

PENGANA GLOBAL SMALL COMPANIES FUND

DESCRIPTION

The Fund invests principally in small and midcap listed (or soon to be listed) global equities. Its investment objective is to obtain returns greater than the MSCI All Country World Index SMID Cap unhedged in Australian dollars ('Index') over rolling 3 year periods after fees. The Fund's investment manager, Lizard Investors LLC, uses a value oriented investment approach that seeks to identify and invest in quality businesses that create significant value but are mispriced, overlooked, or out-of-favour. The investment manager believes that unique opportunities exist due to limited available research, corporate actions, or unfavourable investor perception.

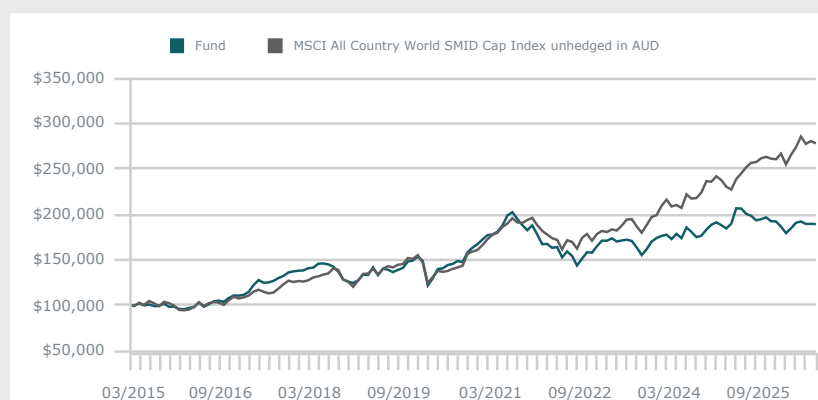
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Sep 2026¹

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
Global Small Companies Fund	-0.2%	-2.1%	4.1%	5.0%	-0.6%	5.7%
MSCI All Country World SMID Cap Index unhedged in AUD	-0.9%	8.0%	13.0%	14.2%	7.8%	9.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Fagron SA	Health Care
Gates Industrial Corporation Ltd.	Industrials
Gaztransport & Technigaz SA	Energy
International Seaways, Inc.	Energy
ISS A/S	Industrials

CAPITALISATION BREAKDOWN

Under 2bn USD	29.8%
In between 2bn - 5bn USD	25.5%
Above 5bn USD	41.5%
Cash	3.2%

REGION BREAKDOWN

Europe ex UK	26.6%
North America	46.4%
Japan	6.3%
UK	7%
Middle East / Africa	6.9%
Latin America	3.6%
Cash	3.2%

STATISTICAL DATA

VOLATILITY³ 12.4%

NUMBER OF STOCKS 29

BETA⁴ 0.88

MAXIMUM DRAW DOWN -29.1%

SEPTEMBER REPORT

COMMENTARY

- The Fund declined 0.2% in September, proving more resilient than the MSCI ACWI SMID Cap Index (net, AUD), which fell 0.9%, as stock selection led by **International Seaways** more than offset weakness in technology. Over the third quarter, the Fund declined 1.53%, against a 2.61% fall in the index.
- Global equity markets fell as bond yields climbed and most major central banks raised interest rates. Smaller companies lagged larger peers by a wide margin, while technology was among the few sectors to rise.
- No new positions were initiated, and the sale of **Cury Construtora** was the only change, following slower sales and tighter credit for its buyers.

Market review

Equity markets declined in September as bond yields moved higher. Smaller companies fell considerably further than large companies, with US small-caps recording their steepest monthly decline in more than a year. European and Chinese equities also lost ground, while Taiwan and Korea advanced.

In the US, technology and communication services were the only sectors to rise, while financials, materials and real estate fell most. A sell-off in AI infrastructure shares in mid-September, after industry leaders called for slower AI development, reversed quickly for the wider technology sector, though data centre equipment makers were slower to recover. Size was the dominant style influence over the quarter, with US small-caps trailing large-caps by one of the widest third-quarter margins on record.

The Federal Reserve raised rates by 25 basis points to 4.00%, its first increase since July 2023, and the European Central Bank, Bank of Japan and Reserve Bank of Australia each lifted rates by the same amount, while the Bank of England held. The US 10-year Treasury yield reached its highest level since 2007, and Brent crude rose about 14% as talks to reopen the Strait of Hormuz stalled. The Australian dollar fell 3.1% against a broadly stronger US dollar, reducing losses for Australian-based investors.

The month underlined how sensitive smaller companies remain to the direction of interest rates.

Portfolio Commentary

The Fund held up better than the benchmark in September, with stock selection the main driver of relative returns. Energy was the largest sector contributor, and materials, financials and real estate added value. Technology was the main offset, detracting through both our holdings and an underweight position, as did a low weight in Asia. Over the third quarter the Fund was ahead of the index in July and September and behind in August, with financials and energy adding most.

International Seaways, the US tanker owner, was the leading contributor as shipping rates reached record levels. The benchmark rate for the largest crude tankers exceeded \$1 million a day for the first time in mid-September, with attacks in the Strait of Hormuz keeping many owners away. The company paid its largest ever dividend of \$5.05 per share, and the shares rose 20.7%.

Gates Industrial, the US maker of industrial belts and hoses, recovered about half of its August decline. There was no single catalyst, though US factory activity expanded for an eighth consecutive month and the company

completed its acquisition of the Timken belts business on 28 September.

Fagron, a supplier of customised medicines to hospitals and pharmacies, rose without operating news. The gain was a partial recovery from the fall that followed its first-half results in July, when organic growth slowed to 3.1%, and the shares finished the quarter lower.

Munters, the Swedish data centre cooling specialist, was the largest detractor, falling 21.3%. The company brought forward its chief executive handover on 14 September, the same day AI infrastructure shares weakened, and three brokers then cut price targets on supply and margin concerns. Demand is not in question, with the order backlog more than doubling over the past year. We regard the 23 October results as the test of delivery.

Max Stock, Israel's leading discount retailer, detracted despite no adverse developments in the business, where second-quarter revenue rose 12.7%. The decline extended a de-rating through the second half that followed an exceptional two-year run. With earnings still growing, we consider the valuation reasonable and retained the position.

We sold **Cury Construtora**, the Brazilian homebuilder, in the second week of September. The pace of sales had slowed markedly from a year earlier, unsold inventory was building, and the state bank that finances its buyers was tightening credit, leaving the growth case we owned it for no longer intact. No new positions were initiated, and the exit removed the portfolio's only South American holding.

Industrials remain the largest sector weight, followed by consumer discretionary and financials, and Western Europe is held at more than double its index weight. We continue to favour a concentrated portfolio of high-quality smaller companies and to act only when the evidence on a business changes.

✓ FEATURES

APIR CODE	PCL0022AU
REDEMPTION PRICE	A\$ 1.3265
FEES *	Management Fee: 1.1% Performance Fee: 20.5%
MINIMUM INITIAL INVESTMENT	A\$10,000
STRATEGY INCEPTION DATE	1 April 2015
BENCHMARK	MSCI All Country World SMID Cap Index unhedged in AUD

👤 FUND MANAGERS



Jon Moog
CIO and Portfolio Manager

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. 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 April 2015.

3. Annualised standard deviation since inception.

4. Relative to MSCI All Country World SMID Cap index unhedged in AUD.

* For further information regarding fees please see the PDS available on our website.

PENGANA GLOBAL SMALL COMPANIES FUND

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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