PENGANA
CAPITAL GROUP

MONTHLY REPORT
DECEMBER 2025

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.

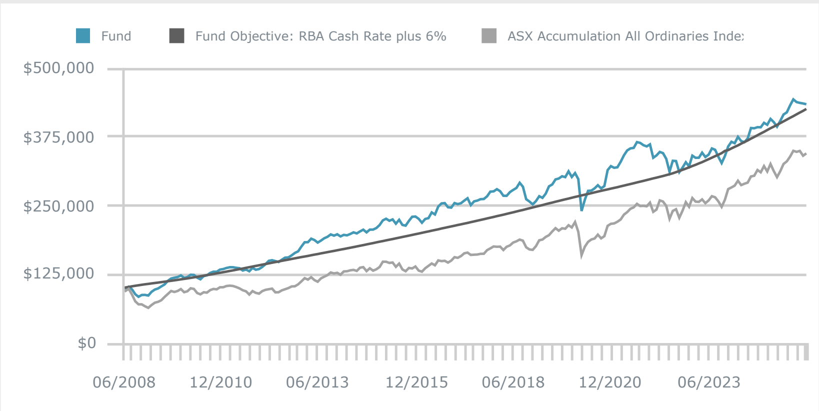
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Dec 2025 [1]

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	10 YEARS P.A.	SINCE INCEPTION P.A.
Australian Equities Fund	-0.3%	9.4%	10.6%	6.2%	6.6%	8.7%
Fund Objective: RBA Cash Rate plus 6%	0.8%	9.9%	10.0%	8.7%	8.0%	8.6%
ASX Accumulation All Ordinaries Index	1.3%	10.6%	11.6%	9.7%	9.5%	7.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION [2]



TOP HOLDINGS (ALPHABETICALLY)

Amcor PLC Shs Chess Depository Interests	Materials
Ampol Limited	Energy
BHP Group Ltd	Materials
CSL Limited	Health Care
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	7.7%
Consumer Staples	4.4%
Energy	4.3%
Financials	23.5%
Health Care	12.9%
Industrials	3%
Materials	21.7%
Real Estate	7.2%
Communication Services	4.8%
Utilities	2.7%
Cash	7.8%

CAPITALISATION BREAKDOWN

ASX 1-50	54%
ASX 51-100	20.8%
ASX 101-300	14.1%
All Ordinaries	0.6%
Non ASX	2.7%
Cash	7.8%

CUSTOM SECTOR BREAKDOWN

Defensive	55%
Financials	13.9%
Consumer Discretionary	8.3%
Resources	14.9%
Cash	7.8%

STATISTICAL DATA

VOLATILITY [3]	NUMBER OF STOCKS	BETA [4]	MAXIMUM DRAW DOWN
11.1%	28	0.7	-23.1%

PORTFOLIO CONTINUES TO BE WELL POSITIONED TO GENERATE SOLID RETURNS

COMMENTARY

In the December quarter, the Fund fell 0.3% during another volatile period. By way of comparison, the RBA cash rate plus 6% returned approximately 0.8%, while the All Ordinaries Accumulation Index fell 1.3%.

The Fund continues to outperform its benchmark since inception, 17 years ago, with a return of 8.7% per annum versus its RBA equity risk premium adjusted benchmark of 8.6% and the market return of 7.3% over the same period.

Importantly, we remain intensely focused on our objective of capital preservation while generating a fair return for equity risk. We continue to avoid those segments of the market which represent quality business models but at prices that exceed our parameters. This proved fortuitous – the broader share price weakness during November and early December provided material opportunities to increase our equity holdings. Consequently, undeployed cash fell from 12% to 8%.

The broader market rallied into year end, securing a third straight year of double-digit returns. The December leaders were an unusual pairing of both resources and banks. With Australian tech names some of the most expensive in the world, that sector declined significantly (falling from very, very expensive to just very expensive) as the market wrestled with the rise of AI, introducing more risk than opportunity for software and marketplace business models.

Gold was the biggest driver of the market in 2025, up 127% on a 64% rise in the gold price. Our holding in **Evolution Mining**, as the lowest-cost producer, has been the largest contributor to performance over the quarter and year. With geopolitical uncertainty continuing and inflation subdued but not solved, we view an efficient gold/copper miner as a critical hedging component to the portfolio.

In contrast, Healthcare and IT have been the weakest sectors for the year, and our healthcare stocks were not without their issues. **CSL** experienced specific strategic and management issues. In our view, the core franchises remain intact and should deliver better profitability and underlying cash flows through lower capex, stable revenue and expanding margins.

ResMed has continued to deliver strong results and further cemented its dominant market position. The growth of GLP1s has more opportunities than risks. We anticipate robust future earnings and cashflows, This should offset the market's incorrect fixation on the new weight loss drugs being a panacea for sleep apnoea.

The AI investment boom has driven US tech leaders, but the debate about what it means for the future earnings power of tech companies that sell software like **Wisetech** and **Xero**, or operate marketplaces like **REA Group**, **Seek** and **Car Group**, is less clear. This may provide us with opportunities, but as we have seen with **CSL**, the derating when growth slows and "option value" disappears can be enormous.

During the quarter, we introduced new positions in insurance broker **AUB** after its private equity suitors walked away, and **L1 Group** by participating in the discounted equity raising after its merger with Platinum.

Portfolio activity also saw us adding to **Aristocrat**, where the stock fell 8% in November despite beating market expectations by 2% (albeit with a different earnings mix). We were selling **Stockland** as it peaked in October and buying it and **Mirvac** back later in the quarter as the rate outlook evolved. On the sell side, we continued to trim

Evolution Mining, Telstra and NAB into strength.

Positive attribution for the quarter was led by Evolution Mining and Maas Group as cyclicals ran. Detractors were dominated by defensive names including ResMed, CSL and Metcash.

Our disciplined focus on high-quality businesses, run by capable management teams and generating cashflows that offer a fair return, continues to serve investors well with 9.4% delivered in 2025. In these uncertain times it is more important than ever to resist the temptation to let index weightings or short-term earnings noise drive portfolio decisions. Instead, we will adhere to our absolute-return philosophy, deploying capital where we see compelling risk-adjusted returns.

FEATURES

APIR CODE	PCL0005AU
REDEMPTION PRICE	A$ 1.7711
FEES *	Management Fee: 1.025% Performance Fee: 10.25%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 446.77m
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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