PENGANA DIVERSIFIED PRIVATE CREDIT FUND

15th July 2026

Dear Investor,

Market Commentary

- Public equity and debt markets have grown more volatile and more dispersed in H1, with a widening gap between winners and losers across both asset classes.
- Traditional ballast assets are proving less reliable: bonds are a weaker defensive anchor amid elevated inflation and deficits, while equity returns are increasingly concentrated in a handful of names - pushing correlations higher just when diversification is needed most.
- Two shocks drove recent volatility: a repricing of software/tech credits as AI reshapes business models, and an energy-driven inflation scare from geopolitical conflict, both of which have since eased.
- With base rates high but spreads near post-crisis lows, all-in yields are pulling in demand regardless of spread on offer, compressing pricing below what risk alone would justify - a key reason small repricing events can trigger outsized moves in listed credit.
- The opportunity set remains attractive across all strategies, with deal terms and spreads increasingly favouring disciplined lenders.

Market Context

Markets have remained volatile through the first half of the year, and the clearest feature of that volatility has been greater dispersion, a widening gap between winners and losers across both public and private markets. Inflation has proven stickier than expected, rates have stayed higher for longer, and geopolitical events have driven much of the uncertainty. The assets investors have long relied on for stability are themselves less stable. Bonds are a weaker defensive anchor when inflation and deficits are elevated, and equity markets are increasingly concentrated, with a handful of names driving returns and correlations that tend to rise just when diversification is most needed. An allocation to senior-secured private credit assets paying contractual income behaves differently from listed markets, and does not depend on them staying calm.

Two developments shaped credit markets in recent months, and both have since eased. The first was a sharp repricing of software and technology borrowers, as investors reassessed which business models endure as artificial intelligence reshapes the sector. The second was an energy-driven inflation scare from geopolitical conflict, which briefly lifted oil prices before much of that pressure faded as tensions cooled.

A feature of credit markets today helps explain why public markets can move so sharply. Rate expectations have changed, with the market paring back its bets on cuts and higher-for-longer back in the frame. With base rates high, all-in yields remain attractive, even as credit spreads sit near post-crisis lows, and that pulls in investors almost regardless of the spread on offer.

The resulting demand compresses spreads below where risk alone would set them, and when spreads are this tight, a small repricing of risk, as happened with software earlier this year, can produce outsized price moves in liquid markets driven as much by flows and sentiment as by fundamentals. This is a large part of why listed credit has seen such severe moves this year, and it is where private credit can provide ballast in a diversified portfolio: contractual income, structural protections, appropriate spreads and low mark-to-market volatility, held through to repayment rather than traded on sentiment.

Distinguishing dispersion from deterioration

A market that is deteriorating and a market that is dispersing are not the same thing, though much of the recent commentary treats them as one. Separating the two is central to reading credit risk correctly today.

A deteriorating market is one where credit quality is weakening broadly. That is not what the data shows. What it shows is dispersion: a widening gap between the strongest and weakest borrowers, and between industries in and out of favour, even where the businesses themselves are performing adequately. In traded loans, the price gap between software borrowers and the rest of the market has widened to several times its level at the start of the year, and the gap between single-B and double-B pricing has reached multi-year highs. Higher-rated borrowers have seen financing costs barely move, while weaker or less favoured credits have borne all the strain. The label "private credit" now tells you less than it once did. With outcomes more dispersed, what a portfolio holds, and the discipline behind how it was selected, increasingly shapes returns. Averages conceal a widening range, and this is why the way a portfolio is built matters.

The same dynamic explains why a fund's reported unit value can move month to month even when nothing has changed in its underlying loans. Private credit assets are independently valued, and those valuations reference market conditions, including credit spreads. When spreads widen, marks can move modestly lower even while borrowers pay exactly as agreed. This is a valuation effect, not a credit event, and it is temporary. A loan repaid at maturity returns to par regardless of interim marks, and a markdown reverses where the borrower continues to perform. Only a realised loss is permanent. For the Fund, movements of this kind have been marginal. What matters is not whether marks moved, but whether borrowers are sound, and across the portfolio they remain so.

The opportunity set

The opportunity set across private credit remains attractive, and in some respects has improved. After a prolonged period of competitive conditions, deal opportunities are increasing, and both spreads and terms have become more favourable to lenders, even against a more subdued M&A backdrop. This holds across strategies. Direct lending, structured credit, and credit opportunities each benefit from different conditions, and the current environment is generating attractive entry points across all of them.

A quieter primary market has not changed this. Where activity has slowed, the cause is a pause in private equity dealmaking rather than any retreat by lenders, and that pause looks temporary. Major investment banks report mandated M&A pipelines as full as they have been in years, with uncertainty, rather than any lack of willing buyers, the main reason deals have yet to transact. As conditions settle, that backlog should convert into a strong flow of financing opportunities. Two forces are working in the same direction for disciplined lenders. On the demand side, that pipeline points to more borrowing to finance once activity resumes. On the supply side, some of the capital that had crowded into the market in recent years is being withdrawn, leaving less competition to fund it. Building demand and easing competition is a favourable combination, and it is opening up more room to deploy selectively on attractive terms. Banks also remain constrained in parts of the lending market, which sustains demand for private capital, and artificial intelligence, having begun as a software-specific stress, is increasingly a factor across sectors, rewarding disciplined, company-by-company analysis over any single sector view.

Why we invest through multiple managers

Widening dispersion between borrowers, a growing gap between stronger and weaker managers, and a technological shift that cuts across sectors are the conditions under which a diversified, multi-manager portfolio is intended to demonstrate its value.

Manager selection always matters. A period of dispersion simply makes it more visible. When outcomes across the market converge, the differences between managers are easy to overlook. When they diverge, as they are now, the choice of manager, the structure of the portfolio and the rigour of oversight show through clearly in results. Diversification of this kind cannot be bolted on once conditions deteriorate. A portfolio spread across managers, strategies, sectors, and geographies must be built that way from the outset and managing it day to day takes experience and discipline. Structured properly in advance, it is designed so that a single credit event does not become a portfolio-level event, and it allows capital to move toward whichever strategies current conditions favour rather than being tied to one approach.

Private credit is still early in its adoption and understanding among Australian investors. The sheer volume of commentary around it, much of it misleading or simply incorrect, can make the asset class harder to enter and its characteristics harder to appreciate. Those characteristics, including its resilience and low volatility, are exactly what many portfolios need. We want to help change this, and to give investors a clearer view of what is happening so they can make well-informed choices for their portfolios. As a multi-manager platform with visibility across many managers and strategies, we are well placed to do so, and we intend to do more of it, explaining how the asset class works and going into detail with our managers and market experts on the questions that matter most.

Portfolio Positioning

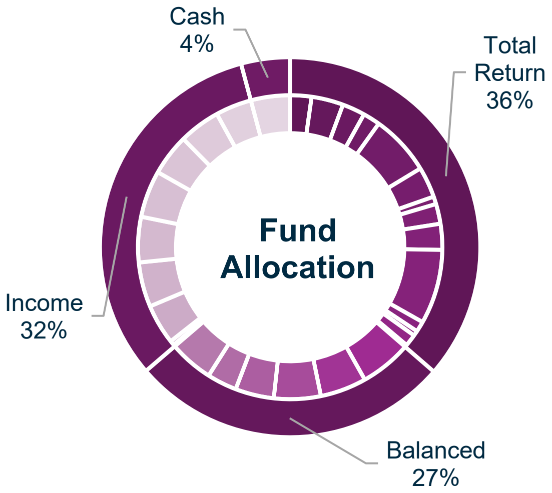
The Fund continues to be managed on the principles that have guided it since inception: disciplined manager selection, genuine structural diversification, a focus on senior secured exposures, and a portfolio built to generate stable returns while preserving capital. The Fund is diversified across more than 4,500 loans held through 30 underlying funds, spanning managers, strategies, and geographies, so that an individual credit event or sector-specific issue does not become a portfolio-level outcome.

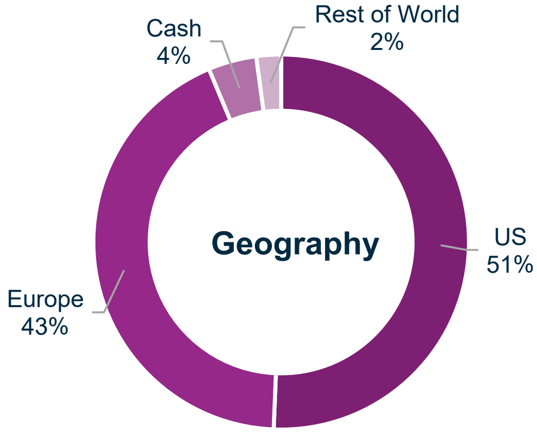
That construction continues to do its job. Exposure remains concentrated in defensive, non-cyclical sectors, and the allocation to information technology, the sector at the centre of this year's volatility, is a measured position within a diversified book. Each credit is assessed on the durability of its own cash flows. The Fund's managers are not facing the redemption pressures or capital constraints affecting other parts of the market and are well placed to keep deploying selectively as terms improve. We continue to work closely with our investment consultant on manager selection, portfolio construction, and oversight.

No part of the market is insulated from the macro environment, and we would not suggest private credit is an exception. But the fundamentals of well-constructed portfolios remain sound, short-term movements in reported values reflect the rigour of independent valuation rather than credit deterioration, and the current environment continues to favour disciplined managers. In a world where the traditional sources of portfolio stability are themselves less stable, a well-constructed private credit allocation, built on contractual income, structural protection and genuine diversification, is a vital component of a resilient portfolio. The Fund is built to deliver exactly that.

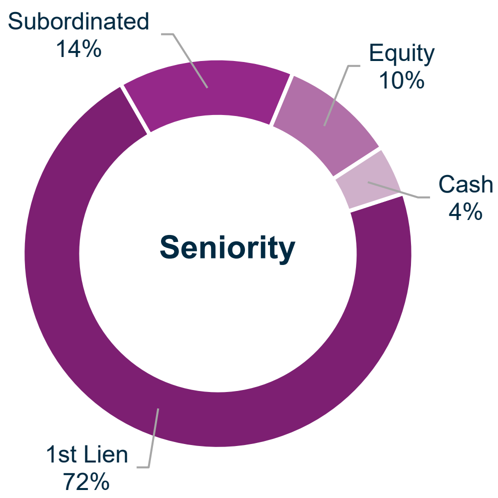
PORTFOLIO UPDATE

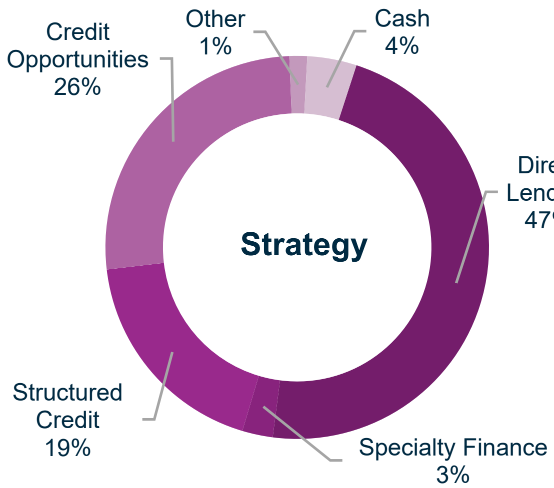
Portfolio Composition





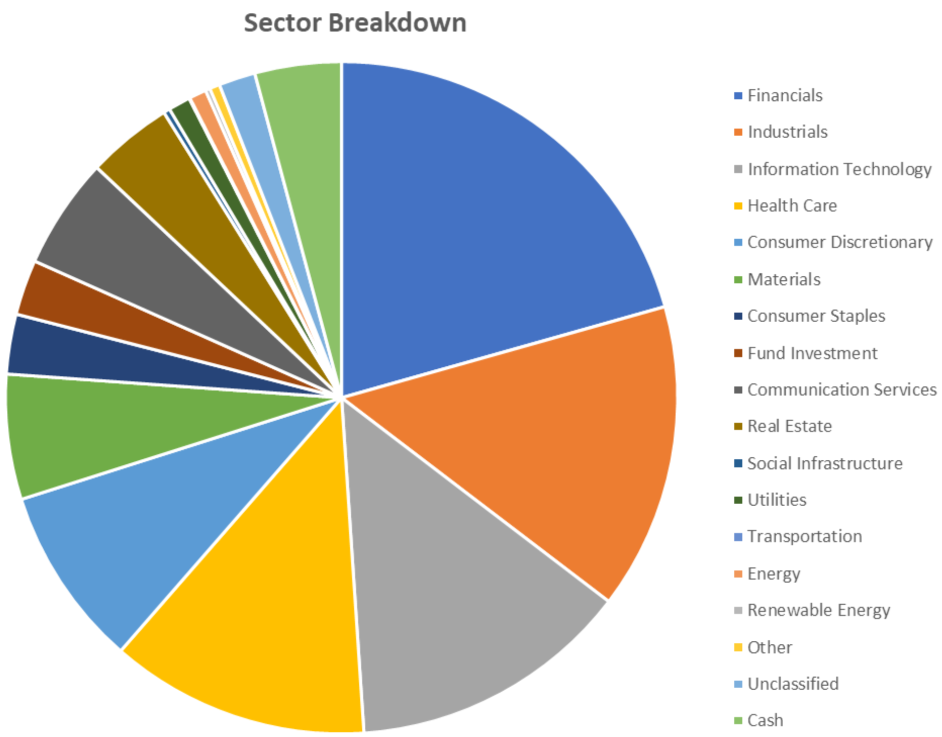
The portfolio remains within stated limits across geography, seniority and investment strategy. Diversification by vintage, style and manager continues to underpin downside protection and liquidity planning.





The Fund's underlying sector exposure remains well diversified and focused on defensive, non-cyclical industries such as Financials, Industrials, Information Technology and Health Care. These 4 sectors account for 61% of the total Fund exposure (64% excluding cash).

Exposure to the Information Technology sector, which includes exposures to Software companies, is relatively modest at 14%. Exposure to the Real Estate sector accounts for about 4% of the total Fund exposure.



New Investments

The Fund is currently invested in 30 underlying funds.

During the June quarter, we onboarded:

- a US credit opportunities fund focussing on senior secured distressed debt; and
- a US tactical credit fund which is a new vintage of an existing fund in the portfolio.

The addition of these funds in the Total Return class adds to our strategic diversification as well as helping to maintain a stable and growing NAV over time.

Consistent with our active approach to risk management, the Fund exited a small US CLO-focused position in the Income class where the risk-adjusted return no longer fit our requirements. We expect the redemption to be completed by Q3 2026.

Portfolio Returns

Focused on preserving capital while navigating market volatility.

Over the June quarter, the Fund returned 0.88%.

As discussed above, valuations across our underlying funds were generally below target over the June quarter, reflecting conservative valuation approaches rather than realised losses or any weakening in underlying credit fundamentals. Encouragingly, as markets conditions have stabilised, monthly fund returns have reverted towards target levels. We view this as a positive indicator for September quarter valuations.

Net Returns After Fees (%)[1]

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD[2]
FY26	0.67	0.42	0.78	0.51	1.08	0.45	0.53	1.38	0.21	0.43	0.18	0.27	7.14
FY25	0.38	0.55	1.09	0.59	1.98	0.95	1.00	1.53	0.96	0.54	0.65	0.68	11.47
FY24				0.32	0.86	1.11	0.83	0.82	0.94	0.38	1.56	0.11	7.14

Thank you for entrusting us to manage your capital.

Yours sincerely,

[1] Due to the lag in underlying fund valuation reporting, and in order to more closely reflect the current NAV for new investors, the Trustee adjusts the NAV by the RBA Overnight Cash Rate + 6% p.a. since the date of the last valuation provided by underlying managers.
[2] Fund return reflects compounded movements in the NAV.