

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.

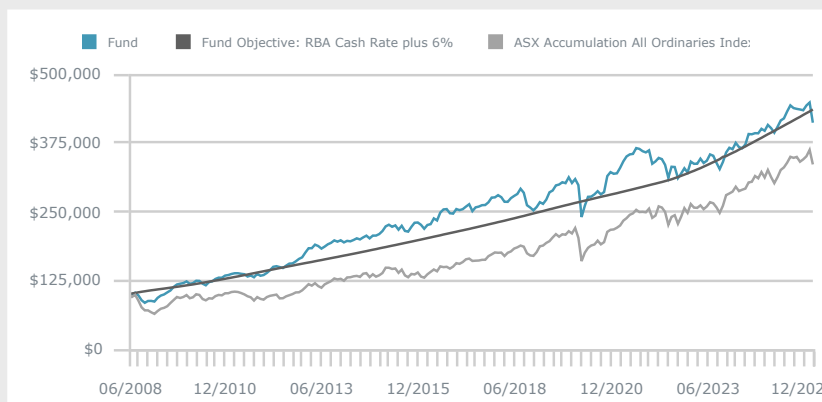
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 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	-8.2%	4.6%	6.9%	4.5%	6.2%	8.3%
Fund Objective: RBA Cash Rate plus 6%	0.8%	9.8%	10.1%	8.9%	8.0%	8.6%
ASX Accumulation All Ordinaries Index	-7.3%	11.3%	9.3%	8.4%	9.5%	7.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION ²



TOP HOLDINGS (ALPHABETICALLY)

Ampcor PLC Shs Chess Depository Interests	Materials
Ampol Limited	Energy
Aristocrat Leisure Limited	Consumer Discretionary
BHP Group Ltd	Materials
Evolution Mining Limited	Materials
Metcash Limited	Consumer Staples
National Australia Bank Limited	Financials
ResMed Inc	Health Care
Stockland	Real Estate
Telstra Group Limited	Communication Services

SECTOR BREAKDOWN

Consumer Discretionary	7.5%
Consumer Staples	4.3%
Energy	4.6%
Financials	23.6%
Health Care	13.2%
Industrials	2%
Materials	24.4%
Real Estate	7.5%
Communication Services	4.6%
Utilities	2.8%
Cash	5.7%

CAPITALISATION BREAKDOWN

ASX 1-50	54.1%
ASX 51-100	23.1%
ASX 101-300	13.1%
All Ordinaries	1.1%
Non ASX	2.8%
Cash	5.7%

CUSTOM SECTOR BREAKDOWN

Defensive	55.4%
Financials	14.1%
Consumer Discretionary	6.6%
Resources	18.3%
Cash	5.7%

STATISTICAL DATA

VOLATILITY³ 11.2%

NUMBER OF STOCKS 28

BETA⁴ 0.7

MAXIMUM DRAW DOWN -23.1%

USING THE DOWNTURN TO INVEST

COMMENTARY

The impact of the hostilities in the Middle East on equities was sharp and widespread, with the ASX All Ordinaries down -7.3% in March. The Fund delivered a challenging return of -8.2%. Our holdings in **Ampol**, **IAG** and **Telstra** performed their defensive roles well. However, the widespread sell off was exaggerated by forced sales from significant active manager mandate losses coinciding with weak global markets.

The market decline in March was led by the IT and Materials sectors, but the pain was felt broadly, with only Energy meaningfully up. The Telecommunications, Consumer Staples and Utilities sectors were stable.

The Fund benefited from its exposure to **Ampol**, where we are attracted to the opportunity for more normal refining margins, positive outcomes from negotiations with the government and an increasing focus on the strong performance of the company's core retail business. Since the start of the war, Asian refining margins have escalated from US\$15 to US\$64, and Australia's fuel security has become a top priority. **IAG** and **Telstra** were also positive contributors thanks to their defensive, domestic earnings.

Most challenging for the Fund was the fall in defensive stocks like **Evolution Mining**, **Ancor** and **BHP**. Whilst the gold price fell 10.8% due to rising Australian dollar and bond yields, gold equities fell 23.4% due to profit taking and above mentioned mandate changes. It is worth noting that we have been consistent sellers into strength of our **Evolution Mining** holdings, prudently maintaining our exposure at acceptable levels. We remain positive on the company's ability to generate a healthy after tax cash earnings yield as a diversified low cost gold mining company, with a net cash balance sheet and exposure to both copper and gold prices.

Ancor is a stable business supplying packaging to FMCG companies. **Resins** make up a significant part of the company's cost of sales, and fears about the oil price impact on the cost of these resins overlooks **Ancor's** ability to pass through these rising costs to their customers. While we do anticipate additional working capital requirements in the short term, this should unwind as the pricing environment moderates. The company remains attractive on sub 10 times cash earnings.

BHP was also not immune to the wide sell off, with investors choosing to focus on the implications of potential diesel supply disruptions to operations rather than the obvious demand drivers for copper in a world facing oil supply issues. Its twin pillars – at scale production of copper and iron ore – coupled to a fortress style balance sheet and healthy cash flows underpin an undemanding valuation.

With the benefit of hindsight, we may have started deploying some of our cash surpluses too early. In March, we continued to build on our position in **Orica**, where the nervousness over disruptions to ammonium nitrate supply chains and customers' mining operations presented an opportunity. We added **Macquarie Bank**, giving us exposure to one of the best exponents of market volatility globally at a reasonable price. We added to our **Aristocrat Leisure** holdings, taking advantage of lower share prices to build our exposure to robust, defensive cash flows. We trimmed **Ampol** and **Telstra** into strength.

The quarter ended with the Fund down -5.2% for the three months to March versus the ASX All Ordinaries Accumulation index at -2.7%, and our core objective of the RBA cash rate +6% returned +2.3%. Cash levels remain prudent at 6%. The Funds average after tax cash earnings yield remains comfortably above 7%. Historically, this has always indicated attractive buying levels.

The team are confident that we have deployed cash into companies whose cash flows will support achieving the return targets we have set, regardless of what the overall market does from here. We continue to focus on high-quality businesses led by proven management teams and supported by resilient cash flows, and see further opportunities in the current volatility.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A\$ 1.6598
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 414m
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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