

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.

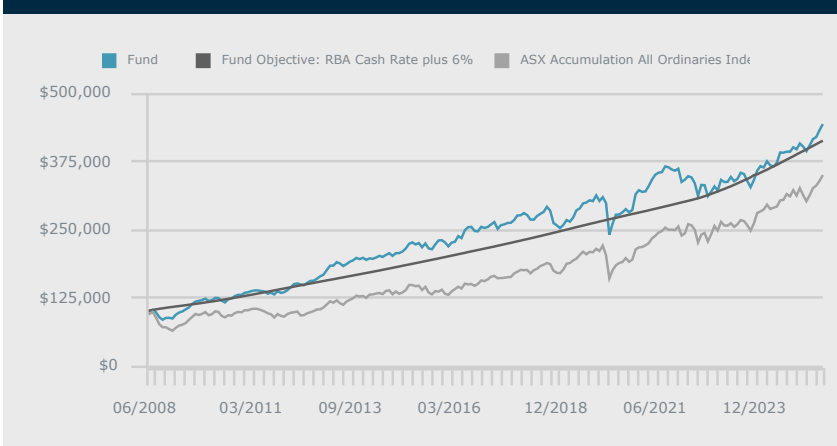
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 2025¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	2.6%	13.5%	10.2%	9.1%	7.5%	9.1%
Fund Objective: RBA Cash Rate plus 6%	0.7%	10.1%	9.9%	8.4%	7.9%	8.6%
ASX Accumulation All Ordinaries Index	3.2%	14.9%	12.8%	12.2%	10.1%	7.6%

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	8.2%
Consumer Staples	5.1%
Energy	3.6%
Financials	21.6%
Health Care	13.3%
Industrials	2.3%
Materials	18.4%
Real Estate	7.3%
Communication Services	5.3%
Utilities	2.7%
Cash	12.2%

CAPITALISATION BREAKDOWN

ASX 1-50	59.4%
ASX 51-100	11.8%
ASX 101-300	13.8%
Non ASX	2.7%
Cash	12.2%

CUSTOM SECTOR BREAKDOWN

Defensive	55.3%
Financials	11.7%
Consumer Discretionary	8.3%
Resources	12.6%
Cash	12.2%

STATISTICAL DATA

VOLATILITY³ 11.2%

NUMBER OF STOCKS 25

BETA⁴ 0.7

MAXIMUM DRAW DOWN -23.1%

SOLID RETURNS CONTINUE IN AUGUST

COMMENTARY

Continuing its robust start to the new financial year, the Fund generated a 2.6% return during a volatile August. By way of comparison, the RBA cash rate plus 6% returned approximately 0.7%, while the All Ordinaries Accumulation Index returned 3.2%.

The Fund continues to outperform its benchmark since inception just over 17 years ago, with a return of 9.1% per annum versus its RBA equity risk premium adjusted benchmark of 8.6% and the market return of 7.6% for the same period.

We remain focused on our objective of capital preservation while generating a fair return for equity risk. It is worth noting that cash levels in the Fund increased to 12% following material profit taking during a bifurcated earnings reporting season.

The majority of Australian listed companies reported their FY25 results during August. It is an intense period for investors as company management releases their financial statements, followed by fronting up to presentations, group and one on one meetings. It's a deluge of new information during a concentrated period – often compared to “drinking from a fire hose” – for the investment community as they assess the implications for their portfolios.

Many market participants have adopted a “shoot first, ask questions later” approach, choosing to focus on the all important “Beat/Miss versus Consensus” on both historic earnings and forward looking guidance metrics. The August 2025 earnings season was particularly volatile, with share price reactions of 20% or greater on the release day becoming commonplace.

The Fund was not immune to this activity. However, our long tail of winners outweighed the few losers. On the negative side, we were disappointed by the veracity of **CSL** and **James Hardie** management assertions regarding the underlying performance of their core businesses. In particular, **CSL's** usually dominant blood fractionalisation business proved remarkably vulnerable to competitive forces. Similarly, the inexplicably sharp drop off in demand by home builders at **James Hardie** appeared to catch management by surprise and remains difficult to understand. Our holdings in **Amcor** and **Ramsay** also underperformed.

Fortunately, our long tail of positive results more than compensated for the above issues. **Evolution Mining**, **Stockland**, **NAB**, **Super Group**, **Westpac**, **BHP**, **Metcash**, and **Ampol** were our larger positive contributors. Expectations that lower interest rates will drive credit growth, consumer discretionary spending and residential house prices appear to be impacting the outlook for quality players in these areas.

Another feature of the month was the trimming activity. The Fund used result-day share price bounces to crystallise gains from what we viewed as overly enthusiastic investor reactions. Positions in **ResMed**, **Stockland**, **NAB**, **Medibank** and **Evolution Mining** were reduced. These selective sales, together with dividend receipts, lifted cash levels to 12%. This provides us with increased flexibility to deploy capital as new opportunities emerge.

We are particularly cognizant of a heightened level of “twitchiness” amongst market participants. Our view is that market valuations are high with little or no fundamental support when/if company results do not meet expectations. Our focus remains on fundamental valuation rather than momentum based investing.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A\$ 1.8073
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 480.59m
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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