

PENGANA DIVERSIFIED PRIVATE CREDIT FUND

16th October 2025

Dear Investor,

Global growth steady but slowing

The global economy looks stable, though clearly losing some momentum. Growth in the US and Europe is cooling under the weight of higher interest rates, even as inflation continues to ease. The US Federal Reserve has begun cautiously reducing rates, while the European Central Bank remains patient, preferring stability over stimulus. Policymakers on both sides, however, continue to flag the risk that inflation could prove more persistent than expected, a concern amplified by the temporary US government shutdown, which is limiting visibility on key data such as employment and prices.

This environment feels less like the beginning of a new expansion and more like the consolidation phase of a long cycle, one where activity is slowing but not stalling. For investors, that means conditions are still broadly supportive, yet the room for upside surprise has narrowed. Elevated government debt levels in both the US and Europe also mean that future policy flexibility is limited, leaving the global economy somewhat more exposed if growth slows further. Markets still reflect a degree of confidence, though investors, particularly institutional, are becoming more selective, focussing on quality and durability of income. The balance of risk now leans toward being measured and defensive, rather than outright optimistic.

Markets are calm, but valuations leave little cushion

Financial markets appear calm, even as underlying risks and policy uncertainty remain. US and European equity indices are near their highs, supported by resilient corporate earnings and expectations that rate cuts will extend the cycle. However, equity valuations, particularly in the US, are elevated relative to long-term averages, leaving less buffer for earnings disappointment or unexpected policy shifts.

Credit markets tell a similar story. Corporate bond spreads, the additional yield investors earn for taking credit risk, are near decade lows in both regions. While that suggests confidence in corporate fundamentals, it also means investors are earning most of their return from interest income rather than compensation for taking additional risk. For example, US investment grade spreads are around 90 basis points versus a 10-year average closer to 130, while high-yield spreads sit near 360 versus historical norms closer to 480.

None of this necessarily implies imminent weakness. Rather, it highlights that markets are fully valued. In such an environment, where both equities and traditional fixed income are “priced for perfection,” investors’ focus naturally shifts toward income stability, structural protection, and diversification.

Global Private Credit: a broader opportunity set built for resilience

Against a backdrop of slowing growth and lingering policy uncertainty, Global Private Credit continues to stand out as an attractive source of returns and capital stability with less sensitivity to public-market volatility. While many investors associate Global Private Credit primarily with direct lending, the asset class today spans a broader spectrum of opportunities that together enhance its resilience and flexibility.

Direct lending remains the cornerstone, providing senior, secured, floating-rate exposure to well-capitalised borrowers but it is not the only source of value. Structured finance and credit opportunities strategies are also important contributors to private credit portfolios. Structured finance, which involves lending against pools of financial or real assets, benefits from steady demand for non-bank funding. It often performs well even in periods of moderating growth, as its shorter duration, collateral backing, and self-liquidating nature provide resilience, while reduced bank lending can create favourable pricing opportunities.

Credit opportunities strategies, meanwhile, are positioned to take advantage of dislocation, identifying value in less-liquid or stressed segments of the market as financial conditions evolve. In both cases, the opportunity lies in disciplined execution and the ability to navigate complexity.

Across these areas, outcomes are increasingly determined by manager skill, structuring expertise, and diversification. The dispersion of returns within global private credit has widened, and the importance of manager selection has grown. As seen across credit markets this year, results have varied significantly between managers rather than asset classes, reinforcing that quality, not category, drives outcomes. Large institutional investors recognise this: global asset-owner surveys show continued increases in allocations across all major private credit segments - direct lending, structured finance, and credit opportunities - as investors seek income, diversification, and downside protection in a world where traditional assets offer less.

Pengana Diversified Private Credit Fund (Fund): diversified access to institutional private credit

This is precisely where the Fund is positioned. It provides investors with access to an institutional-grade portfolio that spans the key segments of global private credit, from direct lending in the US and Europe to complementary exposures in structured finance and credit opportunities, managed by proven managers curated by Mercer, one of the world's largest allocators of capital.

The Fund's construction emphasises:

- Senior, secured, floating-rate loans as the core foundation for steady income and capital preservation;
- Diversification across more than twenty leading managers in the US and Europe, each with deep expertise and track records of delivery in their chosen strategies;
- Exposure to multiple styles of private credit, combining the stability of direct lending with the differentiated return drivers of structured and opportunistic credit; and
- Mercer's institutional oversight, ensuring that each allocation benefits from disciplined due diligence and access to top-tier managers typically available only to large global investors.

Through this approach, the Fund delivers what is difficult for most investors to achieve independently: a balanced, defensive, and globally diversified exposure to global private credit.

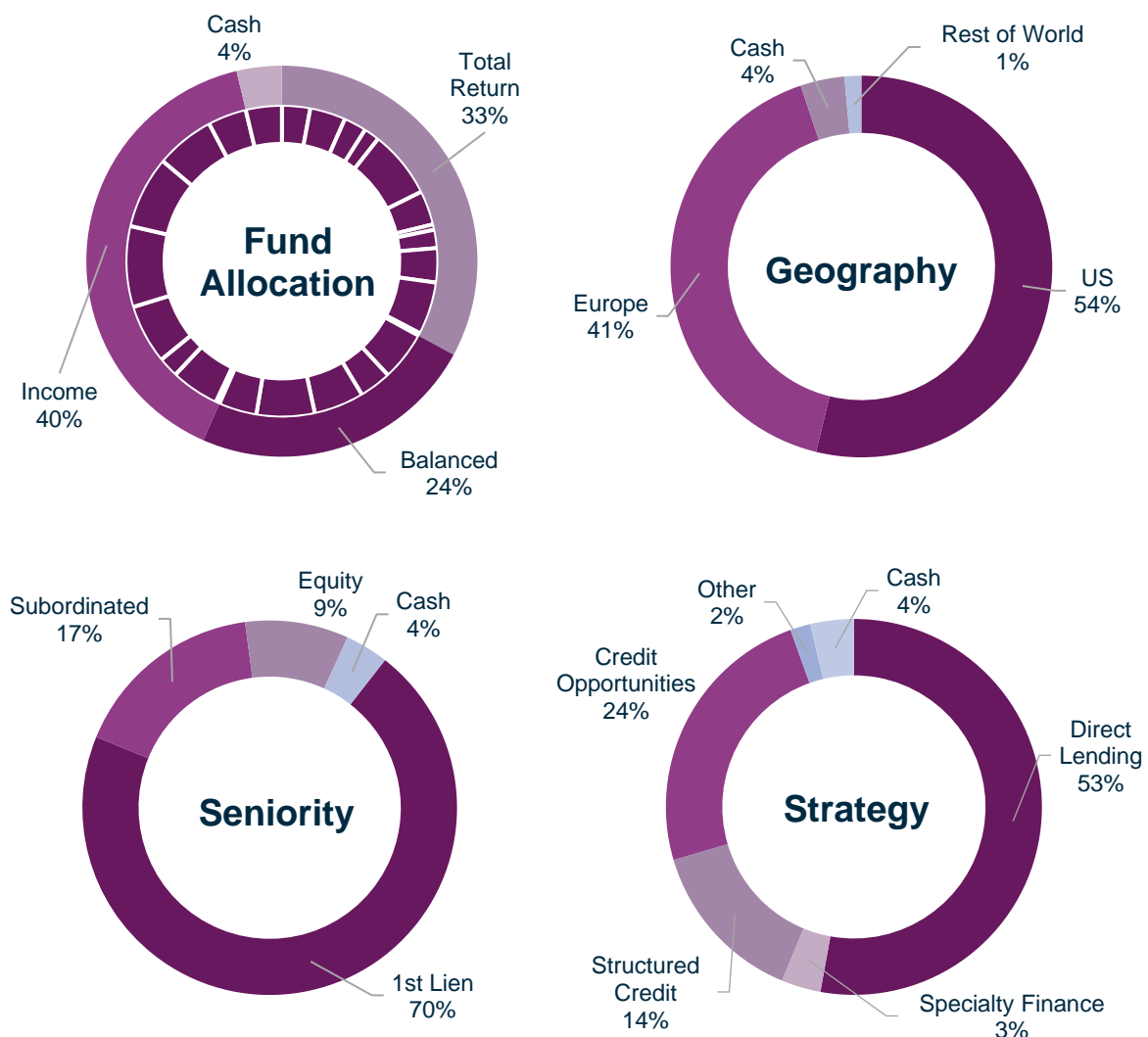
In Summary

With the global economy steady but facing pockets of uncertainty, from persistent inflation to high debt levels, the investment backdrop remains one of balance rather than exuberance. Equities are expensive, and credit spreads are tight, meaning investors are earning income in exchange for optimism. Against that backdrop, global private credit stands out for its ability to deliver contractual returns, structural protection, and genuine diversification - particularly when spread across multiple strategies and managed by skilled, well-resourced, proven teams.

The Fund offers this access in a single vehicle: a portfolio that blends the stability of direct lending with the complementary strengths of structured and opportunistic credit, supported by Mercer's institutional oversight. It is built to preserve income and resilience through cycles - not by chasing yield, but by combining breadth, quality, and risk management.

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.

New Investments

The Fund is invested in 24 underlying funds. We are actively evaluating several additional funds designed to further widen our strategic diversification and reduce portfolio correlation risk.

Portfolio Returns

Our underlying funds continue to perform well with no signs of credit stress or deterioration in credit quality.

Over the September quarter, the Fund returned 1.89%. **The 1-year return to 30 September was 11.32%**, well within the fund's target range of RBA + 7 – 9%.

The June quarter valuations for our underlying funds were positive, with all of our managers performing at or above their target levels. We remain confident that our portfolio is well positioned to weather any ongoing geopolitical volatility and continue to deliver strong performance through economic cycles.

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										1.89
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

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.

Thank you for entrusting us to manage your capital.

Yours sincerely,



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