

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 Sep 2026¹

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 A1	-0.8%	14.3%	29.3%	22.1%	14.3%	12.4%	11.9%
Current Strategy (Partial Simulation) ²	-0.8%	14.3%	30.2%	24.1%	14.8%	14.8%	
Tel Aviv Stock Exchange 125 Index ³	0.5%	25.4%	38.7%	29.5%	17.0%	17.7%	13.3%
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 B1	-0.7%	14.1%	29.5%	22.4%	15.0%	13.2%	12.8%
Current Strategy (Partial Simulation) ²	-0.7%	14.1%	30.3%	23.7%	14.2%	14.2%	
Tel Aviv Stock Exchange 125 Index ³	0.5%	25.4%	38.7%	29.5%	17.0%	17.7%	13.3%

TOP HOLDINGS (ALPHABETICALLY)

Azrieli Group Ltd.	Real Estate Operating Companies
Fattal Holdings (1998) Ltd.	Hotels Resorts & Cruise Lines
Nayax Ltd.	Electronic Equipment & Instruments
Telsys Ltd.	Technology Distributors
Teva Pharmaceutical Industries Limited	Pharmaceuticals

SECTOR BREAKDOWN

Consumer Discretionary	8.7%
Financials	19.5%
Health Care	3.6%
Industrials	9.2%
Information Technology	15.9%
Real Estate	12.7%
Utilities	5.6%
Consumer Staples	3.2%
Energy	3%
Options	1.2%
Other	7.4%
Debt	9.6%
Cash	0.4%

CAPITALISATION BREAKDOWN

Under 100m USD	2%
In between 100 - 1bn USD	11%
In between 1bn - 5bn USD	36.8%
Above 5bn USD	31.5%
Options	1.2%
Other	7.4%
Debt	9.6%
Cash	0.4%

STATISTICAL DATA

VOLATILITY³ 13%

NUMBER OF STOCKS 38

BETA⁴ 0.71

MAXIMUM DRAW DOWN -15.7%

SEPTEMBER REPORT

COMMENTARY

- Israeli equities were mixed in September, with the **TA-125 Index** edging up 0.5% as demand concentrated in large, liquid names. The banking and insurance sectors led, while mid- and small-cap stocks lagged amid rising global yields and pre-election caution.
- Brent crude crossed USD 100 per barrel amid escalation around the Strait of Hormuz, feeding global inflation pressure and prompting the US Federal Reserve to raise rates for the first time since 2023. The Bank of Israel moved in the opposite direction, cutting its policy rate by 25 basis points to 3.25%.
- The Fund declined 0.8% (Class A, AUD) and 0.7% (Class B, USD), with weakness in **Nayax** and **Stark Power** over the quarter weighing on performance, partly offset by contributions from **Teva** and **Global-e**.

Market Review

Israeli equities traded in a split pattern during September, with the TA-125 Index edging up 0.5%. Demand concentrated in large-cap names that institutional and foreign investors can exit quickly and cheaply, leaving the broader market to absorb thinner volumes. The banking and insurance sectors led the market higher, with insurance-sector multiples pushing back towards all-time highs by month-end. Mid- and small-cap stocks lagged, and leveraged, rate-sensitive segments including income-producing real estate, infrastructure and renewable energy sat more exposed to the shifting rate backdrop.

Globally, escalation around the Strait of Hormuz pushed Brent crude above USD 100 per barrel, a genuine supply disruption that fed directly into global inflation pressure. The US Federal Reserve responded on 16 September with its first rate hike since 2023, raising its policy range to 3.75% to 4.00%, and US long yields surged past 5% to a 19-year high. That shift pulled institutional demand worldwide towards risk-free assets, with equity markets across major regions coming under pressure.

The Bank of Israel moved in the opposite direction, cutting its policy rate by 25 basis points to 3.25% in early September against annual inflation of just 1.5%. Even so, rising global rates proved dominant for local positioning. Caution was reinforced by the approach of the 27 October Knesset election, encouraging investors to rotate into liquid large-cap names rather than exit the market altogether. The Israeli economy continued to show resilience, with activity data pointing to third-quarter GDP growth of around 5% annualised and unemployment falling to 2.8% in August.

Portfolio Commentary

The Fund lagged the broader market in September. The shortfall reflected reduced exposure to banks and insurers ahead of further gains, an increased weighting in second-tier names at valuations the team viewed as attractive, and sharp quarterly declines in two core holdings.

Nayax, a cashless payment solutions provider and long-standing anchor position, was the main detractor, declining approximately 24% over the quarter. Reasonable second-quarter results were accompanied by a cut to cash-flow guidance, the second consecutive mid-year reduction, followed shortly by the announcement of the company's largest-ever acquisition. The timing weighed on investor confidence. Even so, the team continues to view Nayax as an excellent business capable of 20% to 30% growth, with the acquisition contributing meaningfully next year. Encouragingly, CEO Yair Nechmad and CTO David Ben-Avi have recently bought shares in significant size, Nechmad

over USD 8 million, and the share price has responded.

Stark Power, a US-focused power infrastructure and data centre developer in which Alpha holds approximately 9%, declined roughly 10% over the quarter despite positive corporate developments. The company disclosed negotiations to acquire a conventional gas-fired power station alongside an advanced-stage storage project under a tolling agreement, and signed project financing with Bank Hapoalim. **Migdal**, one of Israel's largest insurance groups, invested approximately USD 15 million at USD 3.50 per share, around 40% above the Fund's initial entry level.

Teva Pharmaceutical Industries, the world's largest generic drug manufacturer, contributed positively on further turnaround progress. A ratings upgrade and a USD 5 billion debt refinancing at a spread of around one percentage point over US government bonds landed during the period, alongside the company's first acquisition since the failed Allergan deal. The team views the financial turnaround as substantially complete, with further multiple expansion now dependent on execution of the drug pipeline.

Global-e Online, a provider of cross-border e-commerce enablement solutions, was recently added to the portfolio. The team views it as well positioned to benefit from structural growth in international direct-to-consumer trade and its strategic partnership with Shopify, supported by strong top-line momentum and high cash flow conversion.

Taking a longer-term view, the team continues to see attractive opportunities in second-tier holdings, where valuations remain compelling and fundamentals intact. The current large-cap bias should normalise as political uncertainty resolves, leaving the Fund well positioned as sentiment broadens.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.2894
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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