

PENGANA ALPHA ISRAEL FUND

DESCRIPTION

The Pengana Alpha Israel Fund invests in listed Israeli companies that produce cutting edge – both high and low tech – technologies. These Israeli listed companies have developed solid intellectual property coupled with strong global distribution.

The Fund offers Australian investors diversification within global equity exposure to a unique and promising market that is very much skewed to industries and technologies that are either limited, or do not exist, in the Australian market place, such as: the semiconductor industry, solar and water treatment technology, aerospace and electronic defence industries, and cyber security technologies.

PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Dec 2025ⁱ

Alpha Israel Fund Class A (AUD)							
	1M	1Y	2Y	3Y	Since Strategy Inception March 2021 ²	5Y	Since Fund Inception January 2018
Alpha Israel Fund Class A ¹	4.8%	41.9%	31.8%	24.7%	13.6%	12.9%	12.6%
Current Strategy (Partial Simulation) ²	4.8%	41.9%	31.8%	26.9%	15.2%		
Tel Aviv Stock Exchange 125 Index ³	6.5%	51.0%	39.7%	26.4%	18.0%	18.5%	13.1%
Alpha Israel Fund Class B (USD)							
	1M	1Y	2Y	3Y	Since Strategy Inception March 2021 ²	5Y	Since Fund Inception January 2018
Alpha Israel Fund Class B ¹	4.8%	42.5%	32.1%	25.9%	14.6%	13.8%	13.6%
Current Strategy (Partial Simulation) ²	4.8%	42.5%	32.1%	26.9%	15.0%		
Tel Aviv Stock Exchange 125 Index ³	6.5%	51.0%	39.7%	26.4%	18.0%	18.5%	13.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION⁴



TOP HOLDINGS (ALPHABETICALLY)

Alony Hetz Properties & Investments Ltd.	Real Estate Operating Companies
Bank Hapoalim BM	Diversified Banks
Bank Leumi Le-Israel B.M.	Diversified Banks
Fattal Holdings (1998) Ltd.	Hotels, Resorts & Cruise Lines
Teva Pharmaceutical Industries Limited Sponsored A	Pharmaceuticals

SECTOR BREAKDOWN

Communication Services	4.8%
Consumer Discretionary	12.2%
Financials	18.5%
Health Care	10.6%
Industrials	10.5%
Information Technology	24.5%
Materials	3.6%
Real Estate	17.3%
Energy	2.7%
Other	-1.8%
Debt	-14.2%
Cash	11.3%

CAPITALISATION BREAKDOWN

Under 100m USD	2.5%
In between 100 - 1bn USD	35.2%
In between 1bn - 5bn USD	30.2%
Above 5bn USD	35.1%
Other	0%
Debt	-14.2%
Cash	11.3%

DECEMBER REPORT

COMMENTARY

- Israeli equities extended their rally in December, with the TA-125 Index rising over 6%, supported by strong year-end momentum, rising investor participation and improving confidence in the domestic outlook.
- Economic data released during the month pointed to a sharp acceleration in activity through the second half of the year, while moderating inflation set the stage for the Israeli central bank's decision to cut interest rates in early January.
- The Fund returned 4.8% (Class A, AUD) and 4.8% (Class B, USD), with strong gains in **Teva, Qualitau, Fattal Holdings and Azrieli Group**, partly offset by weakness in **Retailors**.

Market Review

Israeli equities delivered a strong finish to the year in December, extending the sharp rally that gathered pace through the final quarter. The local equity market rose by more than 5% during the month, supported by improving investor confidence and increased participation. Market strength was reflected not only in rising share prices but also in higher trading volumes and a strengthening currency, signalling broad-based support for Israeli financial assets.

Macroeconomic data released toward year-end pointed to a rapid acceleration in activity through the second half of the year. Economic growth reached an annualised pace of 11% in the third quarter and remained strong into the fourth quarter, according to the Bank of Israel's composite indicators. Momentum has been supported by resilient domestic demand alongside a sharp expansion in high-tech manufacturing, which now accounts for around half of total industrial production. Output in the sector continued to benefit from sustained global demand, including defence-related activity and investment in advanced technologies.

Inflation trends continued to move in a favourable direction. The CPI declined 0.5% month-on-month in November, bringing annual inflation down to 2.4% and comfortably within the central bank's target range. The moderation in inflation, together with a strengthening shekel and easing supply pressures, reinforced confidence that monetary conditions were becoming less restrictive.

Against this backdrop, the Bank of Israel lowered interest rates by 25 basis points to 4.0% in early January. In its accompanying commentary, the Bank noted that economic activity continued to expand, labour market constraints had eased modestly, and Israel's risk premium had declined toward pre-conflict levels. These developments helped support sentiment into year-end and contributed to the strong finish for Israeli equities.

Portfolio Commentary

The Fund delivered a positive return in December, supported by strong gains across several core holdings, although performance was partly offset by weakness in selected consumer-facing names. Market conditions remained constructive into year-end, with investor appetite favouring companies exposed to improving domestic activity, tourism and real estate, and high-quality earnings profiles.

The largest positive contributor during the month was **Teva**, the world's largest generic drug manufacturer with a growing portfolio of proprietary medicines. The share price continued its recovery as regulatory concerns eased and investor confidence improved around the company's ability to execute on its long-term earnings strategy. **Qualitau**,

an Israeli provider of semiconductor testing and reliability solutions, also delivered strong gains. Performance was supported by improving sentiment toward the semiconductor sector, with signs of stabilising demand and renewed confidence in medium-term growth prospects.

Fattal Holdings, one of Israel's largest hotel operators with an extensive footprint across Europe, benefited from continued strength in travel demand and improving occupancy trends, as tourism activity normalised further into year-end. **Azrieli Group**, a leading Israeli real estate developer and owner of income-producing commercial properties and data centres, also contributed positively. The stock benefited from improving sentiment toward interest rate-sensitive assets and continued confidence in the group's long-term data centre strategy.

The main detractor during the month was **Retailors**, a global retailer of footwear, sportswear and athletic apparel operating under brands including Nike, Foot Locker and Converse across Israel, Europe, North America and Australasia. The stock declined sharply amid ongoing pressure on consumer discretionary names, as investors remained cautious toward near-term consumer spending trends despite broader improvements in economic conditions.

Year in Review

Israeli equity markets have delivered an exceptional outcome over 2025, underpinned by a powerful combination of economic resilience, improving investor confidence and sustained capital inflows. Over the year, the Fund returned 41.9%, reflecting strong stock selection across a range of sectors. The broader Israeli equity market also performed strongly, with the Tel Aviv Stock Exchange 125 Index rising 51.0%, while the Tel Aviv Stock Exchange Small and Medium Cap 60 Index gained 38.1%. These outcomes were accompanied by a strengthening shekel and a marked increase in trading activity, highlighting the depth and breadth of the market recovery.

A defining feature of the year has been the continued commitment of global corporates to Israel's technology ecosystem. NVIDIA expanded its presence in Israel, where capabilities acquired through its Mellanox acquisition have become central to the company's high-performance networking business, now a meaningful contributor to group revenues. Alphabet, Google's parent company, announced its largest acquisition with the purchase of Israeli cybersecurity firm Wiz, demonstrating the strategic value of Israeli intellectual property in securing global cloud infrastructure. Amazon continues to invest through its Annapurna Labs subsidiary and as a core participant in Israel's cloud infrastructure initiatives. Collectively, these investments reinforce Israel's role as a critical global hub for semiconductors, artificial intelligence, cybersecurity and cloud computing, and reflect long-term confidence in the depth and quality of local innovation.

Looking ahead, we believe Israeli corporate earnings are well positioned to remain strong into 2026, supported by easing monetary conditions, improving domestic activity and sustained global demand for Israel's technology and defence capabilities. While short-term volatility is inevitable, the Fund remains focused on identifying high-quality businesses where market pricing does not fully reflect long-term fundamentals. We thank investors for their continued support and confidence, and look forward to the opportunities ahead.

FEATURES

APIR CODE	PCL6469AU (USD Class) CTS0045AU (AUD Class)
REDEMPTION PRICE	A\$ 1.6681
FEES *	Management Fee: 1.50% p.a. paid monthly in arrears Performance Fee: 20% above the TA-125 Index paid semi-annually in arrears. No performance fee is payable if performance for the half year is not positive.
MINIMUM INITIAL INVESTMENT	A\$250,000 for the AUD class and the US\$ equivalent of A\$250,000 for the USD class
STRATEGY INCEPTION DATE	1 January 2018
BENCHMARK	The Fund's investment objective is to maximise total returns via the long-term appreciation of its assets through investments and transactions involving securities or financial instruments of, or related to, primarily (but not necessarily exclusively) Israeli and Israel-related public companies.

FUND MANAGERS



Gabi Dishi
Founder & CEO



Michael Weiss
Founder & Managing Partner



Aviran Revivo
Managing Partner



Sagi Ben Yosef
Managing Partner

i. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. Performance figures are calculated using net asset values after all fees and expenses, and assume reinvestment of distributions. Index returns shown are in ILS (Israeli Shekel). 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 and may not be repeated, the value of investments can go up and down.

^. Inception 1st January 2018.

* Performance for periods greater than 12 months are annualised. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. No allowance has been made for buy/sell spreads. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

1. Inception date 1 January 2018. Performance shown is the continuous performance of both the current and previous strategies.

2. Prior to February 2025 performance has been simulated by Pengana from the monthly gross returns of the Alpha Long Equities Fund denominated in ILS. The simulation was done by: hedging currency exposure of the underlying strategy to the base currency of the stated class using three month forward rates; and, applying the fee structure of the stated class. From February 2025 inclusive, performance is of the Pengana Alpha Israel Fund.

3. Index returns shown are in ILS (Israeli Shekel).

Please note: This fund is only open to Wholesale Investors.

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