Fund's investment objective is to maximise total returns via the long-term appreciation of its assets through investments and transactions involving securities or financial instruments of, or related to, primarily (but not necessarily exclusively) Israeli and Israel-related public companies.

FUND MANAGERS

Gabi Dishi
Founder & CEO

Michael Weiss
Founder & Managing Partner

Aviran Revivo
Managing Partner

Sagi Ben Yosef
Managing Partner

i.Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Performance figures are calculated using net asset values after all fees and expenses, and assume reinvestment of distributions. Index returns shown are in ILS (Israeli Shekel). No allowance has been made for buy/sell spreads. Please refer to the PDS for information regarding risks. Past performance is not a reliable indicator of future performance and may not be repeated, the value of investments can go up and down.
^. Inception 1st January 2018.

* Performance for periods greater than 12 months are annualised. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. No allowance has been made for buy/sell spreads. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

1. Inception date 1 January 2018. Performance shown is the continuous performance of both the current and previous strategies.

2. Prior to February 2025 performance has been simulated by Pengana from the monthly gross returns of the Alpha Long Equities Fund denominated in ILS. The simulation was done by: hedging currency exposure of the underlying strategy to the base currency of the stated class using three month forward rates; and, applying the fee structure of the stated class. From February 2025 inclusive, performance is of the Pengana Alpha Israel Fund.

3. Index returns shown are in ILS (Israeli Shekel).

Please note: This fund is only open to Wholesale Investors.

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