

PENGANA
CAPITAL GROUP

MONTHLY REPORT
SEPTEMBER 2026

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.

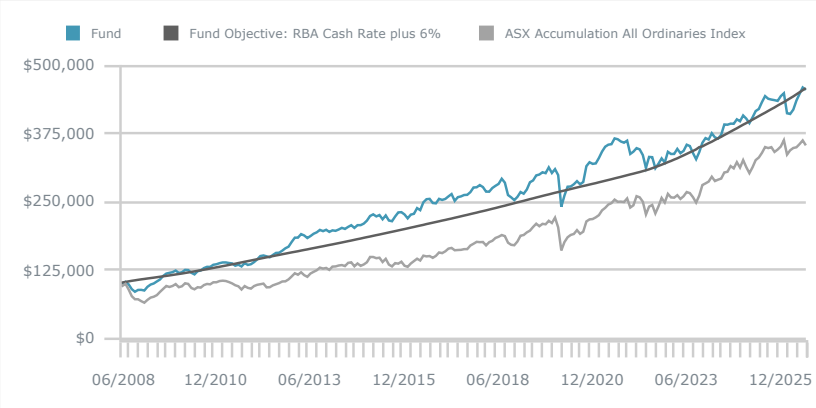
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2026[1]

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	-1.0%	3.7%	10.3%	4.5%	6.0%	8.6%
Fund Objective: RBA Cash Rate plus 6%	0.8%	10.0%	10.1%	9.3%	8.1%	8.7%
ASX Accumulation All Ordinaries Index	-2.5%	1.4%	11.0%	7.2%	9.0%	7.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Ampol Limited	Energy
Aristocrat Leisure Limited	Consumer Discretionary
BHP Group Ltd	Materials
Bluescope Steel Limited	Materials
Evolution Mining Limited	Materials
National Australia Bank Limited	Financials
NIB Holdings Ltd	Financials
Orica Limited	Materials
ResMed Inc	Health Care
Telstra Group Limited	Communication Services

SECTOR BREAKDOWN

Consumer Discretionary	11.5%
Consumer Staples	2.8%
Energy	3.8%
Financials	22.3%
Health Care	8%
Industrials	5.3%
Materials	23.4%
Real Estate	3.7%
Communication Services	6.7%
Utilities	2.3%
Cash	10.2%

CAPITALISATION BREAKDOWN

ASX 1-50	50.3%
ASX 51-100	14.3%
ASX 101-300	22.1%
All Ordinaries	0.8%
Non ASX	2.3%
Cash	10.2%

CUSTOM SECTOR BREAKDOWN

Defensive	43.6%
Financials	14.8%
Consumer Discretionary	10.5%
Resources	20.9%
Cash	10.2%

STATISTICAL DATA

VOLATILITY[3] 11.1% | NUMBER OF STOCKS 30 | BETA[4] 0.7 | MAXIMUM DRAW DOWN -23.1%

RESILIENCE AS THE COST OF CAPITAL RISES

COMMENTARY

For the September quarter, the Fund returned a strong +4.5% against the market +1.0% (ASX All Ordinaries) and our target (RBA cash rate plus 6%) at +2.5%.

Three months in which the market was led first by energy and banks, then by healthcare and gold, then sold off on bond yields, is a reminder of how little the thematics tell you about where returns will come from.

Key contributors for the quarter were **Ampol**, **Evolution Mining**, **ResMed** and **CSL**.

The Fund returned -1.0% in the month of September, behind our target (the RBA cash rate plus 6%) at 0.8% but well ahead of the market (ASX All Ordinaries) at -2.5%.

Bond yields rose sharply as both the RBA and the US Federal Reserve lifted rates, and the resources and technology names that had led the market were sold hardest. **Maas Group**, **Ampol** and **Orica** were the key contributors, while cyclicals **Evolution Mining**, **BHP** and **James Hardie** detracted.

September was the first down month for Australian equities since March, and this time the bond market, not the Middle East, was the driver. The Australian 10-year yield rose 28bps to 5.35%, a level last seen in 2011, after monthly inflation re-accelerated to 4.0% and the RBA delivered another 25bp hike. US yields rose 53bps. Healthcare (+4%) was the only sector meaningfully higher, and Energy (+1%) held up on an 8% rise in Brent, but Technology (-10%) and Materials (-6%) fell hard as higher real yields hit valuations, gold and iron ore prices fell.

The Fund's largest contributors were **Maas Group**, **Ampol** and **Orica**. **Maas Group** rose 30% in anticipation of the Firmus IPO. The business has become more volatile as it transitions towards servicing data centre builders, and September rewarded that exposure. **Ampol** rose 9%. The Strait of Hormuz remains disrupted and Asian refining margins elevated, but our thesis rests on the more lasting impacts on global refining supply and an undervalued core retail business rather than the oil price, and we have continued to trim into strength. **Orica**, a position we built through the first half, rose 7% after securing replacement ammonium nitrate supply agreements for its U.S. operations. It remains the epitome of a picks and shovels play on resources demand, transitioning from cyclical explosives to a higher-margin mining technology business with durable returns on invested capital, and is largely indifferent to the direction of individual commodity prices.

The detractors were the cyclical names that had done the most work in recent months. **Evolution Mining** fell 13% as the gold price retreated on higher real yields and a stronger US dollar. But it remains a low-cost producer with a net cash balance sheet, exposure to both gold and copper, and a healthy after-tax cash earnings yield at spot prices. **BHP** fell 8% with iron ore, giving back most of its post-result gain. Its twin pillars of at-scale copper and iron ore production, generating the cash returns to shareholders that sit at the centre of our valuation framework, are intact. **James Hardie** fell 12% as the rise in US bond yields weighed on housing-exposed stocks. But the evidence from the ground in the US is that the combination of siding and decking products is working.

We continued to build on our positions in **Flight Centre** and **Seek** with discipline, but the biggest addition was a new holding in **ZIP Co**, initiated after a 20% fall in the share price. ZIP is a buy-now-pay-later provider growing revenues 30% in the highly fragmented US market. Operating leverage continues to pick up materially, bad debts are under control, and the company remains well provisioned for a potentially deteriorating macro environment.

We also exited two positions where we see tougher times ahead. **Mirvac** has ground its way off June lows, but we see rising rates as a headwind for their apartment and office assets. We have retained our position in **Stockland** where we see more earnings levers and a better portfolio mix for the times. We also sold **Amcor** where the good news on currency and merger synergies has played out, while input cost pressures and consumer weakness remain as risks. Cash levels have been rebuilt to 10%, and the Fund's average after-tax cash earnings yield is still a healthy 6.7%.

Markets like these are where our process earns its keep. We ask the same questions of every company regardless of the backdrop: how much after-tax cash can this business generate per dollar invested, and how durable is it? Anchoring to that number, rather than to the macro story of the month, is what lets us hold our cyclical positions at prudent weights through the run-up, add to businesses when they are sold indiscriminately, as in August, and rebuild cash, as we did in September. For us, the opportunities will continue to be found in high-quality businesses led by proven management teams and supported by resilient cash flows that can flourish regardless of the thematics.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A$ 1.6642
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A$10,000
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
Senior Fund Manager



Michael Maughan
Senior 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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