

PENGANA AUSTRALIAN EQUITIES FUND
DESCRIPTION

The Pengana Australian Equities Fund aims to enhance and preserve investor wealth over a 5- year period via a concentrated core portfolio of principally Australian listed securities. The Fund uses fundamental research to evaluate investments capable of generating the target return over the medium term. Essentially, we are in the business of seeking to preserve capital and make money – we are not in the business of trying to beat the market. We remain focused on acquiring and holding investments that offer predictable, sustainable and well-stewarded after-tax cash earnings yields in excess of 6% that will grow to double digit levels as a percentage of our original entry price in five years. We believe that building a well-diversified portfolio of these “gifts that keep on giving” represents a meaningful way to create and preserve financial independence for our co-investors.

PERFORMANCE TABLE
NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2025¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	-1.1%	11.6%	12.1%	9.3%	7.4%	8.9%
Fund Objective: RBA Cash Rate plus 6%	0.8%	10.1%	10.0%	8.5%	7.9%	8.6%
ASX Accumulation All Ordinaries Index	-0.5%	10.5%	15.1%	12.9%	10.3%	7.5%

PERFORMANCE CHART
NET PERFORMANCE SINCE INCEPTION²

TOP HOLDINGS (ALPHABETICALLY)

Amcor PLC Shs Chess Depository Interests	Materials
BHP Group Ltd	Materials
CSL Limited	Health Care
Evolution Mining Limited	Materials
Metcash Limited	Consumer Staples
National Australia Bank Limited	Financials
NIB Holdings Ltd	Financials
ResMed Inc	Health Care
Stockland	Real Estate
Telstra Group Limited	Communication Services

SECTOR BREAKDOWN

Consumer Discretionary	7.8%
Consumer Staples	4.7%
Energy	3.7%
Financials	21.5%
Health Care	13.2%
Industrials	2.7%
Materials	19.4%
Real Estate	7.3%
Communication Services	5.4%
Utilities	2.6%
Cash	11.7%

CAPITALISATION BREAKDOWN

ASX 1-50	60.6%
ASX 51-100	11.5%
ASX 101-300	13.6%
Non ASX	2.6%
Cash	11.7%

CUSTOM SECTOR BREAKDOWN

Defensive	55.1%
Financials	11.7%
Consumer Discretionary	7.8%
Resources	13.6%
Cash	11.7%

STATISTICAL DATA
VOLATILITY³ 11.1%

NUMBER OF STOCKS 26

BETA⁴ 0.7

MAXIMUM DRAW DOWN -23.1%

A SOLID SEPTEMBER QUARTER

COMMENTARY

Following the first two robust months in the quarter, the Fund had a softer close returning -1.1% in September. By way of comparison, the RBA cash rate plus 6% returned approximately 0.8%, while the All Ordinaries Accumulation Index returned -0.5%.

The Fund continues to outperform its benchmark since inception just over 17 years ago, with a return of 8.9% per annum versus its RBA equity risk premium adjusted benchmark of 8.6% and the market return of 7.5% for the same period.

We remain focused on our objective of capital preservation while generating a fair return for equity risk. We believe equity valuations are generally elevated, particularly in light of the subdued economic fundamentals, and cash levels in the Fund remain at 12%.

Over the quarter, the Fund had a long tail of winners, which was dominated by **Evolution Mining**, rewarding our investment thesis/patience with this holding. Consistently growing gold production, a record gold price (the company took an active decision to be unhedged), and a robust copper price (also unhedged) continue to generate enormous cash flows for shareholders. Other significant winners included **BHP, Stockland, NAB, Ampol** and **Westpac Bank**. The small list of detractors included **CSL, James Hardie** and **Amcor**.

During the quarter, we trimmed our holdings in **Resmed, Evolution Mining, Medibank** and **Stockland**. Conversely, we added to our existing holdings in **Bluescope, BHP, Amcor** and **JHX**. Cash levels remain at 12%, providing us with increased flexibility to deploy capital as new opportunities emerge.

We are particularly cognizant of a heightened level of “twitchiness” amongst market participants. Fund flows appear to be playing an increasingly important role in driving share prices (rather than fundamentals). Importantly, while business activity remains reasonably solid, in general underlying earnings have not kept up with valuations.

To demonstrate the mixed signals from our data sources, we have included a few generalised observations from discussions with company management:

- a) Victoria remains a problematic state operationally. The combination of crime/fraud and additional regulatory requirements/taxes makes for subdued profitability. Similarly, NZ businesses continue to struggle.
- b) Discretionary Retailers are finding trading activity “patchy” and at times “inexplicably subdued”.
- c) Labour and rental costs remain elevated, with productivity improvements required to stave off negative operating leverage.
- d) Queensland business activity is strong due to a combination of positive net migration, lower regulation and Olympic preparations.
- e) Bad debts, particularly at the banks, remain low. A robust Private Credit market may be allowing for some relief.
- f) The labour market is no longer tight, staff turnover is down, sometimes too much.

g) Pokie machine revenues continue to surprise on the upside, currently returning high single digit like for likes on last year. This remains the most positive signal for cash liquidity in the economy.

In summary, while the September quarter delivered strong returns, we remain cautiously positioned due to the disconnect between overall market valuations and underlying earnings. In this context, we believe the portfolio's emphasis on companies with valuations supported by after-tax cash earnings yields is both prudent and well-suited to the current environment.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A\$ 1.7872
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 465.39m
STRATEGY INCEPTION DATE	1 July 2008
BENCHMARK	The RBA Cash Rate Target plus Australian equity risk premium.

FUND MANAGERS



Rhett Kessler
CIO and Senior Fund Manager



Anton du Preez
Deputy CIO and Fund Manager

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. The benchmark of cash rate plus 6% p.a. is included in the chart as it relates to the Fund's investment objective and performance fee. The Fund may invest up to 100% of its assets in equity securities. The greater risk of investing in equities is reflected in the addition of a margin above the cash rate. 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, the value of investments can go up and down.

2. Inception 1st July 2008.

3. Annualised standard deviation since inception.

4. Relative to ASX All Ordinaries Index. Using daily returns.

*(including GST, net of RITC) of the increase in net asset value subject to the RBA Cash Rate & High Water Mark. For further information regarding fees please see the PDS available on our website.

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PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com



PENGANA.COM

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