PENGANA
CAPITAL GROUP

MONTHLY REPORT
AUGUST 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.

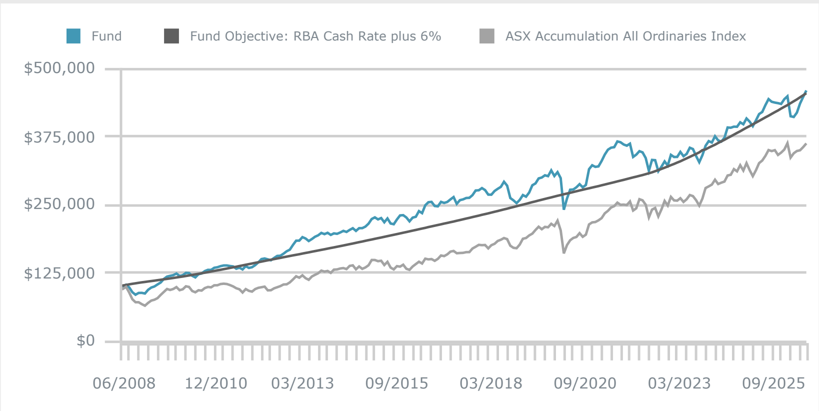
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Aug 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	2.6%	3.6%	9.3%	4.7%	6.1%	8.7%
Fund Objective: RBA Cash Rate plus 6%	0.8%	10.0%	10.1%	9.2%	8.1%	8.7%
ASX Accumulation All Ordinaries Index	1.9%	3.5%	10.9%	7.4%	9.3%	7.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Amcor PLC Shs Chess Depository Interests	Materials
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
ResMed Inc	Health Care
Stockland	Real Estate

SECTOR BREAKDOWN

Consumer Discretionary	11.2%
Consumer Staples	2.8%
Energy	4%
Financials	20.5%
Health Care	7.8%
Industrials	4.3%
Materials	27.9%
Real Estate	7.4%
Communication Services	5.8%
Utilities	2.3%
Cash	5.9%

CAPITALISATION BREAKDOWN

ASX 1-50	51%
ASX 51-100	20.4%
ASX 101-300	19.3%
All Ordinaries	1.1%
Non ASX	2.3%
Cash	5.9%

CUSTOM SECTOR BREAKDOWN

Defensive	49.7%
Financials	12.9%
Consumer Discretionary	9.8%
Resources	21.6%
Cash	5.9%

STATISTICAL DATA

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

OPPORTUNITY SEASON

COMMENTARY

The Fund returned 2.6% in August, ahead of our target (the RBA cash rate plus 6%) at 0.8% and the market (ASX All Ordinaries) at 1.9%. A second consecutive reporting season of extreme share price reactions saw health care and gold miners surge while domestic cyclicals and banks were sold indiscriminately on rising bond yields. We had an active month, using the volatility to put cash to work. **Evolution Mining**, **BHP**, **ResMed** and **CSL** were the key contributors, while **NIB** and **NAB** detracted.

Reporting season is where we test our thesis on every company we own, looking for evidence of improving returns through higher margins or better capital efficiency. It is also the time where the market's short-term reactions most often diverge from long-term value. August offered plenty of both. Following a February season that set records for share price volatility, the number of stocks moving more than three standard deviations on results day was the second highest on record. The index rose 1.9%, but the gains were narrow: health care and gold miners surged while rate-sensitive domestic sectors fell 6–7% as bond yields hit a 16-year high. Outside resources, earnings went backwards in FY26 and estimates continued to drift lower. That is the backdrop against which good domestic businesses get marked down alongside weak ones.

The Fund's largest contributors were **Evolution Mining**, **BHP**, **ResMed** and **CSL**. **Evolution Mining** rose 32% with a 9% gain in the gold price (alongside a robust copper price). We have been consistent sellers into strength to keep the position at a prudent weight, and it remains a low-cost producer with a net cash balance sheet and exposure to both copper and gold. **BHP** gained 10% after a clean result and a dividend ahead of expectations, the kind of cash return to shareholders that sits at the centre of our valuation framework. **ResMed** rose 11% and **CSL** 39%, the latter as the sector re-rated following a results season without the guidance misses of recent years. **CSL** is a reminder that our patience through a prolonged derating is only justified when under-lying cash flows hold up, which in this case they did.

The main detractors were **NIB** and **NAB**. **NIB** saw policyholder growth slow and the outlook for private health insurance premiums looks tougher. **NAB** fell as the banks were sold with the broader rate-sensitive cohort. Bank earnings remain dependable, with net interest margins holding up and credit quality sound. But at these valuations we continue to hold only modest bank positions.

We reduced cash from 9.5% to 6.5% over the month, initiating positions in **JB Hi-Fi**, **Flight Centre**, **TPG Telecom** and **SEEK** following sharp share price falls. Each was sold down for reasons that relate more to the sector or the macro backdrop than to the durability of the individual business. **JB Hi-Fi** fell as Discretionary Retail became the worst performing industry group, down 11%, with trading updates confirming a consumer under pressure from higher interest rates, persistent inflation and falling house prices, and the prospect of a further rate rise weighing on retail share prices. We expect **JB Hi-Fi** to continue its consistent track record of growing market share of consumer spending by developing new categories and partnering with brands. **Flight Centre** fell as the Middle East disruption drags on but the impact is temporary. We see an improving Leisure business and a valuable Corporate business that continues to take share.

TPG Telecom has drifted off in recent months on satellite and regulation fears, despite consensus earnings revisions for the company being among the most positive in the market. It is taking subscriber share and has excellent cash flow potential after a period of heavy investment. **SEEK** has fallen more than 45% over the past year, with softer labour markets and the tech sector derating. It was marked down on its result as the company took a conservative view on job listing volumes for the year ahead. We see this as setting a reasonable risk/reward base and we bought the stock on less than 20x depressed FY27 earnings with a very conservative assumption about the value of its Growth Fund. In each case we have been able to buy at after-tax cash earnings yields that meet our hurdle for a business we expect to grow those earnings over time.

Holding cash is not a forecast; it is what allows us to act when prices dislocate from value. Cash levels remain prudent at 6.5% and the Fund's average after-tax cash earnings yield is 6.7%. In a market where index returns have been driven by a narrow group of resources and health care names, while others have been sold indiscriminately, we continue to focus on high-quality businesses led by proven management teams and supported by resilient cash flows. We maintain our discipline by deploying our co-investors' capital only where the risk-adjusted returns justify it.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A$ 1.6802
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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