

PENGANA DIVERSIFIED PRIVATE CREDIT FUND

20th October 2026

Dear Investor,

Market Commentary

- The recent news flow in the Australian market reinforces our thesis regarding private credit investment. It highlights the concentration risk that sits at the heart of the local asset class: one economy driving the macro and one sector driving returns, with ASIC estimating roughly half the market is invested in real estate lending.
- The Fund was built to provide investors with a mechanism to diversify away from local market concentration and correlation. The Fund holds more than 4,500 loans across 29 specialist managers in the US and Europe, spread across direct lending, structured credit/specialty finance and credit opportunities, with no exposure to Australian real estate and minimal exposure to global real estate.
- We continue to believe this is the best way to participate in the asset class: capital spread across managers, strategies, sectors and geographies to mitigate the concentration and correlation risk a single-market exposure carries.

Market Context

September was again dominated by the interest rate outlook rather than by credit news. The Federal Reserve raised its target range by 0.25% to 3.75–4.00% on 16 September, the first increase since 2023, and the updated projections point to at least one more hike before year end. The rise puts further pressure on borrowers carrying too much debt, which is why higher-quality borrowers continue to finance at close to their tightest levels in years while weaker, more exposed borrowers trade at stress-level spreads.

Credit markets stayed broadly firm through September, with dispersion between stronger and weaker credits continuing to widen, and more concentrated portfolios underperforming more diversified ones. The spread environment remains attractive but rewards selectivity, which in turn highlights why manager selection and oversight is critical.

Concentration remains a critical consideration

Private credit plays an important role in a diversified portfolio, with return drivers that have a low correlation to traditional equity and fixed income markets. That thesis hasn't changed.

What the past month has done is bring the risks of concentration and governance into plain view. ASIC estimates the Australian private credit market at around \$200 billion, with roughly half concentrated in real estate finance, and has made clear it expects stronger valuation governance and liquidity management across the sector. That concentration isn't a problem in itself, but it is a reminder that owning multiple loans doesn't make you diversified if they share the same geography, sector or borrower type. A portfolio built that way carries three exposures at once: one economy, one strategy and, in many cases, one manager. When

conditions in that economy and that sector turn together, there is very little inside the portfolio to offset it.

It's also why we invest the way we do. The US and European private credit markets are significantly larger, deeper, and more mature, and private credit there is a core part of financing the real economy - manufacturers, healthcare providers, commercial services businesses, equipment and receivables, consumer staples - across industries with genuinely different drivers. Real estate is a small part of it. That breadth is what allows a portfolio to be built with limited concentration and correlation, while keeping the flexibility to move capital towards attractive relative value opportunities through the cycle.

For an inherently illiquid asset class, we continue to believe three things matter most:

- **Manager Selection:** experienced managers with strong underwriting, deal structuring, portfolio monitoring and workout capability;
- **Diversification:** across geographies and strategies first, so that no single economy and no single set of risk drivers determines the outcome, and then across managers, borrowers and sectors, to reduce concentration and correlation risk; and
- **Liquidity:** matching the investment structure to the liquidity investors need, so that the terms on which capital can be accessed don't have to be revisited when conditions turn.

Credit isn't a game of perfection. It's a game of strong process and true diversification to mitigate the risk of capital loss, built in advance rather than assembled once conditions have turned.

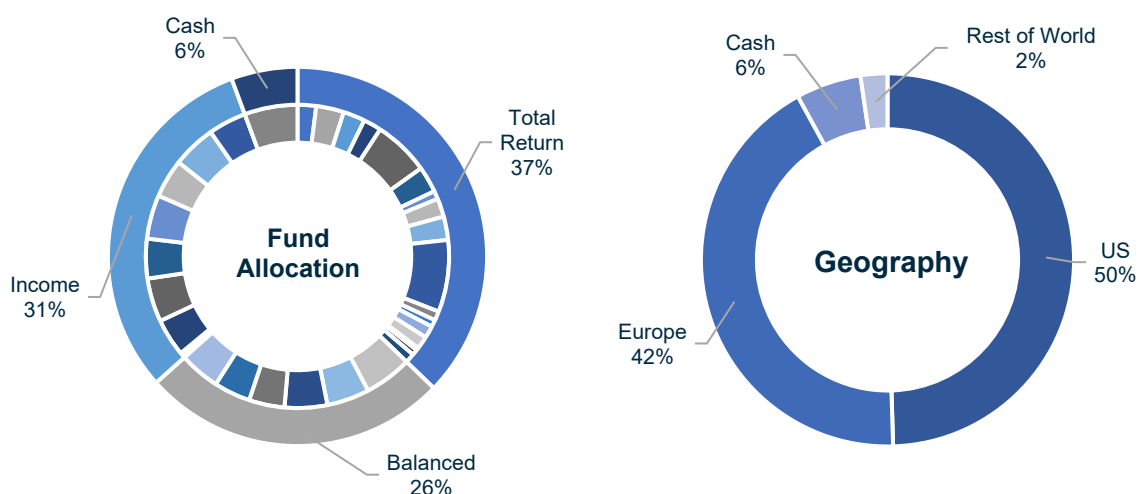
The recent headlines shouldn't be ignored. They reinforce the importance of understanding what you own and how a portfolio has been constructed. Diversify broadly, focus on quality managers, prioritise seniority and security, and understand where the return is coming from. **The case for private credit hasn't changed - how you access it has become even more critical in volatile markets.**

The opportunity set

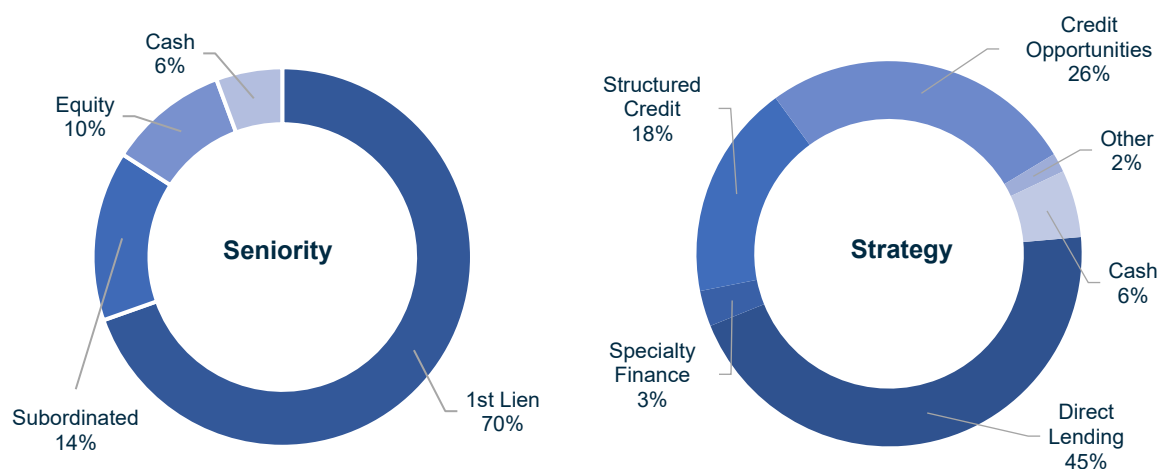
Conditions for new lending remain strong. Spreads on new deals are wider than a year ago, and terms continue to move in lenders' favour, as some of the funds that benefitted from capital crowding into the market in recent years are now managing redemption requests rather than competing for deals. Borrowers are also being financed at lower entry valuations, with less senior leverage and materially better interest coverage than the 2023 and 2024 vintages. A large wall of 2028 and 2029 maturities is building across the US and Europe, much of it written at 2021-era multiples, and should keep generating opportunities for lenders with capital ready to deploy.

PORTFOLIO UPDATE

Portfolio Composition

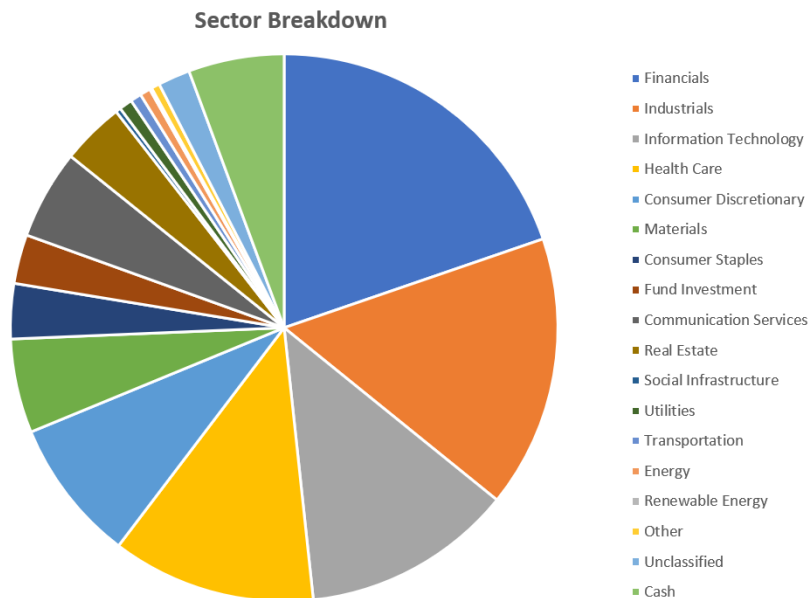


The portfolio remains within stated limits across geography, seniority and investment strategy. Diversification by vintage, style and manager continues to underpin downside protection and liquidity planning.



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 60% of the total Fund exposure.

Exposure to the Information Technology sector, which includes exposures to Software companies, remains relatively modest at 12%. Exposure to the Real Estate sector accounts for 4% of the total Fund exposure, with no exposure to Australian real estate.



New Investments

The Fund is currently invested in 32 underlying funds.

During the September quarter, the Fund onboarded:

- a US opportunistic credit fund; and
- a US specialty finance fund.

Both funds sit in the Total Return class, and both are the next vintage of existing investments that maintain the Fund's exposure to managers that continue to perform well.

Portfolio Returns

Market stability translates to improved returns.

Over the September quarter, the Fund returned 2.68%.

During the June quarter, markets stabilised as geopolitical tensions eased and inflationary drivers reduced. Although this lull was short-lived, it resulted in improved June quarter returns for our underlying funds (which we received during the September quarter).

Net Returns After Fees (%)¹

Fund Performance	1 Month	3 Months	1 Year	3 Year	Since Inception P.A.²
<i>Fund Return</i>	0.84%	2.68%	7.96%	9.52%	9.52%
<i>Target³</i>	0.89%	2.75%	11.00%	11.15%	11.15%

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD ⁴
FY27	0.76	1.06	0.84										2.68
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,



Nehemiah Richardson
CEO Pengana Credit



Russel Pillemer
CEO Pengana Capital Group



Adam Rapeport
Portfolio Manager



Nick Griffiths
CIO Pengana Capital Group

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 inception was 30 September 2023

³ RBA Cash Rate plus 7.0% p.a. (net of all fees and costs).

⁴ Fund return reflects compounded movements in the NAV.

