

# IMPORTANT NOTICE

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## PURPOSE OF INFORMATION MEMORANDUM

The Pengana Diversified Private Credit Fund ('Fund') is an Australian unregistered managed investment scheme structured as a unit trust.

This document has been prepared solely in connection with the offer of the Class of Units in the Fund known as the "Koda Class – 30 June 2027" (**Koda Class**) as described herein. This document has been prepared on a confidential basis for distribution in Australia only to wholesale clients as defined in section 761G of the Corporations Act 2001 (Cth) ('Corporations Act') in circumstances where a product disclosure statement is not required under the Corporations Act. It is not intended for, and should not be distributed to, any other person who is a retail client for the purpose of the Corporations Act. This document is not a product disclosure statement or prospectus required to be lodged with the Australian Securities and Investments Commission in accordance with the Corporations Act and it does not contain all of the information that such a product disclosure statement or prospectus is required to contain.

## RESPONSIBILITY FOR INFORMATION

This document has been issued by Pengana Capital Limited (ABN 30 103 800 568, AFSL 226 566) ('Trustee', 'we' or 'us').

The Trustee has appointed Pengana Credit Pty Ltd (ACN 659 608 849, CAR 001297160) as the Investment Manager of the Fund pursuant to the Investment Management Agreement ('Pengana Credit').

Neither Pengana Credit, nor the Trustee, nor any of their respective related entities, associates, officers, employees or agents make any representation or warranty, express or implied, as to or assume any responsibility or liability for the authenticity, origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this document or in any accompanying, previous or subsequent material or presentation except as expressly stated otherwise. To the maximum extent permitted by law, the Trustee and Pengana Credit and each of their respective related entities, associates, officers, employees or agents disclaims all and any responsibility or liability for any loss or damage which may be suffered by any person relying upon any information contained in, or any omissions from, this document.

Parties other than Pengana Credit or the Trustee only take responsibility for the accuracy of their respective names, corporate registrations and addresses as specified herein.

The information contained in this document is general information only and has been prepared without taking into account your individual objectives, financial situation or needs. You should consider the appropriateness of the information in this document having regard to these matters and talk to your financial adviser before making an investment decision.

By accepting this Information Memorandum, you:

- represent that you are a wholesale client (as defined in section 761G of the Corporations Act);
- agree to keep the Information Memorandum and its contents confidential and not provide it to other persons other than your advisers, provided they also maintain such confidentiality; and
- represent that you have read and agreed to the information noted in this Information Memorandum including this Important Notice.

Neither the Trustee nor Pengana Credit is obliged to accept applications and they reserve absolute discretion in limiting or refusing any application.

## RELIANCE ON INFORMATION MEMORANDUM

All information provided in this Information Memorandum is correct as at the issue date of this Information Memorandum (1 July 2026) and statements in the Information Memorandum are only made at that date. Its delivery at any time after that date does not imply that the information contained in it is accurate, timely or complete at any time subsequent to that date. The Trustee may in its absolute discretion without notice, but without being under any obligation to do so, update or supplement this Information Memorandum. Any further information shall be provided subject to these conditions.

This document is not a recommendation or a statement of opinion, or a report of either of those things, by the Trustee or Pengana Credit or any of their respective related entities, associates, officers, employees or agents. This document has been issued by the Trustee without taking into account any particular person's objectives, financial situation or

needs; does not purport to identify the nature of specific market or other risks associated with any investments described within it; and does not constitute any legal, taxation, investment or accounting advice. All information in this document is indicative, is based on certain assumptions and current market conditions and is subject to change without notice. Some tables in this document may not add or calculate exactly due to rounding. Fees and costs stated in this document are inclusive of any applicable Goods and Services Tax ('GST') and net of any Reduced Input Tax Credits ('RITC').

There is no cooling-off period or any cooling-off rights in relation to an application for units in the Fund as the cooling-off rights which are provided in the Corporations Act are not available to wholesale clients. There may be no secondary market for units in the Fund and no market is expected to develop in the future. Units in the Fund may not be transferred, resold, exchanged or otherwise disposed of except in accordance with the Constitution and the terms of this Information Memorandum. An Investor may only transfer units in the Fund to a person who is a wholesale client, where that person has also agreed in writing to be bound by the terms of the Constitution and the Trustee provides its consent. The Trustee is not required to register a transfer of units in the Fund if the purported transfer is contrary to the Constitution or to applicable law including under any applicable securities laws.

To the extent of any inconsistency between this Information Memorandum and the constituent documents for the Fund, this Information Memorandum prevails.

No information contained in this document constitutes a prediction or forecast as to the performance of any investments. Any historical information contained in this document is provided by way of illustration only, past performance is not a guide to future performance and actual performance may differ materially.

Assumptions upon which financial illustrations are based may differ from actual circumstances.

Any forward-looking statements in this Information Memorandum (including statements of intention, projections and expectations of investment opportunities and rates of return) are made only at the date of this Information Memorandum based on current expectations and beliefs but involve risks, contingencies, uncertainties and other factors beyond the control of the Trustee or Pengana Credit which may cause actual outcomes to be materially different. Assumptions underlying such statements involve judgements which may be difficult to accurately predict. Therefore, such forward-looking statements included in this Information Memorandum may prove to be inaccurate and should not be relied upon as indicative of future matters.

Provision of this document does not cause the Trustee or Pengana Credit or any of their respective related entities, associates, officers, employees or agents to become the financial adviser or fiduciary to the recipient. Each recipient of this document must make its own independent assessment and investigation of the terms of the issue of the investments described in this document, and the risks and benefits in connection with those investments as it considers appropriate. Each recipient of this document should obtain independent legal, taxation, investment, financial and accounting advice specific to their situation. Each prospective investor in the investments described in this document must base any decision to subscribe for or purchase investments solely upon such independent assessment, investigation and independent advice.

This document does not constitute an offer or invitation in any place where, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Units or the offer or otherwise to permit a public offering of the Units in any jurisdiction. The distribution of this document in jurisdictions outside Australia may be restricted by the laws of those jurisdictions. A failure to comply with these restrictions may constitute a violation of the laws in those jurisdictions.

The Trustee and Pengana Credit reserve the right to change or supplement the terms and conditions in this document, including by reissuing the IM on such terms as it considers appropriate from time to time.

If a copy of this document has been obtained electronically, you need to print all of it. This document has not been, and will not be, lodged with the Australian Securities and Investments Commission ('ASIC').

## **AUTHORISED INFORMATION**

No person is authorised to give any information or to make any representation about the Fund and the offer of Units which is not contained in this document. Any such information given to an investor must not be relied upon as having been authorised by the Trustee or Pengana Credit or any other party mentioned herein.

## **NOT GUARANTEED**

This document should be read in its entirety before making a decision to invest. An investment in Units in the Fund is subject to investment risk, including possible delays in repayment and loss of income and principal invested. An investment in the Fund is not a deposit with and does not represent a liability of the Trustee, Pengana Credit or any other person. None of the Trustee, Pengana Credit, or any of their related bodies corporate or any other person, in any way, guarantees the capital value or performance of the investments or the performance of the issuer or the

assets held by the issuer of the investments or guarantees any particular return from the Fund, increase in value of the Fund or repayment of any amount invested in the Fund. The value of an investment in the Fund may rise or fall. None of the Trustee, Pengana Credit, any of their related bodies corporate or any other person will provide any liquidity or secondary market support for dealing in Units of the Fund.

### **CONFLICT OF INTEREST**

The Trustee and Pengana Credit may (but are under no obligation to) enter into arrangements with Investors to meet their specific requirements such as reporting and permitted transfers of the Units. Pengana Credit may in its discretion also enter into arrangements to rebate fees (from its own resources) to substantial Investors or Investors who are officers or employees of Pengana Credit or its affiliates.

### **GLOSSARY**

Certain expressions used in this Information Memorandum have defined meanings which are in the Glossary.

The Fund	<b>Pengana Diversified Private Credit Fund</b> Suite 1, Level 27 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia
Trustee	<b>Pengana Capital Ltd</b> ABN 30 103 800 568 AFSL 226 566 Suite 1, Level 27 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia
Investment Manager	<b>Pengana Credit Pty Ltd</b> ACN 659 608 849 CAR 001297160 Suite 1, Level 27 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia
Investment Consultant	<b>Mercer Consulting (Australia) Pty Ltd</b> ABN 55 153 168 140 AFSL 411770 100 Barangaroo Avenue Sydney NSW 2000 Australia
Registry, Custodian and Administrator	<b>BNP Paribas SA</b> ABN 23 000 000 117 AFSL 238043 Level 6, 60 Castlereagh Street Sydney NSW 2000 Australia
Auditor of the Fund	<b>Ernst &amp; Young</b> 200 George Street Sydney NSW 2000 Australia
Auditor of the Trustee	<b>Ernst &amp; Young</b> 200 George Street Sydney NSW 2000 Australia
Legal and Tax Counsel	<b>DLA Piper Australia</b> Level 22, 1 Martin Place Sydney NSW 2000 Australia
Website	<b><u><a href="http://www.pengana.com/privatecreditfund">www.pengana.com/privatecreditfund</a></u></b>

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# 1. OVERVIEW

## 1.1. KEY TERMS

Important Note: The table below provides a summary only of the key terms of the Koda Class of Units in the Fund and does not set out full details of the terms. You should read this Information Memorandum ('IM') in full prior to making a decision to invest in the Koda Class.

TERM	DESCRIPTION	FURTHER INFORMATION
Fund & Class of Units	The Koda Class of Units in the Pengana Diversified Private Credit Fund	Section 1.2
APIR Code	PCL6050AU	
Investment Manager	Pengana Credit Pty Ltd	Section 4.1
Trustee	Pengana Capital Limited	Section 4.3
Investment Consultant	Mercer Consulting (Australia) Pty Ltd	Section 4.2, 4.4.4
Custodian, Administrator and Registry	BNP Paribas SA	Section 4.4.5 to 4.4.7
Auditor	Ernst & Young	Section 4.4.8
Legal & Tax	DLA Piper Australia	Page 4
Investment Objective	To generate strong risk adjusted returns via exposure to a diversified portfolio of global private credit investments, liquid credit investments and cash.	Section 3.1
Target Return	RBA Official Cash Rate + 7 - 9% p.a. in Australian Dollars, generated over a rolling 5 year investment horizon. <sup>1</sup>	Section 3.1
Target Annual Distribution	Minimum of 80% of the annual Fund return in cash	Section 5.3
Application Frequency	Monthly	Section 5.2.2
Term	Lock-up until 30 September 2029	Section 5.2.3
Redemption Frequency	Quarterly redemptions no earlier than 30 September 2029, subject to conditions as set out in Section 5.2.3	Section 5.2.3
Redemption Notice	Three months prior to redemption. For a redemption effective 30 September 2029, a redemption notice will need to be provided by 2pm on 30 June 2029	Section 5.2.3
Minimum Initial Investment	\$50,000	Section 5.2.2
Minimum Additional Contribution	\$25,000	Section 5.2.2
Pricing Frequency	Monthly	Section 5.2.1
Management Fee	0.75% p.a. (including GST net of RITC)	Section 5.4.1
Performance Fee	20% (including GST net of RITC) of returns above the Hurdle	Section 5.4.2
Hurdle	RBA Official Cash Rate + 6% p.a. with a floor of 7.5% p.a.	Section 5.4.2
Distribution Reinvestment	No	Section 5.3

<sup>1</sup> The target return is an objective only and may not be achieved. The target return is subject to significant economic, market and other uncertainties that may adversely affect the actual returns of any investments. Future returns are not guaranteed. Investors should review the risk disclosures set out in Section 6 of this IM.

## 1.2. FUND OVERVIEW

The Pengana Diversified Private Credit Fund is an Australian unregistered managed investment scheme structured as a unit trust.

Pengana Credit believes that global private credit represents a compelling risk-adjusted return premium over traditional fixed income and offers diversification in multi-asset portfolios. Pengana Credit employs a diversified approach, anchoring portfolios with direct lending for durable yield and persistent spread premium, while adding structured credit and speciality finance to diversify the risk/return drivers.

Pengana Credit favours managers and strategies that are capital efficient, focus on capital preservation, offer flexibility through the credit cycle through their multi-sector or broad approach to credit, and have a competitive advantage sourcing assets.

Through the structure described in Section 2 of this Information Memorandum, the Fund's investment objective is to generate strong risk-adjusted returns via exposure to a diversified portfolio of global private credit, liquid credit and cash. The Fund invests principally in a globally diversified portfolio of funds managed by highly rated private credit fund managers ('Underlying Managers') which, in turn, invest in loans, primarily to corporate borrowers (the 'Underlying Assets').

The Fund's Target Return to Investors is the RBA Official Cash Rate ('RBA OCR') plus 7 - 9% p.a. in Australian Dollars, generated over a rolling 5 year investment horizon.

The Fund is managed by Pengana Credit Pty Ltd which is a wholly owned subsidiary of Pengana Capital Group Limited ('PCG', ASX: PCG).

Mercer Consulting (Australia) Pty Ltd ('Mercer') is the Investment Consultant.

## 1.3. THE ASSET CLASS

The Fund provides access to the global private credit market via a highly diversified and professionally constructed private credit portfolio. In this and the section that follows, we provide commentary on the North American and European markets for private credit, the two largest global private credit markets, expected to comprise the majority of the Fund's exposure.

The Fund's investments represent a subset of the corporate and commercial credit market which is comprised of a diverse universe of securities which enable both large and small businesses to borrow money from lenders, including banks, non-bank financial institutions and fund managers.

Corporate entities typically borrow to finance expansion of their businesses or as capital alongside equity investments when buying a new business. Borrowers typically access capital through either traded or private markets.

Traded credit typically refers to loans, bonds or other debt securities issued by larger companies and may be syndicated (syndicated loans are corporate loans large enough to be broken into smaller parcels and syndicated to a group of similar investors, typically managed and arranged by a bank) or issued in public fixed income markets. These securities can be traded in the public markets.

Private credit typically refers to a range of debt instruments that are originated, negotiated, and transacted directly between a corporate or commercial borrower and a non-bank lender, which are not traded publicly, and so are managed and held to maturity by the private credit lender. In all cases, the loans rank senior to ordinary equity (for payments of distributions as well as return of capital). Private credit firms typically charge a floating rate spread above a reference rate, allowing the fund and investors to benefit from increasing interest rates.

Private credit encompasses a range of different instruments which have different risk and return characteristics as summarised below:

- **senior debt** – debt that has priority over other debts in case of bankruptcy or liquidation. It includes loans that have a first claim on assets and/or earnings of a borrower before other debt and equity returns are paid (first lien loans) or have a second claim (second lien loans).
- **junior/mezzanine loans** – debt that ranks below senior debt (and is therefore referred to as 'subordinated') and above equity in the capital structure. They usually have higher interest rates and lower security than senior debt, offering higher returns and potential equity participation for lenders.
- **speciality and structured finance loans** – loans that target specific sectors or niches that require specialised expertise or underwriting. They include asset-based lending, factoring, equipment leasing, consumer finance, and healthcare finance.

Typical features of private credit instruments we look to invest in include the following:

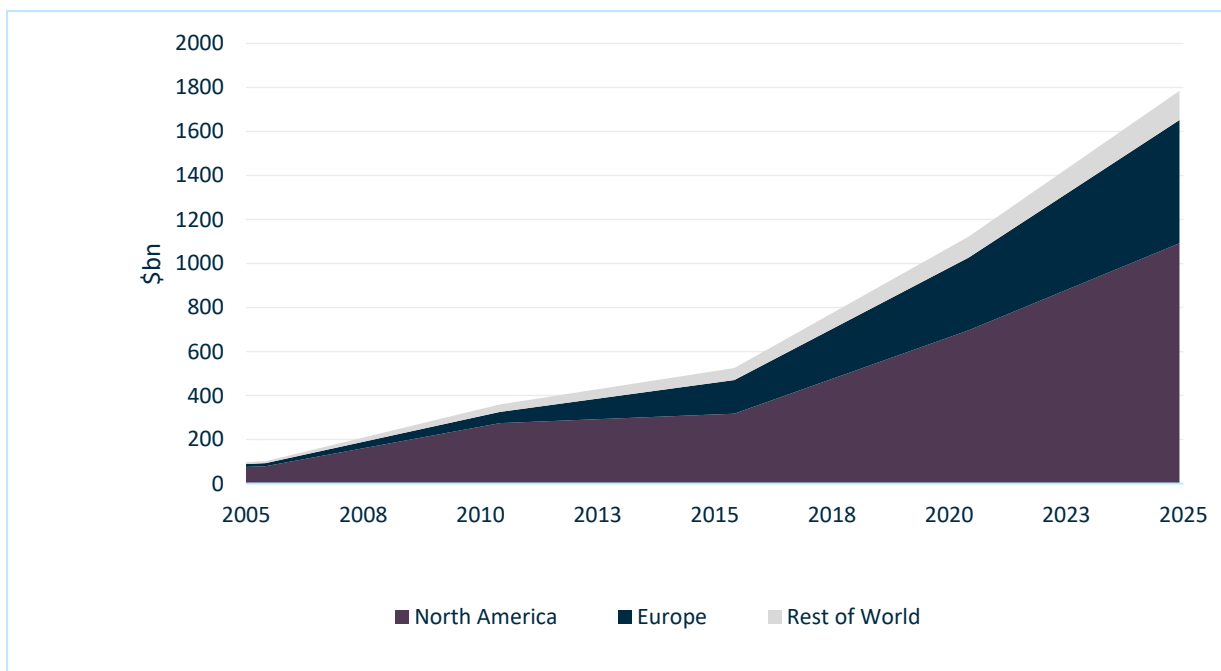
- unlisted;
- income payment flexibility;
- seniority;
- security;
- structural protections; and
- income enhancements.

#### 1.4. MARKET OPPORTUNITY

Prior to 2007, the financing of companies had traditionally been the exclusive domain of commercial banks, however, the Global Financial Crisis ('GFC') of 2007-2008 significantly changed the intermediation of corporate credit. Post the GFC, regulatory reforms were introduced to prevent the recurrence of another systemic liquidity and credit crisis. In particular, the introduction and implementation of Basel 3 banking regulations resulted in increased bank capital and liquidity requirements and decreased leverage. This caused banks to retreat from many forms of corporate lending, resulting in companies not large enough to issue broadly syndicated loans or issue bonds into public markets needing to find alternatives, creating a systemic shift of private credit risk from banks to long-term institutional investors through their funding of private credit managers.

The growth of private credit provided by professional managers accelerated significantly, as shown below.

#### GROWTH IN PRIVATE CREDIT ASSETS UNDER MANAGEMENT



Source: Preqin, the horizontal axis covers the period between 31 December 2000 and 30 September 2025. Preqin has not provided consent to the inclusion of statements utilising their data.

The market for global private credit is expected to continue to experience very strong growth into the future due to:

- ongoing regulatory scrutiny of bank liquidity and lending practices, reducing bank lending directly to corporates;
- volatility and dislocation in traded credit markets which create funding uncertainty for large cap issuers; and consequently,
- increasing borrower's demand for the unique value proposition that private lenders can offer borrowers, including:
  - greater customisation of structures and longer maturity profiles than traditional bank lending, allowing borrowers to match their financing needs with their cash flow projections and business plans;

- certainty of terms, flexibility in structuring, faster speed of execution, privacy, and simplicity. Borrowers can avoid the volatility and uncertainty of public bond issuance and benefit from a direct relationship with private lenders; and
- access to capital for borrowers who are too small to access liquid capital markets.

The growing demand for global private credit, and the increase in number and sophistication of private credit managers to satisfy that demand, continues to attract investors given the access these managers provide to a wide range of risk/reward investment options.

## 1.5. ATTRACTIVENESS OF GLOBAL PRIVATE CREDIT

Global private credit is a popular alternative, or complement, to traditional fixed income strategies and other traded credit investments given its attractive returns, resilience, and diversification as described in detail below.

### Historical Returns – Attractive Yield and Potential Return Enhancement

Investors in global private credit receive a yield premium, which is typically floating rate, over traditional fixed income. This excess spread is often referred to as an 'illiquidity premium'. Borrowers have also been willing to pay a premium for the complexity involved in originating, underwriting, and structuring private loans and the customisation offered by private lenders. In addition to illiquidity and complexity premiums, private credit can provide enhanced returns due to its resilience characteristics (as described below), and floating rate nature, particularly in a rising rate environment. Private credit instruments are typically tied to floating rates (such as the RBA Official Cash Rate or the Secured Overnight Financing Rate), so, when interest rates rise, increases are automatically reflected in the private credit coupon. This dynamic makes floating rate debt less sensitive to interest rates compared to fixed-rate bonds, which typically lose value as interest rates rise.

### Resilience

The resilience of private credit is evident through lender protections and the way loans are valued. Lender protections arise out of bespoke structuring and bilateral negotiation and include contractual limitations and covenants on the borrower. Enhanced protections are also provided in relation to the priority of repayments to lenders in a default scenario. It is the deep access to company records received by private lenders that enable strong due diligence and documentation. The typical single entity lending to a borrower can make for a quicker and more efficient workout, and potentially greater recovery, in the case of a default, when compared to publicly syndicated debt placements that feature multiple lenders with potentially competing priorities. These enhanced protections have resulted in lower default rates and higher recovery rates for private credit assets relative to other credit alternatives.

In respect of valuations, private credit loans are not traded and, therefore, valuation methodologies can look through shorter-term market volatility and focus on true fundamentals. Although valuation methodologies can vary, in aggregate this characteristic generally smooths private credit portfolio return profiles when compared to traded credit, which is more directly exposed to market price volatility.

### Diversification

Private credit offers several diversification benefits by targeting different parts of the capital structure and market segments. This results in a diversity of strategies which can be characterised as '*capital preservation*' or '*return maximisation*'.

Strategies with defensive characteristics, like traditional senior debt funds, seek to deliver predictable returns while protecting against losses. Lenders tend to focus their analysis and terms on repayment of principal, with few losses and even fewer unexpected gains.

Return-maximising strategies include distressed corporate credit funds and funds that focus on capital appreciation. These funds offer the prospect of larger gains. While in these strategies there is a focus on repayment of principal, the lender expects to be compensated with a degree of equity appreciation resulting from its efforts to recapitalise a borrower.

Strategies that don't easily fall into one of these categories are either opportunistic (investing across the credit spectrum as market opportunities permit) or niche/speciality finance strategies, like aviation finance or health care royalties. Opportunistic and speciality finance strategies must be evaluated individually to determine the appropriate expectations for risk and return.

So, while the premise of private credit is straightforward, complexity arises when considering the plethora of different strategies across many dimensions, including geography, sector, currency, seniority, security, collateral type, structure, and tenor. The benefit of this complexity is diversification, within the asset class and also relative to other alternative and traditional asset classes.

We organise the private debt universe into five main strategy types which act as the building blocks of our diversified global private credit portfolio.

STRATEGY TYPE	DESCRIPTION	RETURN PROFILE	LOAN TYPE
<b>Direct Lending</b>	Lending directly to companies, generally secured against assets and earnings	Income	Floating rate
<b>Structured Credit</b>	Consists of loans dependent on performance of asset pools	Income	Floating rate
<b>Speciality Finance</b>	Includes niche lending that requires specialised knowledge	Income	Floating rate
<b>Asset-Based Lending</b>	Broadly includes real assets such as real estate and infrastructure debt	Income	Floating rate and fixed rate
<b>Credit Opportunities</b>	Potential benefit from dislocations in the credit or equity markets	Income and capital appreciation	Floating rate, fixed rate, and equity exposure

## 2. INVESTMENT STRUCTURE

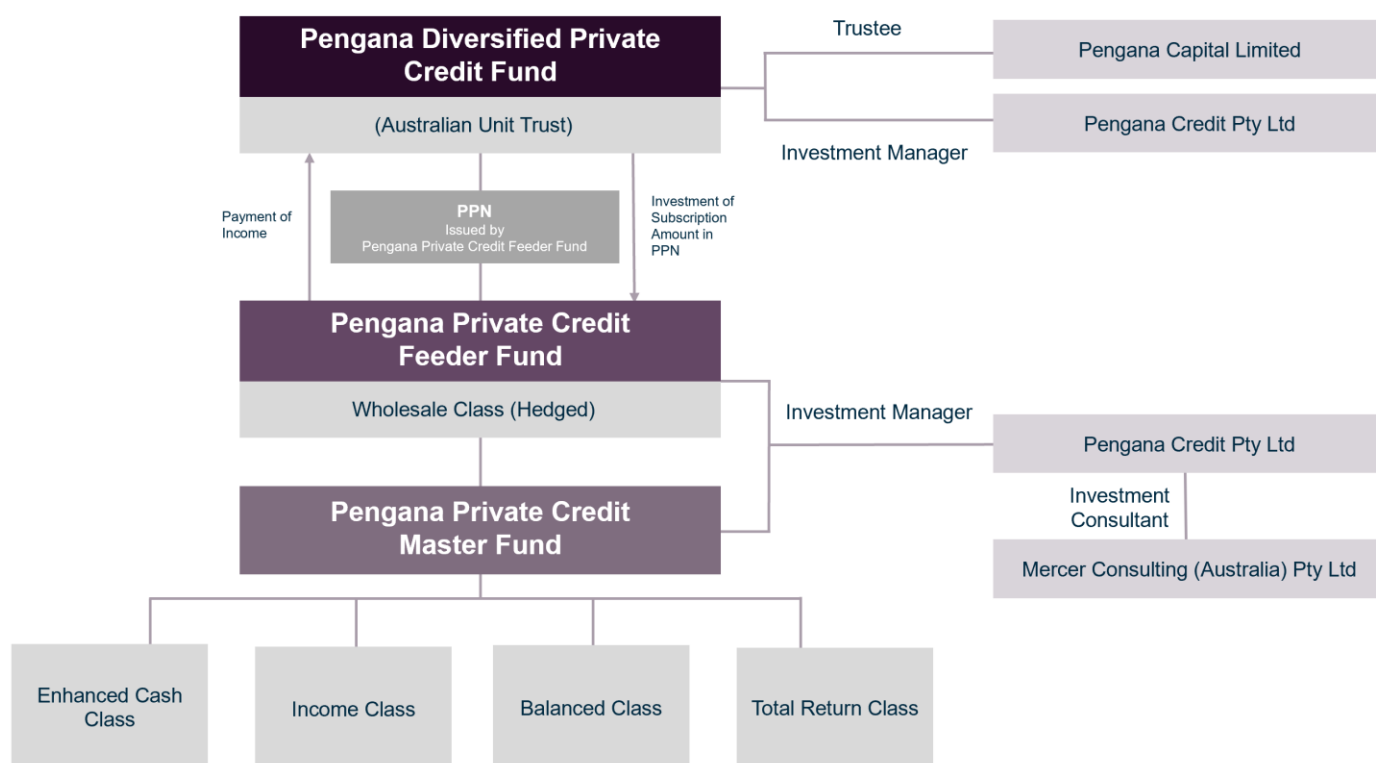
The Pengana Diversified Private Credit Fund (Fund') is a managed investment scheme. The Trustee of the Fund is Pengana Capital Limited. The Trustee has appointed Pengana Credit Pty Ltd, a corporate authorised representative of Pengana Capital Limited, as the Investment Manager of the Fund.

The Fund aims to achieve its Investment Objective through economic exposure to global private credit assets. This is achieved via investments in Profit Participating Notes ('PPNs') in the Wholesale Class (Hedged) ('Feeder Class') issued by the Pengana Private Credit Feeder Fund ('Feeder Fund'). A PPN is a debt security which provides economic exposure to the underlying investments of the Feeder Class.

The Feeder Class invests in non-voting participating shares in the Pengana Private Credit Master Fund ('Master Fund'). The Master Fund in turn invests predominantly in global private credit funds managed by Underlying Managers.

Income flows to the Fund via the PPNs, which in turn are distributed to Investors in the Fund (subject to the deduction of relevant fees and costs as outlined in Section 5.4). For more details on PPNs and the PPN Agreement, see Section 4.4.2.1.

The assets of the Fund are held by the Custodian.



### 2.1. OVERVIEW OF THE MASTER FUND

The Master Fund is an exempted Cayman Island company incorporated with limited liability.

The Master Fund has multiple share classes (each a 'Master Class'). Each Master Class represents a sub-portfolio of investments with shared liquidity characteristics and return objectives.

The Master Fund invests in funds managed by Underlying Managers. These funds provide diversification by lending strategy, liquidity characteristics, geography, borrower, industry sector, collateral type, structure, credit quality and vintage, primarily in the established markets of North America and Western Europe. As at 31 March 2026, the Portfolio has exposure to over 4,500 individual loans on a look through basis.

The Master Fund has appointed Pengana Credit to execute the Investment Strategy of the Master Fund. Pengana Credit has appointed Mercer as the Investment Consultant for the Master Fund to provide support in the sourcing, research

and approval of investments, performance measurement, valuation and portfolio construction. Refer to Section 4.2 for further information regarding Mercer.

## **2.2. OVERVIEW OF THE FEEDER FUND**

The Feeder Fund is an exempted Cayman Island company incorporated with limited liability.

The Feeder Fund issues PPNs via multiple classes of notes, aligned to separate investor pools each with a unique investment objective and strategy. Each Feeder Fund class invests in non-voting participating shares in Master Classes to achieve their unique investment objectives and strategies. Cash is held in each Feeder Fund class to meet liquidity requirements.

The Fund invests via PPNs in the Wholesale Class (Hedged). This Feeder Class has investment exposure to FX forwards to achieve its hedging objectives.

The Feeder Fund has appointed Pengana Credit to execute the individual investment strategies of each of the Feeder Fund's classes. Pengana Credit has appointed Mercer as the Investment Consultant for the Feeder Fund to provide support in the portfolio construction, modelling and reporting for each of the Feeder Fund's classes. Refer to Section 4.2 for further information regarding Mercer.

## 3. INVESTMENT STRATEGY AND PROCESS

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### 3.1. INVESTMENT OBJECTIVE AND TARGET RETURN

The Investment Objective of the Fund is to generate strong risk adjusted returns via exposure to a diversified portfolio of global private credit investments, liquid credit investments and cash. The Fund's Target Return to Investors is the RBA Official Cash Rate ('RBA OCR') plus 7 - 9% p.a. in Australian Dollars, generated over a rolling 5 year investment horizon.

In seeking to achieve the Investment Objective, the Fund achieves economic exposure to Underlying Assets via the purchase of PPNs in the Feeder Class issued by the Feeder Fund. The Feeder Fund, in turn, invests into the Master Fund (See Section 2 – Investment Structure for more detail).

The Master Fund has four share classes (each a 'Master Class'). Each Master Class represents a sub-portfolio of cash, liquid credit investments, and private credit investments that share common risk, return and other key characteristics, as described below. Pengana Credit seeks to purchase what it believes to be the appropriate amount of shares in the Master Classes to create a diversified private credit portfolio designed to achieve the Investment Objective of the Fund.

- **Enhanced Cash Class** – the objective of the Enhanced Cash Class is to preserve capital and achieve a return, principally paid out by way of income, in excess of the RBA OCR and Secured Overnight Financing Rate ('SOFR'). This Master Class invests in fixed income securities or funds with at least annual and at best one day liquidity, senior security, and historically low volatility.
- **Income Class** – the objective of the Income Class is to generate attractive risk adjusted returns in excess of SOFR plus 6% per annum. This Master Class provides investment exposure principally in Direct Lending strategies that generate contractual debt interest payments, with high diversification and strong security requirements, and leverage exposure is targeted to be less than 1.5x the net asset value of this Master Class.
- **Balanced Class** – the objective of the Balanced Class is to generate attractive risk adjusted returns in excess of SOFR plus 6% per annum by investing in funds that employ multiple strategies (including Direct Lending, Structured Credit, Speciality Finance, Asset-Based Lending, and Credit Opportunities) to generate returns from contractual debt interest payments, but which may also include equity components and structural leverage. Overall leverage exposure is targeted to be less than 1.25x the net asset value of this Master Class, with the Underlying Assets well diversified and with strong security.
- **Total Return Class** – the objective of the Total Return Class is to generate attractive long-term returns in excess of SOFR plus 10% per annum, from funds that receive a combination of contractual debt interest payments and equity upside. These funds employ Credit Opportunities strategies, have lower diversification and security requirements, and generally do not use leverage.

In addition to leverage exposure described above, the FX hedging implemented at the Feeder Class level referred to in Section 3.6.2.1 (Foreign Currency Hedging) may employ leverage in the form of a liquidity facility which is available to meet FX margin payments with the Fund's counterparties. The Fund may also employ leverage at any level within the Fund structure in any form including, but not limited to, subscription lines or lines of credit for the purposes of managing the short-term cash needs of the Fund (e.g., to meet the Fund's obligations in respect of any obligations or demands).

See Section 3.6.2.1 for details around the leverage policy of the Fund.

Pengana Credit seeks to mitigate the impact of the Fund's foreign currency exposure to the Master Fund investments through hedging.

### 3.2. INVESTMENT STRATEGY

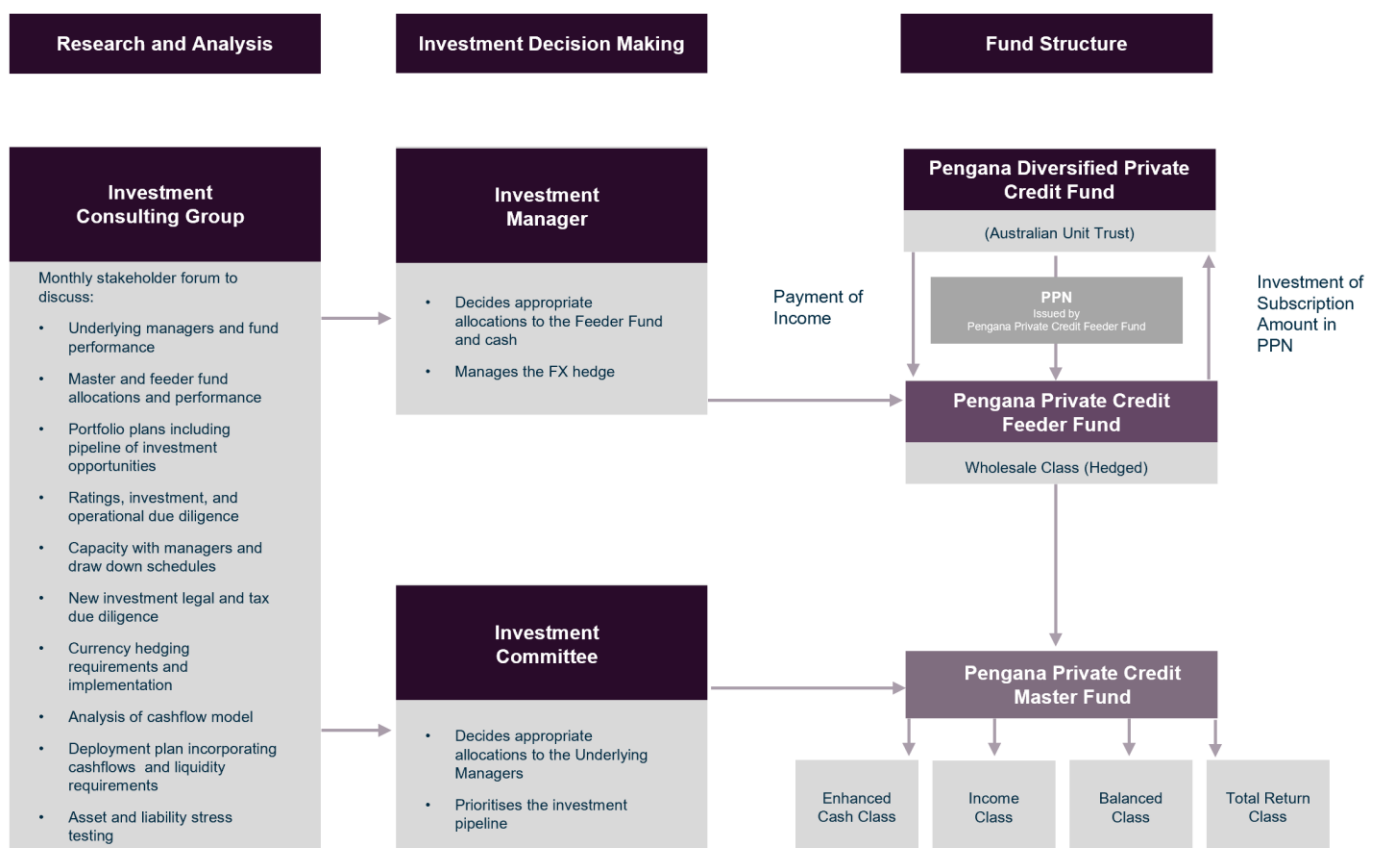
Pengana Credit believes that the global private credit asset class offers attractive returns, resilience in different market and economic conditions, and diversification by targeting different parts of the capital structure and market segments. Pengana Credit employs a diversified approach, anchoring portfolios with direct lending for durable yield and persistent spread premium, while adding structured credit and speciality finance to diversify the risk/return drivers.

In executing the Investment Strategy, Pengana Credit follows an investment process that draws upon internal and external third-party expertise. Pengana Credit's resources, and the process it follows in building the portfolios, are described in detail in this Section 3.

In summary, Pengana Credit:

- seeks to provide the Fund with exposure to private credit assets that aim to provide stable income, a degree of capital security and attractive total returns;
- achieves this exposure principally through investing in a diversified range of funds managed by Underlying Managers that invest in private credit assets;
- aims to develop a portfolio of high-quality funds managed by Underlying Managers with complementary strategies that provide attractive returns with diversification from individual fund, manager, and strategy risks;
- may also provide the Fund with exposure to more liquid debt strategies and cash. This further complements the reduction of risk through diversification as well as maintaining operational liquidity and flexibility; and
- invests principally in European and North American funds. It may allocate to Australian funds, however, the private credit markets in Australia are smaller and less developed than in the US and Europe and the allocation is therefore expected to be lower than to more established markets.

The implementation of the Investment Strategy is ongoing and includes: making new investments in funds managed by Underlying Managers, divesting from existing funds managed by Underlying Managers, managing the allocations between different assets, monitoring performance and risks, and hedging currency exposure. The Fund's structure and the parties responsible for implementing the Investment Strategy are set forth below and in the following Section 4.3.



### 3.3. INVESTMENT RESOURCES AND RESPONSIBILITIES

As described in Section 2, the Fund gains economic exposure via the Feeder Class which invests in the Master Fund. The Feeder Class also holds cash and uses foreign exchange ('FX') derivatives to hedge the currency exposure back to Australian Dollars. The Master Fund invests in funds managed by Underlying Managers and has multiple Master Classes with different return, risk, and liquidity characteristics.

Mercer is primarily responsible for Underlying Manager sourcing, research, due diligence and portfolio construction. All Underlying Managers and their funds are approved by Mercer's investment and operational due diligence teams. Mercer also provides assistance with Underlying Manager monitoring, valuation, performance measurement and reporting, liquidity planning and asset and liability modelling.

Pengana Credit is primarily responsible for overseeing the investment process and managing the Feeder Class. Pengana Credit determines the appropriate mix of Master Classes held by the Feeder Class, manages the liquidity, and implements the FX hedge.

Mercer and Pengana Credit are members of the Investment Consulting Group ('ICG') and the Investment Committee ('IC'), both described in more detail below.

### 3.3.1. MERCER

Pengana Credit believes Mercer's global research capability, scale, investment pipeline management and access to highly rated managers is a core strength of the Fund. As at 31 December 2022, Mercer maintained the following insights and analytics, providing one of the broadest manager research coverages of any investment firm.

**6,926**

Managers on  
MercerInsight

**32,140**

Strategies on  
MercerInsight

**11,037**

Strategies Rated

**3,765**

Strategies  
Rated A

Mercer's manager research and investment due diligence is undertaken by a group of over two hundred dedicated investment specialists located in thirty-two major cities globally. The research and investment due diligence process is consistent across asset classes and is designed to produce reliable, forward-looking analysis that identifies the highest quality managers and funds in each universe. Through a combination of on-site visits to managers and discussion amongst colleagues, Mercer evaluates managers through qualitative views, desk-based quantitative analysis, the direct experience of their consultants, and ongoing reviews.

Within Mercer Global Alternatives Investment Team, Mercer has an experienced and cycle tested Private Credit Team, as detailed below.

#### 3.3.1.1. Mercer's Private Credit Team

Mercer's Private Credit Team has extensive experience in all major markets and segments, with 20+ years' experience in private credit investment advisory and 12 years of private credit portfolio management.

Mercer uses its size and scale to access a wide range of opportunities, with the Mercer Private Credit Team having over 550 managers and over 1,400 strategies covered in their research database as of 31 March 2025. Mercer's active investment program, size and scale has resulted in Mercer having 60 limited partner advisory committee seats as of 30 June 2025, which in part has allowed Mercer to procure an average fee saving across 65 separate investment funds/vehicles of 0.38% p.a. (being the simple average of management fee savings achieved by Mercer versus manager stated "rack rates" as of 31 July 2025).

### 3.3.2. INVESTMENT CONSULTING GROUP

The Investment Consulting Group is the core forum for the ongoing investment management of the Master Fund and Feeder Fund. The ICG meets monthly and comprises senior members from Pengana Credit and Mercer. The ICG considers issues including but not limited to:

- the lending environment, incorporating macro-economic and specific strategy factors;
- pipeline management, including fund characteristics, timing and capacity, implications for portfolio composition and diversification;
- investment due diligence and ratings reviews;
- operational, legal and tax due diligence;
- manager monitoring and performance, including current positions, portfolio risk metrics and management of impaired assets;
- cash flow and asset liability modelling;
- current and future deployment schedules; and
- portfolio guidelines.

The ICG makes recommendations regarding Underlying Manager selection to the Investment Committee ('IC'). The role of the IC is discussed further in the Portfolio Construction Section 3.6 below.

Pengana Credit operates and manages the ICG, including:

- chairing the ICG including calling ICG meetings;
- coordinating agenda and submissions;
- minuting ICG recommendations and actions;
- preparing and filing ICG governance materials; and
- managing ICG submissions from stakeholders.

### **3.3.3. INVESTMENT COMMITTEE**

The Investment Committee oversees the Master Fund's investments. The IC is currently comprised of four senior members from Mercer and Pengana Credit. Pengana Credit chairs the IC. Asset allocations and other key decisions require a unanimous decision of the IC members.

The IC meets at least quarterly to review the Master Fund's positions and approve allocations as it deploys capital and receives distributions from the Underlying Managers' funds, or as it otherwise determines is appropriate in light of the Master Fund's objectives. In doing so the IC considers the portfolio composition, investment policy, the Underlying Managers' deployment schedules, recommendations from the ICG, and the Feeder Fund's requirements. Asset allocations and other key decisions require a unanimous decision of the IC members.

### **3.4. INVESTMENT UNIVERSE**

Pengana Credit seeks to invest in a diversified range of global private credit investments with strong risk adjusted return characteristics. These Underlying Assets are typically accessed indirectly through investments in private credit funds. The private credit funds are managed by specialist Underlying Managers that have extensive experience and resources. All Underlying Managers and their funds are required to be approved by Mercer, following Mercer's investment and operational due diligence processes which are described in this Section 3. Underlying Managers may have the flexibility to invest in multiple private credit investment strategies, which allows them to develop more resilient "all weather" portfolios that are expected to perform well in different economic and market environments. Access to Underlying Managers is intended to provide wholesale Investors with exposure to investment opportunities that are not readily available to Australian investors.

Pengana Credit seeks to provide diversification with respect to Underlying Manager, strategy, geography, sector, credit quality and type of assets. These categories are discussed in greater detail in the portfolio construction Section 3.6 below.

The investments made by Pengana Credit are subject to guidelines that are designed to manage the risk exposures in the Master Fund and encourage diversification. These guidelines are described in Section 3.6.2.1.

### **3.5. INVESTMENT SELECTION AND DUE DILIGENCE**

#### **3.5.1. UNDERLYING MANAGER SELECTION**

##### **3.5.1.1. Pipeline of Investment Opportunities**

Mercer leverages its extensive network of relationships with private credit fund managers as well as its knowledge of the underlying investments through existing fund investing activities. As a global leader in private credit fund research and due diligence, Mercer employs a comprehensive and proactive investment pipeline that provides Mercer and its clients with investment opportunities in key areas of the private credit industry, leveraging its information and relationship advantages for superior sourcing and market intelligence. With multiple investment offices located in the U.S., Europe and Asia-Pacific, Mercer maintains a global footprint and perspective. Mercer focuses on opportunities involving managers (and/or management teams) with whom it has already invested or with whom it is otherwise familiar.

Mercer sees a substantial flow of new fund openings through its proprietary research and prior fund investments. Mercer is highly selective in reviewing opportunities, ensuring that investments meet the investment philosophy and Pengana Credit's requirements.

Mercer invests, on behalf of its clients, in a broad range of private credit strategies, blending funds to achieve the investment, risk and liquidity objectives that meet its clients' needs. This breadth of understanding allows it to determine the characteristics of the strategy implemented in each fund and how they are likely to be impacted by current market conditions and dynamics.

##### **3.5.1.2. Initial Assessment**

The Master Fund has three private credit Master Classes and an enhanced cash Master Class that differ by return expectation, risk, liquidity, and other characteristics. Underlying Manager offerings are assessed by Mercer as potential investments using a proprietary screening system which has regard to pace of capital deployment, return profile, and structural and other features.

Potential investments are excluded, included and/or prioritised based on the outcomes of this assessment, combined with a calendar of fund openings and capital raising schedules curated by the Mercer Private Credit Team.

### 3.5.2. UNDERLYING MANAGER DUE DILIGENCE

Mercer conducts due diligence on the Underlying Managers. Pengana Credit arranges tax and legal due diligence on an Underlying Manager's fund structure, as described in Section 3.5.4.

#### 3.5.2.1. Investment Due Diligence

Mercer's manager research includes two forms of quantitative analysis: past performance and portfolio structure analysis, as well as substantial qualitative manager research. Underlying Manager meetings involve interview-style discussions with the key decision-makers involved in the management of the product, and other relevant staff.

Research meetings with Underlying Managers focus on identifying the following:

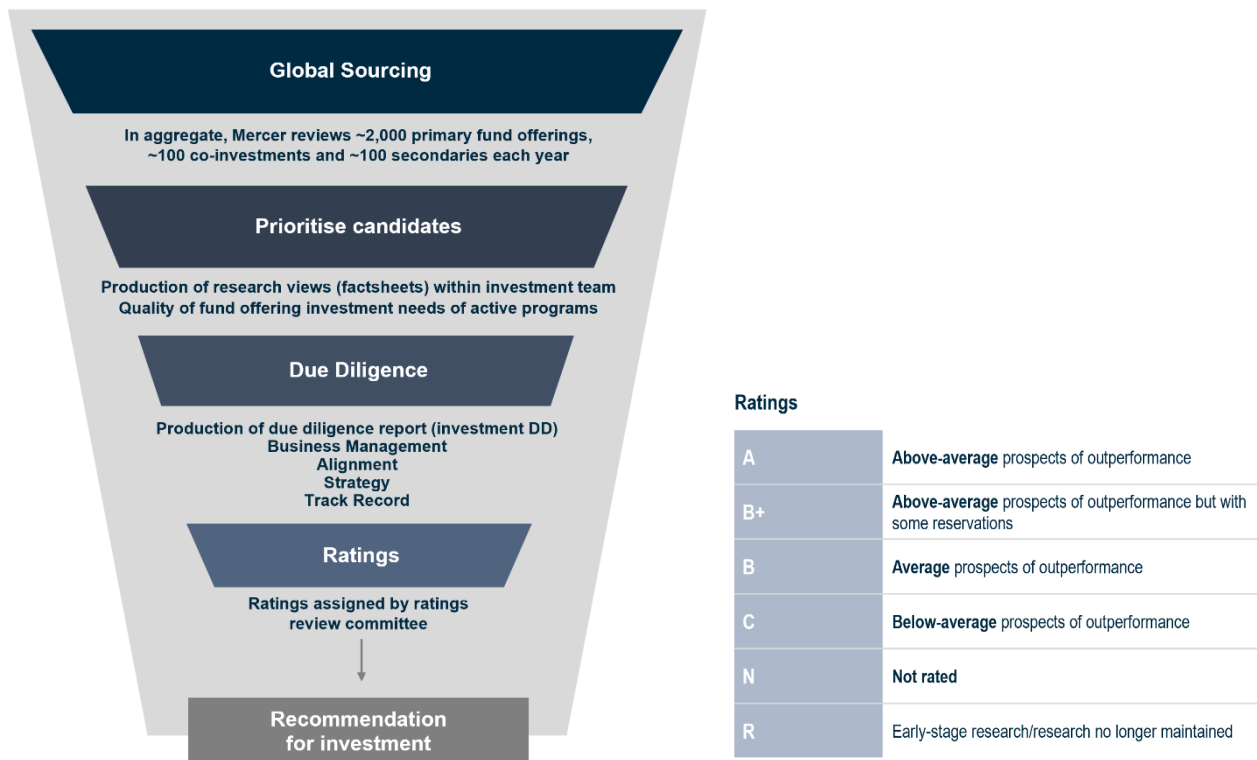
- evidence of any sustainable competitive advantages that should give a manager above average prospects for future outperformance; and
- evidence of any significant potential weaknesses which may affect the prospects for future outperformance or give rise to an above-average risk of future underperformance.

When evaluating a fund managed by an Underlying Manager, Mercer focuses on assessment criteria based on four key factors as outlined below.

FACTOR	DESCRIPTION
<b>Business Management</b>	Measures both the quality of the individuals as well as their ability to work together as a team. This analysis considers and evaluates: <ul style="list-style-type: none"><li>• departures of partner(s) and the justification / their performance;</li><li>• manager transition issues; and</li><li>• processes along several dimensions including sourcing, pipeline management, value creation, performance evaluations, investor relations, and cash flow management.</li></ul>
<b>Strategy</b>	Measures how effective the fund's strategy is expected to be in the current market environment by evaluating: <ul style="list-style-type: none"><li>• the uniqueness of the strategy;</li><li>• the execution of the strategy; and</li><li>• whether managers have incorporated "lessons learned" and evolved their strategy.</li></ul>
<b>Alignment of Interests</b>	Measures how well the Underlying Manager's interests are aligned with investors. This considers the fund under evaluation as well as changes from the previous fund offered, including whether the terms are getting better or worse from the investors' perspective.
<b>Track Record</b>	Focuses on the historical performance with a particular emphasis on consistency across and within the fund, including loss ratios. This analysis considers relevant and attributable prior investments and track records.

Mercer uses these four factors to guide their assessment of the qualities of Underlying Managers and their ability to deliver strong performance in private markets. Each of the factors is assigned a score that ranges between one out of four (negative) to four out of four (very positive). Overall strategy ratings are then derived based on an overall research opinion.

The following graphic describes Mercer's ratings process on the left-hand side, and the research ratings on the right-hand side.



### 3.5.2.2. Environmental, Social and Governance ('ESG')

ESG is integrated into Mercer's due diligence process. Mercer's ESG reviews have been undertaken by Mercer's global manager research team since 2010, as part of the standard research process by strategy.

Our guiding principles for sustainable investment provide the framework for considering implementation approaches including ESG integration. A summary of these principles is noted below:

- Integrating financially material sustainability, transition and socioeconomic risks into investment decision-making can potentially enhance portfolio resilience;
- Effective stewardship and engagement with companies, policymakers and stakeholders who play an important role in value creation through the deployment of investor rights and influence; and
- Investing to solve long-term systemic issues which may provide opportunities to improve risk-adjusted returns.

Mercer evaluates the ESG policies, capabilities, and practices of Underlying Managers as part of the standard research, manager selection and monitoring process, by drawing on Mercer's ESG integration framework and associated commentary from the Mercer Manager Research team.

### 3.5.3. OPERATIONAL DUE DILIGENCE

As a part of the due diligence process, Mercer prepares a detailed operational risk assessment report, which considers the risks associated with the investment mandate type, firm size, and significant third party or outsourced relationships, along with the mitigating or compensating controls that a firm may have to manage potential issues. The report is prepared by a dedicated team, Mercer Sentinel, that specialise in evaluating non-financial risks.

### 3.5.4. LEGAL AND TAX DUE DILIGENCE

Pengana Credit arranges for legal and tax due diligence to be undertaken by subject matter experts as required on prospective investments. The legal due diligence seeks to highlight onerous or unusual terms in fund documentation, which, if necessary, are addressed in a side letter with the Underlying Manager. The tax due diligence report seeks to set out the key Australian tax considerations in relation to the proposed investment.

### 3.5.5. UNDERLYING MANAGER SELECTION DECISIONS

The Master Fund may invest in an Underlying Managers' fund if it is approved by Mercer for investment by the Master Fund, following investment and operational due diligence, and if there are no adverse legal or tax issues that have been identified and which cannot be reasonably resolved. Underlying Manager selection is made with reference to

such fund's risk and return characteristics, other attributes such as liquidity and pace of deployment, and how well it complements the Master Fund's existing investments. See Section 3.3 for further details.

### 3.6. PORTFOLIO CONSTRUCTION




Portfolio construction occurs at two levels, being the Master Fund and the Feeder Fund. The Master Fund and Feeder Fund structure is explained in Section 2.

#### 3.6.1. MASTER FUND

##### 3.6.1.1. Portfolio Construction Process

For the Master Classes, Mercer seeks to construct portfolios by investing in funds managed by Underlying Managers with appropriate attributes for the Master Class that it believes will generate attractive long-term investment returns and significant distributions to the Master Fund. Mercer conducts extensive analysis of target sectors and regions, including an analysis of the economic conditions, investment environment, and the state of the private credit markets. These top-down analyses guide sourcing, due diligence, and portfolio construction decisions. This approach takes into consideration several factors, such as the Underlying Managers' expertise, relationships, market conditions, long-term value creation opportunities, workout resources and risk mitigation.

The key principles applied by Mercer in building portfolios are as follows:

	<b>Diversified across global private credit:</b> <ul style="list-style-type: none"><li>• Anchor with durable yield and persistent spread premium</li><li>• Diversify risk/return drivers</li><li>• Minimise concentration – aim for a highly diversified (&gt;500 credits) portfolio</li></ul>
	<b>Build flexibility to manage through the cycle:</b> <ul style="list-style-type: none"><li>• Dynamically allocate to capture value and opportunities</li><li>• Seek managers with demonstrated key differentiators in sourcing assets</li></ul>
	<b>Seek credit alpha:</b> <ul style="list-style-type: none"><li>• Capital preservation – get all your principal at risk back</li><li>• Do not chase yield or overpay for market returns in direct lending</li><li>• Emphasise funds that are capital efficient</li></ul>

The Master Fund invests in closed-end, evergreen, and open-end funds. Each type of fund has different characteristics that must be considered in portfolio management decisions. The differences between these types of funds are described below.

- **Closed-end funds** – a closed-end fund raises capital over a fixed period and is then closed to new investors. The capital is invested over a fixed period (called the investment period) that typically lasts a few years, and then is returned to investors through distributions as the funds' investments mature.
- **Evergreen funds** – evergreen funds have similar features to closed-end funds, however they are perpetually open to new investors. Investors are periodically given the opportunity to divest, in which case their investment typically goes into "run off", whereupon no new investments are made on behalf of the investor and the proceeds are distributed back to investors as they are received by the fund.
- **Open-end funds** – open-end funds offer applications and redemptions on a regular basis and can offer an unlimited number of units. These funds are typically priced monthly and offer greater flexibility to investors.

Mercer's approach to enhance returns and mitigate risk is through thorough diversification of the following aspects of the private credit exposure.

#### Underlying Manager

Underlying Manager risks relate to individual fund managers such as key personnel, third party relationships, corporate strategy, business management and other financial risks. Mercer therefore seeks to invest with a number of Underlying Managers such that if a fund management organisation suffers from a business-related risk it is less likely to have a significant impact on the Master Fund.

#### Strategy

As discussed in Section 1.3, the private credit asset class includes a range of different strategies. The key differences relate to the purpose of the loan, type and financial situation of the borrower, the security for the loan and financial covenants, the length of the loan and repayment terms, additional equity like exposures, and whether the debt is listed

or unlisted. Mercer seeks to obtain exposure to a broad range of strategies to develop a resilient portfolio that may perform well across an economic cycle.

## **Geography**

Mercer seeks geographic diversification with the majority of capital allocated to the most developed and established private credit markets in North America and Western Europe. Mercer may enhance diversification with opportunistic exposures to other geographies, such as Australia.

## **Sector**

Mercer typically constructs portfolios by investing in funds managed by Underlying Managers that specialise in diverse industries such as: communications, consumer products, healthcare and select areas within manufacturing, industrial goods, technology, and business/financial services. Exposure to a broad set of industries seeks to ensure that significant underperformance in certain sectors is balanced with relative outperformance in other industries.

## **Credit quality**

The Underlying Assets vary in terms of their credit quality. Some of the instruments have a credit rating from a credit ratings agency. However, private credit instruments are typically unrated although they may have an equivalent rating assigned by the Underlying Manager. Credit ratings reflect the opinion of the relevant credit rating agency or Underlying Manager about the likelihood of the underlying borrower failing to meet its interest and principal payment and repayment obligations when they fall due. Borrowers considered to be at greater risk of not making their interest payments or principal repayments are rated below investment grade. These borrowers must pay a higher interest rate or coupons to attract investors to buy their bonds compared to investment grade rated borrowers.

## **Type of instrument**

The Underlying Assets are primarily comprised of senior secured bilateral loans. On a more limited basis they may include, bonds, notes (fixed and floating rate) and other debt securities and related financial instruments, including traded senior secured bank loans and high yield bonds.

The debt instruments may be fixed or floating rate. Fixed rate debt investments require the borrower to pay a fixed rate of interest for the term of the investment. Floating rate debt investments pay interest rates that are tied to a benchmark that vary over their term, such as U.S. Treasury bill rates.

### **3.6.1.2. Portfolio Construction Decisions**

The funds of Underlying Managers that have successfully passed through the manager selection process are combined to optimise the risk and return characteristics of the Master Classes.

Based on the recommendations of the ICG, Mercer develops proposed portfolio plans for each Master Class including fund selection and commitment weights.

The Mercer Private Debt Investment Committee ('PDIC') reviews and proposes portfolio plans to ensure consistency of advice across its client portfolios with similar objectives, adherence to current best practice and in light of the Master Classes' objectives and portfolio guidelines. The PDIC comprises senior members of Mercer's Global Alternatives and Private Debt teams, including the Global Head of Private Debt and Global Alternatives Chief Investment Officer. The PDIC has 48 hours to approve the portfolio plans or provide feedback to the ICG.

Once approval has been received from the PDIC, the IC considers the proposed portfolio plans relative to the Master Classes' objectives and the requirements of the Feeder Fund. The IC is currently comprised of four senior members from Mercer and Pengana Credit. Pengana Credit chairs the IC. Asset allocations and other key decisions require a unanimous decision of the IC members.

The IC meets at least quarterly to review the Master Fund's positions and determine allocations as it deploys capital and receives distributions from the Underlying Managers' funds, or as it otherwise determines is appropriate in light of the Master Classes' objectives. In doing so the IC considers the portfolio composition, investment policy, the Underlying Managers' funds' deployment schedules, recommendations from the ICG, and the Feeder Fund's requirements.

The Master Fund was seeded with an initial amount of capital and Pengana Credit commenced making commitments with funds managed by Underlying Managers. Early commitments, prior to the launch the Fund, accelerate the deployment of capital and reduce the time taken to achieve exposure to the Underlying Assets.

## **3.6.2. FEEDER CLASS**

### **3.6.2.1. Portfolio Construction Process**

#### **Investment objective**

Pengana Credit seeks to achieve the Target Return by investing in the Master Classes to achieve the Investment Objectives.

#### **Target Allocations**

Target allocations to the Master Classes are designed to maximise the likelihood of meeting the Feeder Fund's objectives while satisfying future liquidity requirements, such as redemptions and cash needed to fund the foreign currency hedging and the Trust's target cash distribution. The target allocations are reviewed periodically and will conform with the Investment Guidelines described below. Changes to the target allocations are infrequent and driven principally by changes to the expected return and yield profiles of the Master Classes as a result of changes in the economic or lending environment.

Target allocations are established based on long-term cash flow modelling. Inputs to the model include Underlying Fund commitments, calls, distributions, capital returns, subscriptions, redemptions, foreign currency rates, and fees. Management of the Trust also considers its yield requirements and distribution policy as key components of its objectives and therefore modelling.

The modelling relies on assumptions for some of the data inputs, which are generally related to the Underlying Funds. These assumptions are constantly updated to take into account information directly sourced from the Underlying Managers regarding pipeline, current portfolios, capital calls, and return of capital.

The results of the modelling are discussed by Mercer and Pengana Credit in the ICG meetings. Any changes to the Target Allocations must be endorsed by the PDIC and approved by the Investment Committee IC before being implemented by Pengana Credit.

#### **Investment Guidelines**

Strong risk management practices are an integral part of Pengana Credit's investment process. Pengana Credit monitors portfolio exposures to ensure the Fund operates (via the Feeder Class) within its mandate guidelines. The guidelines are:

- Master Fund Income Class: 20-40%
- Master Fund Balanced Class: 15-35%
- Master Fund Total Return Class: 25-45%
- Master Fund Enhanced Cash Class: 5-15%

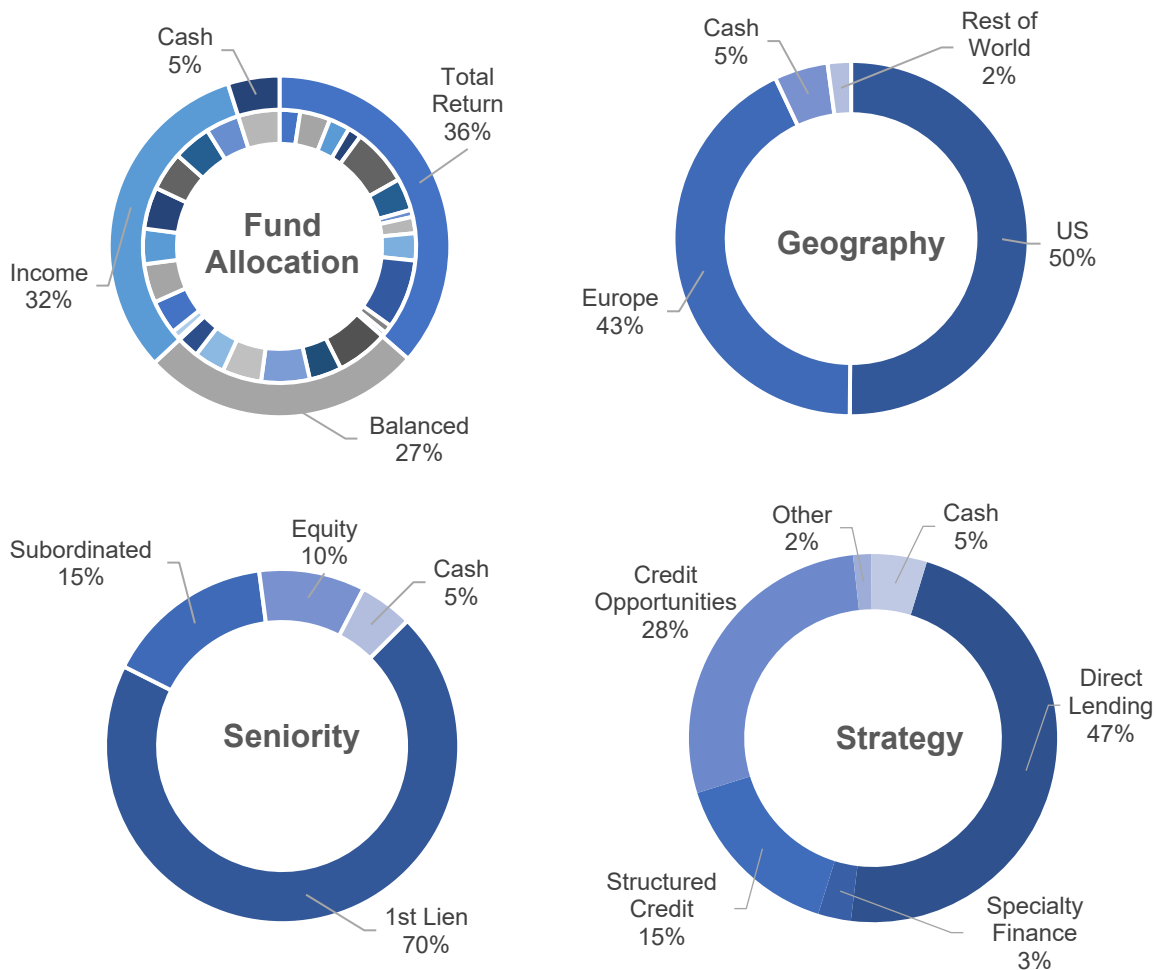
Each of the foregoing guidelines is to be applied only at the time that a new investment is made in, or in certain limited circumstances a voluntary redemption is made from, a Master Class. Market movements, distributions and mandatory redemptions will not result in non-conformity with any of the above guidelines even if as a result the Fund (via the Feeder Class) no longer conforms to certain of the foregoing guidelines.

In the event that the Fund (via the Feeder Class) no longer conforms to one of the above guidelines in any material respect, then Pengana Credit shall use reasonable best endeavours to bring the Fund (via the Feeder Class) back into material conformity with the guidelines within a reasonable period following Pengana Credit becoming aware of such nonconformity. Pengana Credit's ability to do so will be subject to the limited liquidity of the portfolio's investments.

Each Master Class has mandate guidelines that promote diversification by determining exposure ranges for debt seniority, investment strategy and geography.

#### **Illustrative Portfolio Characteristics**

The following charts are based on the Master Class target allocations for the Feeder Class as of 30 April 2026 and are for illustrative purposes only. It is estimated that a Portfolio of \$500 million may contain exposure to over 4,500 underlying loans at any time. The actual composition of the Portfolio may differ from expectations based on factors including, but not limited to, the Net Asset Value, the availability of investment opportunities over the life of the Fund, and the performance of the Fund's investments. Pengana Credit may change the Fund's target allocation in response to changes in market conditions.



### Ongoing Portfolio and Cash Management

Pengana Credit uses a Cash Management Strategy ('CMS') to assess the adequacy of aggregated cash balances to meet short term liquidity requirements. It is the purpose of the CMS to monitor, observe and control cashflow on a real time basis arising from the sources and uses of funds.

- Uses of funds includes call drawdowns from Underlying Managers, interest paid, return of capital to investors, redemptions, cashflows to fund foreign currency hedging.
- Sources of funds includes Investor subscriptions, distributions and capital returns from Underlying Managers, redemptions from Underlying Managers, interest received, cashflows from hedging.

The CMS focuses on liquidity over 30/60/90 day and 1 year periods and seeks to ensure that there will be sufficient cash required to meet all foreseeable outgoing commitments and seeks to maintain a sufficient contingency to manage unanticipated events.

Subject to this cash requirement, Pengana Credit seeks to invest the Fund's assets as efficiently as reasonably practicable through the Feeder Class and into the Master Fund to maximise the return on capital. The terms commitment and deployment refer to the process of investing in the Underlying Funds. The committed amount is the amount pledged for investment to a fund. The investor is then legally bound to honour that pledge. The fund will call that amount as opportunities to invest arise. It typically takes months and sometimes years, depending on the fund's strategy and the lending environment, before the committed amount is fully called.

Mercer and Pengana Credit therefore aim to invest in Underlying Managers that call investments quickly. In doing so, Mercer and Pengana Credit consider the available capacity in the Master Classes and the capital deployment plans of the funds managed by Underlying Managers, and maintain a pipeline of new Underlying Funds and a calendar of Fund openings.

Pengana Credit may allocate to the Enhanced Cash Master Class to provide liquidity for the Fund or to achieve a return in excess of cash until opportunities with Underlying Managers become available.

## **Conflicts of interest**

Investment capacity in the Master Classes may be appropriate for more than one Feeder Class. Pengana Credit seeks to allocate investments into the Master Classes in a fair and equitable manner in line with the obligations owed to each Feeder Class. Pengana Credit has developed and adheres to an allocation policy which recognises that while each Feeder Class has broad investment mandates, they nonetheless each have discrete investment guidelines, objectives and constraints that must be considered.

In general, investment capacity in a Master Class is allocated by Pengana Credit pari-passu, i.e., pro rata, relative to the net asset values of each Feeder Class, subject to the eligibility of that Feeder Class.

The allocation process is managed over the course of each month. Intra-month cash flows, such as capital calls and distributions from funds managed by Underlying Managers in the Master Fund, may be managed by transferring cash to/from the Master Fund Enhanced Cash Class. At month end, rebalancing between Feeder Classes is undertaken to ensure compliance with the allocation policy.

## **Foreign Currency Hedging**

Pengana Credit seeks to hedge the Feeder Class's foreign currency exposure into AUD. The Feeder Class is exposed to foreign exchange fluctuations via its investment in the Master Classes which hold USD and EUR denominated investments. To mitigate this risk, the Feeder Class seeks to hedge these exposures.

There are a number of hedging options available. The selected method may depend on prevailing market conditions, however hedging activity is primarily implemented through the use of forward foreign exchange contracts with maturity dates of up to 3 months. The relevant hedges are based on the foreign currency exposure in the Master Fund attributable to the Feeder Class. Pengana Credit may determine to change the hedging strategy from time to time.

Hedging can, during periods of extreme volatility, cause cash outflows due to collateral or margining requirements. Commitments arising from the hedging strategy are generally met through available cash. If required, the settlement of margin calls may be funded, in part or in whole, by utilising a liquidity facility provided by the hedge counterparty. The Investment Manager includes such scenarios in its cashflow forecasting and stress testing regime.

In connection with the hedging strategy, the Fund may grant a security interest to relevant trading counterparties over the underlying assets (including shares in the Master Fund) and cash of the Fund as collateral for the liquidity facility.

The Fund's currency strategy may expose the Fund to certain risks. Please refer to 'Currency risk' and 'Counterparty risk' for more information as set forth in Section 6.

## **Leverage Policy**

As described in Section 3.1, the Fund may utilise leverage directly or indirectly at different levels within the Fund's structure. Exposure to leverage may also be obtained via a Master Class as part of an Underlying Manager's execution of an Underlying Fund's investment strategy or objective; and leverage may, for example, take the form of a liquidity facility, subscription line, or line of credit provided by one or more regulated Australian or global banks.

Inclusive of all the different forms of leverage disclosed above, we do not currently intend to exceed an overall target leverage ratio of 1.75x the NAV of the Fund. The exposure to leverage may affect the Fund's ability to deliver returns and may magnify the Fund's gains and losses.

## **Approach to Environmental, Social and Governance ('ESG') Issues**

The Feeder Class seeks to gain exposure to funds managed by Underlying Managers that have at least a well-developed integration of governance issues, and which show signs of overall progress on stewardship and ESG issues generally. Funds managed by Underlying Managers that show little or no integration of ESG or stewardship into core processes, and no indication of future change, are avoided.

In conducting investment due diligence of such funds, Mercer employs an approach that integrates ESG factors in its analysis, which approach has been detailed in Section 3.5.2.2.

## **Governance and Oversight**

The Pengana Credit Risk and Allocation Committee oversees compliance with the investment policy and the allocation policy. The Committee comprises Pengana Credit's Chief Risk Officer and Pengana Capital Group Limited's Chief Financial Officer, Chief Operating Officer and Head of Risk and Performance. Pengana Credit attends the meetings and provides the Pengana Credit Risk and Allocation Committee with a Risk and Liquidity Report and an Allocation Report. The Pengana Credit Risk and Allocation Committee meets monthly and reports directly to the Trustee quarterly or intra-quarter if required.

## 4. TRUSTEE, INVESTMENT MANAGER, INVESTMENT CONSULTANT AND OTHER KEY SERVICE PROVIDERS

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### 4.1. INVESTMENT MANAGER

The Trustee has appointed Pengana Credit, a corporate authorised representative of Pengana Capital Limited, as the Investment Manager of the Fund.

Pengana Credit is a wholly owned subsidiary of PCG.

Driven by the needs of PCG's client base, Pengana Credit was established in 2022 to address a significant limitation in the Australian market. Increased volatility in public markets has meant Australian retail investors are diversifying into other asset classes in their search of higher yielding, and capital stable investment products. Outside of traditional property or equity investments, many products available to Australian retail investors lack sufficient diversification of underlying investments or are offered in unsuitable structures.

Pengana Credit has built a diversified, multi-manager, multi-strategy portfolio designed to deliver both higher yields and a stable capital base.

Pengana Credit has appointed PCG to provide a range of distribution, marketing, compliance, and client service functions associated with the Fund.

PCG is an ASX publicly listed company headquartered in Sydney, with an office in Melbourne.

Since 2003 PCG has been in the business of offering Australian investors access to unique and distinct investment solutions. Today, PCG is one of Australia's leading providers of innovative investment solutions, managing over \$3bn for retail investors, select high-net-worth clients and financial planners in Australia and New Zealand, across a range of international and Australian strategies, including unlisted and listed vehicles investing in both public and private markets.

PCG believes that the optimal active funds management environment exists when the interests of expert investment managers are aligned with the interests of investors within a disciplined and risk-controlled structure. PCG is structured and managed within this framework, as are its funds, through their employment of active investment strategies with non-benchmark focused mandates and emphasis on delivering superior long-term risk adjusted returns to investors.

### 4.2. INVESTMENT CONSULTANT

Mercer provides advisory services to the Master Fund and Feeder Fund, which services are set forth in Sections 2, 3, and 3.3. Mercer is one of the world's largest outsourced asset managers with USD\$617 billion global assets under management (as of 31 December 2024) and USD\$17.5 trillion global assets under advice in total (as of 30 June 2024), placing them in a unique position to offer a distinctive ability to source, diligence, and access a diversified portfolio of some of the best global private credit opportunities available.

### 4.3. TRUSTEE

Pengana Capital Limited is the Trustee for the Fund and is ultimately responsible to Investors for all aspects of the Fund including supervising the Fund and its overall investment policy. While the Trustee has the power to delegate investment management and administrative services to other entities, it retains ultimate responsibility for these functions. As such, the Constitution contains indemnity provisions covering the Trustee for losses and liabilities incurred in connection with the operation of the Fund.

The Trustee is bound by the Constitution and the Corporations Act.

The Trustee holds an AFSL issued by ASIC, which authorises it to operate the Fund.

#### 4.3.1. GOVERNANCE

Responsibility for proper governance of the Fund rests with the Trustee. The Trustee's guiding principle in meeting this responsibility is to act honestly, in good faith and in the best interests of Investors.

The Trustee has entered into a management agreement with Pengana Credit pursuant to which Pengana Credit provides certain investment management services to the Fund (the 'Investment Management Agreement'). The Trustee, with reliance upon Pengana Credit, monitors the operational and financial position, and performance of the Fund.

#### 4.4. KEY AGREEMENTS

##### 4.4.1. CONSTITUTION

The Fund is governed by the Constitution. The Constitution sets out how the Fund must operate and, together with the IM, the Corporations Act and other laws, regulates the Trustee's legal relationship with Investors. If you invest in this Fund, you agree to be bound by the Constitution and understand that the terms set out in the IM apply to your investment. Investors can freely request a copy of the Constitution by contacting the Trustee. Please consider these documents before investing in the Fund.

A summary of some provisions of the Constitution include:

- **Term.** The Fund will terminate on the day which is 1 day before the 80<sup>th</sup> anniversary of the date of the Constitution unless terminated earlier by the Trustee. If the Fund is terminated, the Trustee will sell all the assets of the Fund and distribute the net proceeds to the relevant Investors in proportion to the amount of their investment.
- **Investors' interests.** A Unit confers an equal interest in the assets allocated to a Class of the Fund, as opposed to any particular assets of the Fund. The principal rights of Investors as unitholders in the Fund include the right to: attend and vote at unitholder meetings; share in the distribution of assets if the Fund is wound up and share in income and capital distributions.
- **Investors' liability.** Subject to any separate agreement or acknowledgement, the liability of Investors as unitholders is limited to the value of the Investors' Units. The effectiveness of provisions of this type are however yet to be finally determined by the courts.
- **Expenses.** The Trustee is entitled to be reimbursed out of the Fund for all expenses properly incurred in fulfilling its duties and obligations as trustee.
- **Income distributions.** The Trustee must determine distribution periods each year and make income distributions following the end of each distribution period.
- **Powers of the Trustee.** As trustee of the Fund, the Trustee has the powers of a natural person in relation to the assets of the Fund.
- **Withdrawals.** The Constitution sets out the procedure for withdrawals.
- **Limitation of Trustee's liability.** The Trustee is entitled to be indemnified out of the assets of the Fund for any liability it incurs in the proper performance of its duties as trustee. It is generally not liable to members for losses caused by anything other than a failure to properly perform its duties as trustee of the Fund.
- **Retirement of the Trustee.** The Trustee must retire in the circumstances set out in the Constitution.

The Trustee may amend the Constitution from time to time in accordance with the provisions in the Constitution. For example, if the amendments will adversely affect unitholders' rights then approval must be obtained in accordance with the Constitution.

##### 4.4.2. TRUSTEE

Pengana Capital Limited is the Trustee of the Fund. Pengana Capital Limited is a wholly owned subsidiary of PCG.

Pengana Capital Limited holds Australian Financial Services License number 226 566 issued by ASIC, which authorises it to operate the Fund.

The Trustee is responsible for the operation of the Fund and has the power to delegate certain of its duties in accordance with the Constitution.

Specifically, its responsibilities include:

- acting in the best interests of Investors and ensuring that Pengana Credit complies with the Fund's investment mandate;
- administering the issue, transfer and redemption of Units by Investors;
- Fund asset valuation and Unit pricing;
- managing investor applications and redemptions;
- calculation and distribution of Fund income;
- acquisition, disposal and management of Fund assets;
- monitoring service provider adherence to contracted service standards; and
- Investor reporting.

While the Trustee delegates investment management and administrative services to other entities including Pengana Credit, it retains ultimate responsibility for these functions.

#### 4.4.2.1. PPN Agreement

To facilitate the investment of the Fund into Feeder Class PPNs issued by the Feeder Fund, the Trustee and the Feeder Fund have entered into a PPN Agreement, which consists of a note deed poll and note subscription agreement.

The note deed poll provides for the issue of PPNs of various classes and the note subscription agreement provides for a noteholder to subscribe for PPNs of a particular class. The Feeder Fund will issue PPNs of a class in denominations of units (called unit notes).

The Feeder Fund will apply all amounts raised with the PPNs of a class towards meeting the investment objectives of the relevant class of PPNs. Pengana Credit is engaged pursuant to the investment management agreement with the Feeder Fund to manage the assets attributable to each class of PPNs.

The Fund will be the holder of the Wholesale (Hedged) Class of PPNs (i.e. the Feeder Class).

Each of the classes are denominated in AUD. The terms of each class of PPNs will be the same except that each different class of PPNs will be attributable to a different portfolio of assets and liabilities held by the Feeder Fund that are attributable to a class of PPNs held by the Feeder Fund.

Each portfolio of assets and liabilities of a class will be investment managed in accordance with the investment management agreement between Pengana Credit and the Feeder Fund. The investment objective, investment strategy and investment guidelines for each portfolio of assets and liabilities of a class as provided for in the investment management agreement may not be amended without the consent of all the noteholders of the class to which the portfolio of assets and liabilities relates.

The value of a PPN is equal to the net asset value of the PPN of that relevant class. The net asset value of a PPN is the net asset value of the portfolio of assets and liabilities held by the Feeder Fund that is attributable to the class of PPNs divided by the number of PPNs issued of that class of PPNs.

The Feeder Fund shall pay interest for each interest period on each PPN, the amount of which will be the net income of the relevant class of PPNs divided by the number of PPNs of that class on issue.

The net income of a whole class of PPNs is equal to the income derived by the portfolio of assets and liabilities (including realised and unrealised gains and losses on any portfolio assets) net of costs. If the income derived by the portfolio of assets and liabilities (including realised and unrealised gains and losses on any portfolio assets) net of costs is less than \$0, the net income will be \$0.

The Feeder Fund may determine from time to time if any interest is to be distributed as income or capitalised and reinvested with new additional PPNs issued by the Feeder to the noteholder for the value of such interest.

Ongoing redemptions are at call by the noteholder on a weekly basis by means of a redemption notice from the noteholder. Redemptions are effected by the cancellation of the redeemed PPNs. Ongoing subscriptions are carried out by means of a subscription notice from the noteholder. Subscriptions are effected by an increase in the number of PPNs. Ongoing redemptions and subscriptions are processed at the current net asset value of the PPNs of that class of PPNs.

The maturity date of a class of PPNs is the date on which the last asset attributable to the class of PPNs has been realised and final distribution has been made in respect of all PPNs of the class.

The PPNs are issued on an unsecured basis. The recourse of the noteholder shall at all times be limited to the proceeds of realisation of the unsecured assets of the Feeder Fund referable to the relevant PPNs.

The note deed poll is governed by the laws of NSW. The Feeder Fund and each affected noteholder may together amend the note deed poll.

#### 4.4.3. INVESTMENT MANAGER

##### 4.4.3.1. Investment Manager of the Fund

The Trustee has appointed Pengana Credit, a corporate authorised representative of Pengana Capital Limited, as the Investment Manager of the Fund under the Investment Management Agreement.

The primary responsibility of Pengana Credit is to implement the Investment Strategy and administer the investment structure.

As Investment Manager of the Fund, Pengana Credit has agreed to:

- implement the investment strategy, including actively managing and supervising Fund investments;
- regularly update the Trustee regarding the portfolio and provide all information necessary for the maintenance of the Fund's financial accounts to be completed; and
- provide administrative support to assist and ensure the maintenance of the records of the Fund and compliance with the Corporations Act.

#### 4.4.3.2. Investment Manager of the Master Fund and the Feeder Fund

As Investment Manager of the Master Fund and the Feeder Fund appointed under an investment management agreement, Pengana Credit has agreed to:

- implement the Investment Strategy, including actively managing and supervising the Master Fund and Feeder Fund investments; and
- construct and manage the portfolio of the Master Fund and Feeder Fund in accordance with the investment guidelines set out in such investment management agreement.

#### 4.4.4. INVESTMENT CONSULTANT

The Investment Manager has appointed Mercer Consulting (Australia) Pty Ltd as the Investment Consultant under the Investment Consulting Agreement, which consists of an engagement letter, statement of works and terms and conditions ('Investment Consulting Agreement').

The Investment Consulting Agreement provides that the Investment Consultant will assist the Investment Manager as investment sub-advisor in respect of the Master Fund and Feeder Fund in the selection of investments including by attending regular investment consultation meetings, reviewing investment proposals and policies, making recommendations, sourcing investments, conducting investment and operational due diligence, performing financial modelling, including asset and liability modelling and liquidity planning, and assisting with the negotiation of the terms of any investment. The Investment Consulting Agreement also covers the Investment Consultant's reporting and monitoring obligations, including portfolio analysis and reporting, service standards, staffing obligations and the professional fees and expenses which it may charge. The Investment Consultant's fees are incurred by the Master Fund and Feeder Fund. However, for the Class of Units offered under this IM, Pengana Credit will rebate to the Koda Class the portion of the Investment Consultant's fees which are allocated to the Class of Units.

#### 4.4.5. ADMINISTRATOR

The Trustee has outsourced the Fund's valuation and accounting to BNP Paribas SA ('Administrator'). The Administrator performs certain administrative and accounting services for the Fund, subject to the overall supervision of Pengana Credit and the Trustee. The Administrator calculates the Net Asset Value of the Fund as at the last calendar day of each month and, as soon as it is practical, provides these calculations to the Trustee. The Trustee may change the appointed administrator from time to time, without prior notice.

#### 4.4.6. CUSTODIAN

BNP Paribas SA ('Custodian') provides custody services to the Fund. The role of the Custodian is limited to holding assets of the Fund; the Custodian has no supervisory role in relation to the operation of the Fund. The Custodian does not make investment decisions in respect of the assets held or manage those assets. The Trustee may change the appointed custodian from time to time, without prior notice.

#### 4.4.7. REGISTRY

The Trustee has appointed BNP Paribas SA ('Registry') to maintain the register for the Fund. The Registry also provides transaction confirmation statements, regulatory reporting and distribution processing and payments. The Trustee may change the appointed registry from time to time, without prior notice.

#### 4.4.8. AUDITOR

Ernst & Young ('Auditor') are the independent auditor of the Fund.

## 5. HOW TO INVEST

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### 5.1. INVESTOR ELIGIBILITY AND APPLICATION

In Australia, an offer to invest in the Fund may only be made to wholesale clients (as defined in section 761G of the Corporations Act).

To invest, you must complete the Application Form attached to this IM or online at <https://pengana.com/invest> and send us your application monies and identification documentation as applicable. Completed Application Forms, including cleared application monies, must be accepted by the Fund before 2pm (Sydney time) on the last calendar day of the month up until 30 June 2027 (or the last Business Day of June 2027). Applications under this IM are not able to be accepted after this time. The Trustee intends to open a new class of units in the Fund for investment after 30 June 2027 under a new information memorandum.

You will need to provide certain information as required by the Trustee as part of the Fund's Know Your Customer ('KYC') obligations. An Investor's interest in Units cannot be registered without having provided this information (also see Section 5.2.5 for information on transferring Units).

The Trustee may provide to the Australian Taxation Office ('ATO'), or any other government department or agency, information regarding Fund Investors, investments, income, or any other information requested by those organisations.

### 5.2. UNIT INFORMATION

#### 5.2.1. UNITS AND UNIT PRICING

The Fund is a unit trust. When you invest in the Fund, you acquire an interest in the form of Units in the trust. When your money is paid into the Fund, Units are issued to you and when money is paid out, your Units are redeemed.

The value of your investment is reflected in the price of the Units. The Unit Price changes monthly to reflect the performance (rises and falls in value) of the Underlying Assets, as well as income earned, fees, expenses, and taxes paid and payable ('Monthly Unit Price'). We calculate the Monthly Unit Price for the Fund as at the last calendar day of the month ('Monthly Pricing Day').

Only one class of Units is offered under this IM ('Class'), however, the Fund does offer other classes. The Monthly Unit Price is calculated by dividing the net asset value of the Class of Units (total assets less total liabilities) ('Net Asset Value' or 'NAV') by the number of Units on issue in that Class at the time the Monthly Unit Price is calculated.

The Master Fund and the Feeder Fund calculate their net asset values and unit prices on the last available price from Underlying Managers. The Fund generally uses last available pricing from the Feeder Fund as the basis to value its assets (see Section 5.5 for more detail).

The Trustee will calculate an application unit price ('Application Price') and redemption unit price ('Redemption Price') by adjusting the Monthly Unit Price to better reflect earnings of the Underlying Funds which have not yet been reported by Underlying Managers as at the Monthly Pricing Date. The application adjustment is the amount of subscription spread applied in respect of the issue of PPNs held by the Fund ('Application Adjustment'), which is the adjustment mechanism for compensating existing holders of the PPNs for the dilutive impact of the issue of new PPNs. The redemption adjustment is the amount of redemption spread applied in respect of PPNs held by the Fund ('Redemption Adjustment'), which is the mechanism for compensating redeeming holders of the PPNs for the accretive impact of a redemption of the PPNs. The Application Price and Redemption Price will both positively adjust the Monthly Unit Price by the Application Adjustment or the Redemption Adjustment respectively.

#### 5.2.2. INVESTING

To invest in the Fund, you will need to complete the Application Form. Once we have opened your account, you can make additional contributions to your investment via BPAY. The minimum initial investment amount is \$50,000 and the minimum additional contribution is \$25,000.

Completed Application Forms, including cleared application monies, accepted by the Fund before 2pm (Sydney time) on the last calendar day of the month (or last Business Day before if the last calendar day does not fall on a Business Day), normally receive the Unit Price released for the last calendar day of that month. Application Forms accepted after 2pm on the last calendar day of the month (or last Business Day before if the last calendar day does not fall on a Business Day) normally receive the next month's Unit Price. Completed Application Forms, including cleared

application monies, must be accepted by the Fund before 2pm (Sydney time) on 30 June 2027. Applications are not able to be accepted under this IM after this time, and a new IM will be made available for investments after this time. If you invest directly into the Fund then you hold Units in the Fund and have the rights of an Investor, as set out in the constitution.

We may suspend applications if we believe it is in the best interests of Investors as a whole to do so or if it is not possible to calculate an application price due to circumstances outside our control, e.g., market disruption.

Any Application Forms received during a period of suspension receive the price applicable to the month immediately following the end of the suspension period.

Any interest earned on any application amount will be paid to the Fund and form part of Fund assets.

### **5.2.3. ACCESSING YOUR MONEY**

You can request a partial or a full withdrawal to a nominated bank account by either mailing or emailing a completed Withdrawal Form available at [www.pengana.com/resources/forms](http://www.pengana.com/resources/forms).

Units in the Fund must be held until at least 30 September 2029 before they can be redeemed. You must provide notice by 2pm on 30 June 2029 for a redemption on 30 September 2029.

Redemptions are only processed using the Redemption Price of the last month of each quarter ('Quarterly Pricing Day'). Once Units are able to be redeemed, you must request a redemption at the end of the quarter prior to the Quarterly Pricing Day for which you want a redemption. The Withdrawal Form must be received by the Trustee by 2pm (Sydney time) on the last Business Day of the quarter prior to the Quarterly Pricing Day on which you wish to redeem. For instance, if you wish to redeem on 30<sup>th</sup> June, your redemption request must be received by 2pm on 31 March (or the last Business Day prior if 31 March is not a Business Day).

If you want to change your nominated bank account for the payment of withdrawal proceeds, then we must receive an original signed letter or instruction (emailed instructions are not accepted).

Once lodged, withdrawal requests may not be withdrawn except with our consent.

In certain circumstances, such as when there are adverse market conditions, we may suspend withdrawals in order to protect the interests of all investors. In circumstances where withdrawals are delayed or suspended, the Unit Prices used for a withdrawal are those applicable to the day the withdrawal is effected, rather than the time the withdrawal request is received. If the Trustee cannot process a withdrawal in full, the Trustee may process part of the withdrawal and cancel any remaining unprocessed part of the withdrawal. In this situation you will need to lodge a new Withdrawal Form if you want to make a further withdrawal. Withdrawal payments are generally made within 10 Business Days of a Quarterly Pricing Day although the Fund's Constitution allows up to 60 Business Days of a Quarterly Pricing Day for payment to be made.

### **5.2.4. TRANSACTION COSTS**

The Trustee may determine an amount of Transaction Costs as appropriate to applications and/or redemptions for the purposes of ensuring that Investors are not adversely impacted as a result of a redemption of or application for Units of the Fund.

Transaction Costs are estimates by the Trustee of the total amounts that the Fund would incur or otherwise bear if the Fund were required to acquire afresh or to sell (as applicable) Fund property. These amounts could include stamp duty, legal expenses, lost interest or reduction in asset values from carrying values. Transaction Costs may be charged to ensure fair treatment of Investors and may be applied even when assets do not need to be acquired or sold.

As at the date of this IM the Trustee has determined that there are no transactional costs to apply to applications or redemptions.

### **5.2.5. TRANSFER OF UNITS**

You may be able to transfer all or some of your Units to another eligible investor. Please contact us for more information.

## **5.3. INCOME DISTRIBUTIONS**

Our policy is to make distributions to Investors at the end of each calendar quarter. We aim to pay a minimum of 80% of the annual Fund return in cash each financial year and may attribute some of the distribution.

Distributions are effected pro-rata to Investors as at the end of each calendar quarter pro-rata with reference to the number of Units held as at the end of the calendar quarter. Where new Units are issued during the calendar quarter the application price reflects accrued income in respect of the period.

You will be liable to pay tax in respect of any taxable income of the Fund which is attributed to you in relation to your distributions.

In certain circumstances we may choose to allocate undistributed income to withdrawing Investors based on a pro rata allocation with reference to the number of Units being redeemed. This would only be utilised to ensure a fair and reasonable allocation of any undistributed income amongst Investors.

## **5.4. EXPENSES, FEES AND COSTS**

There are a number of fees and costs associated with investing in the Fund, relating to investment management and other costs directly associated with the Fund. These are set out below.

### **5.4.1. MANAGEMENT FEE**

Management Fee of 0.75% p.a. (including GST net of RITC) on the Gross Asset Value ('GAV') of the Class, calculated and paid quarterly to Pengana Credit.

### **5.4.2. PERFORMANCE FEE**

Performance Fee of 20% (including GST net of RITC) of any increase in the Class's GAV greater than the Hurdle (after deducting carried forward losses and the management fee and adjusted for applications, redemptions and distributions). The Hurdle is the RBA Official Cash Rate + 6% p.a., with a floor of 7.5% p.a.

The Performance Fee is calculated and accrued in the Monthly Unit Prices. The Performance Fee at the end of the calendar six-month period ending in December or June each year (the Calendar Six Month Period) is the sum of the Performance Fees accrued during the Calendar Six Month Period. If a Performance Fee is accrued, it is payable from the Fund to Pengana Credit at the end of the Calendar Six Month Period.

If no Performance Fee is payable to Pengana Credit at the end of a Calendar Six Month Period, then any underperformance will need to be made up before a performance fee for that Calendar Six Month Period is accrued.

A portion of any negative Performance Fee accrual will be extinguished if there is a net outflow (including from redemptions and distributions) from the Fund. The negative Performance Fee accrual will be reduced in proportion to the size of the net capital outflow relative to the Fund's opening GAV. When applicable, the adjustment is made for the purpose of calculating Performance Fees and reduces the amount in dollars that the Fund has to recover before Pengana Credit earns Performance Fees (given the Fund's assets have been reduced).

### **5.4.3. FUND EXPENSES**

The Trustee has determined that for the life of this Information Memorandum the Management Fee will cover all expenses of the Fund excluding any abnormal expenses.

If abnormal expenses are incurred, they may be recovered from the Fund. Examples of abnormal expenses include the costs involved in:

- convening a meeting of Investors;
- termination of the Fund;
- amending the Constitution;
- defending or bringing of litigation proceedings.

### **5.4.4. OTHER COSTS**

Third-party service provider costs of the Master Fund and Feeder Fund may be recovered from the Master Fund or Feeder Fund in addition to any fees set out above. These costs may include but are not limited to legal, accounting, custody, audit, administration and the Investment Consultant's fees. However, for the Class of Units offered under this IM, Pengana Credit will rebate to the Koda Class the portion of the Investment Consultant's fees which are allocated to the Class of Units. The Underlying Funds invested in by the Master Fund incur the cost of the Underlying Manager's fee.

## **5.5. VALUATION OF ASSETS**

The Trustee has outsourced the valuation of the Fund and the preparation of statutory financial reports to the Administrator.

The Administrator is reliant on the valuation of the PPNs held by the Fund in the Feeder Class to value the Fund. The Administrator utilises the most recent net asset value provided by the administrator of the Feeder Class to value the Fund.

The administrator of the Master Fund and the Feeder Class is responsible for the preparation of statutory financial reports and for the valuation of Feeder Class PPNs. Valuation of PPNs is based on:

- shares held in the Master Classes;
- cash; and
- FX forward contracts

held by the Feeder Class.

The valuation of shares held in the Master Classes is reliant on third party valuations of the Master Fund's assets. These third parties may include Underlying Managers, Underlying Manager administrators or third-party valuation agents.

Typically, valuation of the Master Fund assets utilises the most recent net asset value provided for Underlying Funds by Underlying Investment Managers and/or third-party administrators and, to the extent it is determined to be appropriate, will be adjusted for subsequent cash flow activity (i.e., contributions and distributions). Valuations for Underlying Funds are typically issued on a quarterly basis as much as (and in some cases in excess of) 90-days after each calendar quarter-end. While such information is expected to be issued on a quarterly basis, the Master Fund and Feeder Class will report their net asset values on a weekly basis and the weekly net asset values will be calculated using the latest available net asset value of Underlying Funds.

The Investment Manager of the Master Fund seeks to ensure that it receives unaudited Underlying Fund financial statements typically on a quarterly basis (and more frequently where available), and, to the extent practicable, financial statements that have been audited by a third-party accounting firm annually. Whilst the valuations are generally obtained quarterly, given the nature of the investments, the process of completing the valuations can take up to three months, or longer in some cases.

## **5.6. TAXES**

### **5.6.1. INTRODUCTION**

This section provides an overview of the likely Australian income tax, GST and stamp duty consequences for Investors in the Fund, based on the laws of the Commonwealth of Australia in force as at the date of this IM. These laws are subject to change periodically as is their interpretation by the courts and the Australian Taxation Office ('ATO'). This overview outlines the Australian taxation position of Investors in the Fund who hold their Units on capital account. It is not intended to apply to Investors who hold their Units as trading stock or acquire Units for the principal purpose of making a profit from a future disposal of those Units.

Information provided in this section is of a general nature and is not intended to be legal advice. Potential Investors should obtain their own independent professional advice on the tax implications of investing in the Fund, based on their own specific circumstances.

### **5.6.2. TAXATION OF THE FUND**

The Fund should generally be treated as a 'flow-through' entity for Australian income tax purposes and should not be subject to income tax. Rather, Investors should be taxed on their share of the taxable income of the Fund each year.

The taxable income of the Fund is expected to primarily comprise income and gains of a revenue nature, which will predominantly consist of payments under the PPNs that are paid to the Fund or credited to the account of the Fund by the Feeder Fund.

If the Fund makes a loss for Australian income tax purposes in a financial year, the tax loss may not be distributed to Investors but may be carried forward by the Fund to be offset against taxable income of the Fund in future financial years, subject to the satisfaction of certain tax loss recoupment rules.

For income tax purposes, the Fund may be taxed like a company if it is a 'public trading trust'. However, provided that the Fund and any entities that the Fund controls (or has the ability to control, either directly or indirectly) do not carry on a 'trading business', the Fund should not be treated as a public trading trust. Based on the investment structure and strategy of the Fund, it is not expected that the Fund will be a public trading trust.

#### 5.6.2.1. Attribution Managed Investment Trust status

The Fund qualifies as a managed investment trust for Australian income tax purposes ('MIT'). In addition, the Trustee intends to make an irrevocable election to apply the attribution managed investment trust ('AMIT') provisions to the Fund.

The Trustee intends to attribute the taxable income of the Fund to the Investors in accordance with the AMIT rules and the Constitution each financial year. If there is taxable income of the Fund that is not attributed to an Investor, the Fund will be subject to tax at the highest marginal rate (plus Medicare levy) on that non-attributed income.

#### 5.6.2.2. Tax treatment of PPNs

The PPNs are expected to be classified as non-share equity interests for Australian income tax purposes. On this basis, payments made under the PPNs to the Fund should generally be treated as non-share dividends for Australian income tax purposes and included in the taxable income of the Fund when paid (or credited) to the Fund.

#### 5.6.2.3. MIT capital account election

The Trustee mitigates any tax character mismatches that can arise where realised losses on the redemption or partial redemption of the PPN are of a capital nature and cannot be used to offset dividend income by not electing for deemed capital account treatment for its "covered assets" under the managed investment trust ('MIT') rules. Consequently, the PPNs (being non-share equity interests) will be deemed to be held on revenue account by the Fund. On this basis, any realised gains and losses on a disposal (e.g. redemption) of a PPN will be treated as ordinary income and allowable deductions, respectively, for the Fund.

#### 5.6.2.4. Controlled Foreign Company Provisions

The Controlled Foreign Company ('CFC') rules in Australian tax legislation can impose an accruals tax liability on Australian entities that invest in overseas entities, where certain control tests are satisfied. For example, a foreign company or limited partnership may be a CFC where the Fund (or another Australian resident entity) directly or indirectly owns 40% or more of the ownership interests in the foreign entity.

Non-share equity interests generally do not constitute ownership interests for CFC purposes since they do not provide the holder with rights as a 'shareholder' in the company, as defined in the Income Tax Assessment Act 1936. On this basis, the CFC rules should not apply to the interests held by the Fund in the Feeder Fund via the PPNs. Thus, the CFC rules are not expected to have practical application to the Fund.

### **5.6.3. TAXATION OF AUSTRALIAN RESIDENT INVESTORS**

#### 5.6.3.1. Taxation of distributions

Investors will include in their assessable income their share of the taxable income of the Fund that is attributed to them each financial year in accordance with the AMIT regime and Constitution of the Fund. The various components of the taxable income of the Fund should retain their character in the hands of the Investors for Australian tax purposes. As noted above, the taxable income of the Fund is expected to primarily comprise income and gains of a revenue nature.

To the extent the cash distributions to an Investor exceeds the Investor's attributed share of the Fund's taxable income, the excess (known as a 'tax deferred' distribution) will generally not be assessable to the Investor. Similarly, a return of capital by the Fund should not be assessable to the Investor.

Such tax deferred distributions or returns of capital will generally reduce the Investor's capital gains tax ('CGT') cost base of their Units in the Fund. Once the cost base of an Investor's Units has been reduced to nil any additional tax deferred or capital distributions will be assessable to an Investor as a capital gain.

Conversely, under the AMIT regime, to the extent that the cash distributed to an Investor is less than the Investor's share of the Fund's taxable income, the Investor will be entitled to a cost base increase for their Units in the Fund. These cost base adjustments will impact upon the capital gains tax position upon the disposal of the Investor's Units in the Fund (please refer to Section 5.6.3.2 for additional information).

Investors will receive a tax statement after the end of each financial year (referred to as an AMIT Member Annual ('AMMA') Statement) that will provide them with details of the amounts that have been attributed to them by the Fund to assist them in the preparation of their tax return.

### 5.6.3.2. Disposal of Units

A transfer or redemption of Units will trigger a taxable disposal event for CGT purposes. Investors would derive a taxable capital gain where the disposal proceeds received exceed the cost base of the relevant Units at the time of disposal. Investors would incur a capital loss where the reduced cost base of the Units disposed of is greater than the disposal proceeds.

Where there is a capital gain upon disposal, certain Investors (such as Australian resident individuals, trusts and complying superannuation funds) may be entitled to a capital gains discount where they have held the Units for at least 12 months prior to disposal. Individuals and trusts may be entitled to a capital gains discount of 50% and complying superannuation funds may be entitled to a capital gains discount of 33⅓%. Companies are not entitled to the capital gains discount.

### 5.6.4. TAXATION OF NON-RESIDENT INVESTORS

Distributions of any foreign-sourced income to non-resident Investors will not be subject to Australian withholding tax.

Distributions of any Australian sourced income to non-resident Investors may be subject to Australian withholding tax. The rate of withholding tax applicable to such distributions will depend on factors including the types of income being distributed and the country of residence of the Investor.

Non-residents should be exempt from Australian capital gains tax in respect of a disposal of their Units in the Fund on the basis that the Fund is not expected to hold material interests in Australian real estate.

Non-resident Investors should obtain their own independent professional advice on the tax implications in their home jurisdiction of investing in the Fund.

### 5.6.5. GOODS AND SERVICES TAX AND STAMP DUTY

The issue or disposal of Units, and the receipt of distributions, should not be subject to GST or stamp duty for Investors.

GST will be payable by the Fund as a component of the fees and expenses incurred by the Fund. The Fund will be entitled to full input tax credits for GST incurred on certain costs. The Fund will also be able to claim reduced input tax credits at the prescribed rates in respect of the remainder of its costs (to the extent a full input tax credit is not available).

### 5.6.6. TAX FILE NUMBER AND AUSTRALIAN BUSINESS NUMBER (AUSTRALIAN RESIDENT INVESTORS ONLY)

It is not compulsory for Investors to provide their Tax File Number ('TFN') or Australian Business Number ('ABN') details to the Fund. However, unless an Investor is exempted, if an Investor does not provide their TFN or ABN, the Trustee may be required to deduct tax from distributions to such Investor at the highest personal marginal rate plus the Medicare levy.

### 5.6.7. FOREIGN ACCOUNT TAX COMPLIANCE ACT AND COMMON REPORTING STANDARD

In compliance with the US income tax laws commonly referred to as the Foreign Account Tax Compliance Act ('FATCA') and the Intergovernmental Agreement signed with the Australian Government in relation to FATCA, the Fund will be required to provide certain information to the ATO in relation to:

- Investors that are US citizens or residents;
- entities controlled by US persons; and
- financial institutions that do not comply with FATCA.

The Fund is intending to conduct appropriate due diligence in relation to FATCA (as required). Where an Investor does not provide appropriate information to the Fund, the Fund may also be required to report such accounts to the ATO.

The Common Reporting Standard ('CRS') is the global standard for the collection, reporting and exchange of financial account information of non-residents. The CRS is similar to FATCA, whereby the Trustee will be required to collect and report similar financial account information of all non-resident Investors to the ATO.

The ATO may exchange this information with the participating foreign tax authorities of those non-resident Investors.

### 5.6.8. ANNUAL INVESTMENT INCOME REPORT

The Fund is required to lodge annually an Annual Investment Income Report ('AIIR') to the ATO containing certain Investor identity details and details of Unit disposals and investment income paid or attributed to Investors for the relevant income year.

## **5.7. INVESTOR COMMUNICATIONS**

### **5.7.1. REPORTING**

Investors have access to the following information with regards to their investment in the Fund:

- Unit pricing;
- Confirmation of each transaction;
- Quarterly market performance and asset commentary reporting concerning Fund investments;
- Audited annual accounts; and
- Annual regulatory reporting (such as income tax and distribution statements).

### **5.7.2. INVESTOR MEETINGS**

Meetings of Investors may be convened by the Trustee or at the request of Investors holding at least 20% of Units (by value). There is no annual meeting of Investors. The Constitution provides for the holding of an Investors' meeting at no less than 21 days' written notice. A quorum for a meeting is at least Investors (present or by proxy) holding an aggregate of at least 35% of all Units (by value). Each Investor has one vote per dollar value of Unit held for resolutions decided by poll, and resolutions are binding on all Investors.

## **5.8. OTHER IMPORTANT INFORMATION**

### **5.8.1. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of this IM and the Constitution together with the most recent audited accounts and annual report of the Fund (if any) may be inspected at Pengana Credit's offices during usual business hours. Copies of these documents may also be obtained from Pengana Credit on request.

### **5.8.2. ANTI-MONEY LAUNDERING**

Australia's Anti-Money Laundering ('AML')/Counter Terrorism Financing ('CTF') Laws require the Trustee to adopt and maintain an AML and CTF programme. A fundamental part of the AML/CTF programme is that the Trustee knows certain information about Investors in the Fund.

To meet this legal requirement, the Trustee is required to collect certain Know Your Client ('KYC') identification information and documentation from new Investors. Existing Investors may also be asked to provide KYC documents as part of a re-identification process to comply with the AML/CTF Laws. We will contact you as soon as possible if we require more information. Processing of Application Forms will be delayed or refused if Investors do not provide the KYC documents when requested.

Under the Constitution we can accept or reject investments into the Fund at any time and are not required to give any reason or grounds for such a refusal. Verification of each Investor's identity, and where relevant, beneficial owner's identity is a prerequisite for all new Investors. If we do not receive all valid documents with your Application Form or we are unable to verify your identity at any time, we may not be able to commence your investment or may not process any future redemption requests until we receive the required documents.

We may pass any information we collect and hold about you or your investment to relevant government authorities. Under the AML/CTF Laws, the Trustee may be required to submit reports to AUSTRAC. This may include the disclosure of your personal information. The Trustee may not be able to tell you when this occurs and, as a result, AUSTRAC may require the Trustee to deny you (on a temporary or permanent basis) access to your investment. This could result in loss of the capital invested, or you may experience significant delays when you wish to transact on your investment.

The Trustee is not liable for any loss you may suffer because of its compliance with the AML/CTF Laws.

### **5.8.3. PRIVACY**

In applying to invest and completing an Application Form, you are providing Pengana Credit, the Registry, Administrator, and the Trustee with certain personal details (your name, address, etc.). Pengana Credit, the Registry, Administrator and Trustee use this information to establish and manage that investment for you.

Pengana Credit and the Trustee may also use your personal information to tell you about other products and services offered by the Trustee or other related bodies corporate.

Under the Privacy Act 1988 (Cth), you can access personal information about you that is held by the Trustee, except in limited circumstances. Please let the Trustee know if you think the information is inaccurate, incomplete, or out of date. You can also tell the Trustee by written communication, at any time, not to pass on your personal information.

If you do not provide your contact details and other information, then your Application Form may not be able to be processed.

Under various laws and regulatory requirements, the Trustee may have to pass-on certain information to other organisations, such as the ATO, or AUSTRAC.

By applying to invest, you give the Trustee permission to pass-on information the Trustee holds about you to other companies which are involved in helping the Trustee administer the Fund, or where they require it for the purposes of compliance with AML/CTF law.

A copy of the Trustee's Privacy Policy is available on the Trustee's website [www.pengana.com](http://www.pengana.com) or by contacting the Trustee on +61 2 8524 9900.

#### **5.8.4. OVERSEAS DISTRIBUTION**

No action has been taken to register or qualify the offer under this IM, or to otherwise permit a public offering of Fund Units, in any jurisdiction outside Australia.

#### **5.8.5. OFFER ONLY MADE WHERE LAWFUL TO DO SO**

The distribution of this IM in jurisdictions outside Australia may be restricted by law. This IM does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of the IM. Any failure to comply with these restrictions may constitute a violation of securities laws.

#### **5.8.6. Indirect Investors – Making Initial and Additional Investments in the Fund**

Applications to invest in the Fund can be made:

- directly by wholesale clients who receive this Information Memorandum (electronically or otherwise) within Australia only; and
- indirectly through a platform (or the custodian of the platform) within Australia (in which case the operator of the platform (or the custodian of the platform) becomes the member of the Fund, not the indirect investor).

The Trustee reserves the right to vary certain conditions for platforms and custodians.

The Trustee authorises the use of this Information Memorandum as disclosure to indirect investors.

Direct investors can apply to make an initial investment in the Fund by completing the application form contained in this Information Memorandum (Application).

If you are an indirect investor investing through a platform (or custodian of a platform), your platform operator is investing in Units in the Fund on your behalf.

Consequently, the platform operator (or the custodian of the platform), and not you, holds the Units in the Fund. The platform operator exercises those rights on your behalf in accordance with the arrangements they have with you.

## 6. RISKS

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This section provides Investors with risk disclosure that is relevant to the Fund. All investments carry risk. The likely income returns and the risk of losing money is different for each managed investment scheme as different strategies may carry different levels of risk depending on the portfolio of assets that make up the scheme. Those assets with potentially higher long-term returns may also have a higher risk of losing money in the shorter term.

Prior to investing, you should consider the risks involved and whether it is appropriate for your objectives and financial circumstances. You should read this IM in its entirety to gain an understanding of the risks associated with an investment in the Fund.

Risks can be managed but cannot be eliminated completely. Investors can undertake several steps to help minimise the impact of risk. First, seek professional advice suited to your personal investment objectives, financial situation and particular needs. Second, only make investments with a risk level and time frame recommended by your professional adviser.

It is important to understand that:

- the value of your investment may go down;
- the Target Return may vary from actual returns;
- the Target Return is not guaranteed and there is always the chance that you may lose money on any investment you make; and
- laws affecting your investment in a managed investment scheme may change over time.

The appropriate level of risk for you will depend on a range of factors including your age, investment time frame and risk tolerance, and other investments held and how they are invested.

Although Pengana Credit and the Trustee believe the expectations reflected in any forward-looking statements are reasonable, neither Pengana Credit nor the Trustee can guarantee any rate of return in terms of income or return of capital or the investment performance of the Fund. The income paid and maintenance of the initial capital investment of your investment will depend on the performance of the investments made by the Fund and current market conditions. There can be no certainty that the Fund will generate income to your satisfaction.

This section describes certain areas the Trustee believes represent risks associated with investing in the Fund. It is not possible to identify every risk associated with investing in the Fund. Prospective investors should note that this is not an exhaustive or complete list of all the risks associated with the Fund.

### 6.1. RISKS ASSOCIATED WITH THE INVESTMENT STRATEGY

**Investment Risk** – the value of an investment in the Fund and/or the Fund's investments may fall or perform poorly in the short or long term for a number of reasons, including general economic and market conditions, changes in laws, currency exchange controls and national and international political and socioeconomic circumstances. An Investor is exposed to these risks through the life of their holding of Units in the Fund and through the Fund's investment strategies and policies.

**Investment Strategy Risk** – the investment strategy used by Pengana Credit on behalf of the Fund includes inherent risks. These include, but are not limited to the following:

- the ability of Pengana Credit to devise and maintain a portfolio that achieves the Investment Objective of the Fund within the guidelines and parameters within which it is permitted to invest and set out in this IM and the law; and
- the ability of Pengana Credit to continue to manage the Fund in accordance with this IM, its mandate and the law which may be compromised by such events as the loss of its licence or registrations; and
- the ability of Pengana Credit to diversify the Fund to mitigate and manage risk.

There is no guarantee that the Investment Strategy will be managed successfully or will meet its objectives. Failure to do so could negatively impact the performance of the Fund.

**Fund Manager Due Diligence** – the success and profitability of the Fund will depend in large part upon the performance of the funds managed by the Underlying Managers. Mercer is primarily responsible for identifying, due diligence and monitoring Underlying Managers following the process detailed in Section 3.5. There is no guarantee that this process is effective and identifies Underlying Managers whose funds will meet their investment objectives or contribute to the Fund meeting its Investment Objective. The performance of the funds managed by Underlying Managers is dependent

on a number of factors that may not be correctly assessed in the due diligence process, such as the stability and expertise of the investment team. Such performance will also be subject to changes in those factors, which may not be accurately identified or assessed in the monitoring process. While the Underlying Managers' documentation may provide some safeguards against adverse developments at an Underlying Manager, such as key person clauses, it may be that the Fund is unable to influence or divest from an underperforming fund managed by an Underlying Manager.

**Portfolio Construction** – Pengana Credit invests the assets of the Fund, and in doing so, exposes the Fund to multiple Master Classes in differing proportions having regard to a number of factors so as to best achieve the Investment Objective. These factors may include (but are not limited to) availability of capital, origination of opportunities, matters specific to the Underlying Managers such as liquidity requirements and prevailing market conditions. Pengana Credit may not be able to achieve its preferred allocation in seeking to achieve the Investment Objective.

**Target Returns** – The Fund's ability to achieve the Target Return may be adversely impacted by a variety of factors, including, but not limited to, the proposed structure for each investment, increased competition faced by a particular investment, changes in general economic conditions, changes in the currency conversion rate between the Australian dollar and the other currencies in which assets of the Fund are denominated, national or international political events, changes in interest rates and changes in applicable laws and regulations. Investors have no assurance that the Fund will achieve its targeted return objective. On any given Underlying Manager investment, or with respect to the Underlying Assets in the aggregate, loss of principal is possible.

**Debt Investments** – the Underlying Managers' funds invest principally in loans, bonds and other types of debt instruments and securities. Such investments may be secured, partially secured or unsecured and may have speculative characteristics. Changes in interest rates generally will cause the value of fixed income debt investments to vary inversely to such changes. Debt investments with longer terms to maturity or duration are subject to greater volatility than investments in shorter-term obligations. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement. An obligor's willingness to pay interest or to repay principal due in a timely manner may be affected by, among other factors, its cash flow. Commercial bank lenders may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements.

**Liquidity Risk of Underlying Managers** – the ability of the Fund to provide liquidity to Investors is ultimately dependent upon the liquidity of investments made by the Underlying Managers and the liquidity of the funds they manage. At any given time, the Underlying Managers may be exposed to significant numbers of securities and other assets that are very thinly traded, for which no market exists, or which are restricted as to their transferability. The risks of such illiquidity can be further increased by changes in the financial condition or business prospects of a company, changes in national or international economic conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which the Underlying Managers' investments are made. Prices realised on any sale of illiquid investments may be less than the prices used in calculating the NAV per Unit of the Fund, this is particularly so in times of market distress.

**Interest Rate Risk** – the Fund's investments are exposed to interest rate risks, meaning that changes in prevailing market interest rates could negatively affect the value of such investments and the yield they generate. Factors that may affect market interest rates include, but are not limited to, inflation, slow or stagnant economic growth or recession, unemployment, money supply, governmental monetary policies, international disorder and instability in relevant financial markets.

In particular, global central banks' decisions regarding interest rate policy to manage inflation could impact the private lending market. There may be significant unexpected movements in interest rates which could have adverse effects on portfolio companies and other issuers in which the Underlying Managers invest and global economies as a whole. In a changing interest rate environment, neither the Underlying Managers nor Pengana Credit may be able to manage this risk effectively.

**Credit and Default Risk** – credit risk is the risk that one or more assets to which the Fund is exposed may decline in price or fail to pay interest or principal when due because the credit counterparty or borrower experiences a decline in its financial status. Losses may occur because the value of the asset is affected by the creditworthiness of the borrower or by general economic and specific industry conditions.

While all debt assets are subject to credit risk, to the extent the Fund is exposed to lower-grade debt, it will be exposed to a greater amount of credit risk than a fund that is exposed to higher rated credit assets. The values of lower-grade debt instruments are more sensitive to negative developments, such as a decline in the borrower's cash earnings or a general economic downturn, than are the values of higher-grade debt instruments. Lower-grade debt instruments are higher risk with respect to the counterparty's capacity to pay interest and repay principal when due and therefore involve a greater risk of default.

In circumstances where a borrower defaults or the credit risk increases for a borrower, there are a number of strategies that may be employed by the Underlying Managers to manage losses, including seeking to renegotiate the terms of the

loan arrangement with the borrower. While such action may mitigate further losses to the Underlying Manager's fund, there is no assurance that this may be achieved.

**Valuation Risk** – the valuation of the Fund will be calculated with reference to the valuation of the PPNs issued by the Feeder Fund, which in turn is calculated with reference to the valuation of shares in the Master Fund and valuation of Underlying Funds. Valuations of the investments made by the Underlying Managers are expected to involve uncertainties and discretionary determinations. Third-party pricing information may not be available regarding a significant portion of investments made by the Underlying Managers. The valuation of illiquid securities and other assets is inherently subjective and subject to increased risk that the information utilised to value such assets or to create the price models may be inaccurate or subject to other errors. In some circumstances Underlying Managers may rely on valuation models that the Underlying Managers have created in order to value the assets. In addition, to the extent third-party pricing information is available, a disruption in the secondary markets for investments with Underlying Managers may limit the ability to obtain accurate market quotations for purposes of valuing investments and calculating net asset value. Further, the liquidation values of securities and other investments may differ significantly from the interim valuations of these securities and other investments.

**Currency Risk** – the functional currency of the Fund is the Australian dollar. For investments in global assets, which have currency exposure, there is potential for adverse movements in exchange rates to reduce their Australian dollar value. For example, if the Australian dollar rises, the value of the foreign investments expressed in Australian dollars will fall. Currency markets can be extremely volatile and are subject to a range of unpredictable events. Pengana Credit seeks to mitigate currency risk by hedging foreign currency exposures to the Australian dollar but may, from time to time, not be able to do so. Additionally, while foreign currency hedging should mitigate against adverse currency movements, the foreign currency hedging strategy will not provide complete protection from adverse currency movements.

**Market and Economic Risk** – certain events may have a negative effect on the price of all types of investments within a particular market in which the Underlying Managers hold investments. These events may include (but are not limited to) changes in legal, tax, economic, social, technological or political conditions, laws as well as general market sentiment. Industry specific shocks relevant to underlying loan assets and general market disruption can adversely impact the value of the assets that underpin the value of the Fund.

**International Investing Risk** – The Underlying Managers primarily invest in North America and Europe. The risks of international investing include foreign withholding tax or duties on income or capital gains, securities regulations, market and settlement practices, potential political and economic instability affecting overseas markets, limited liquidity and volatile prices of international investments, foreign exchange controls and investment and repatriation restrictions. Regulatory intervention could also materially affect the ability of the Underlying Managers to give effect to their investment strategy and adversely affect the Fund performance.

The imposition of tariffs, sanctions, retaliatory trade measures or other changes in international trade policy may also adversely affect the financial position and prospects of borrowers and other companies in which the Underlying Managers invest, with consequential effects on credit performance and the value of the Fund's investments.

**Geopolitical Risk** – The Fund and the Underlying Managers' investments may be adversely affected by geopolitical events and tensions, including armed conflict, terrorism, civil unrest, cyber warfare, sanctions, export controls and other coercive economic measures, deteriorating relations between major economic powers, and changes to international trade arrangements. Such events may disrupt financial markets, impair the operations or financial position of borrowers and other companies in which the Underlying Managers invest, restrict the ability of Underlying Managers or their counterparties to transact in particular jurisdictions or with particular counterparties, increase volatility in currency, commodity and credit markets, and have flow-on effects on the broader economic environment. The consequences of such events are often difficult to predict and may not be capable of being effectively mitigated by Pengana Credit or the Underlying Managers.

**Underlying Managers** – The Fund is exposed to funds managed by third-party Underlying Managers. Pengana Credit does not have an active role in the management of the assets of funds that are managed by third-party Underlying Managers, including in the valuation of investments by the third-party Underlying Managers. Although Pengana Credit monitors the performance of Underlying Managers and their funds, it relies upon third-party Underlying Managers to operate their funds on a day-to-day basis. Pengana Credit's ability to withdraw from or transfer interests in such funds is strictly limited. Further, the performance of each Underlying Manager and their funds depends significantly on decisions made by third parties, who will generally have sole and absolute discretion in structuring, negotiating and purchasing, financing, monitoring and eventually divesting investments made by such third-party Underlying Managers, and such decisions, if unsuccessful, will directly adversely affect the income received by the Fund and potential for return of capital. Pengana Credit will often not be aware of the particular companies in which a fund managed by a third-party Underlying Manager is invested, and Investors themselves will have no direct dealings or contract relationship at the third-party Underlying Manager.

**Underlying Manager Misconduct** – The Fund will depend on the integrity and good faith of the Underlying Managers. Pengana Credit has no control over, and a strictly limited ability to monitor, the Underlying Managers. Misconduct, conflicts of interest and/or bad judgment on the part of a single or only a very small number of Underlying Managers could materially adversely affect the Fund.

**Risks associated in investing with other third parties** – Pengana Credit primarily exposes the Fund's capital to Underlying Managers' funds, in which funds third parties also invest. The Fund is therefore subject to the risk of the Fund's investments being materially adversely affected by the conduct, including possible default, of other investors with such Underlying Managers, certain of which investors may have different, if not actually opposing, interests with respect to their investments with such Underlying Managers than Pengana Credit in acting on behalf of the Fund.

**Access to Information from Underlying Managers** – Pengana Credit and Mercer may not always receive full information from third-party Underlying Managers for a variety of reasons, including that certain of this information may be considered proprietary by the Underlying Manager. This lack of access to information may make it more difficult for Pengana Credit and Mercer to select and evaluate investments offered by the Underlying Managers.

**Debt and Leverage Risk** – The Underlying Managers may employ leverage from time to time in a variety of ways. The use of leverage may magnify the potential gains and losses achieved by Underlying Managers, thus impacting on the value of Units. The use of leverage will diminish the returns to investments made by the Underlying Manager and therefore the Fund if the overall returns are less than the cost of borrowing. The utilisation of leverage will also result in fees, expenses and interest costs to the Underlying Managers.

**Counterparty Risk** – There is a risk that the Fund may incur a loss arising from the failure of another party to a contract (the Counterparty) to meet its obligations. Counterparty risk arises primarily from investments in cash, derivatives and currency transactions. Substantial losses can be incurred if a Counterparty fails to deliver on its contractual obligations.

**Distressed instruments** – Investment by the Underlying Funds in the instruments of financially or operationally troubled issuers involves a high degree of credit and market risk. There can be no assurance that such financially or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that the Underlying Funds may incur substantial or total losses on their investments. During an economic downturn or recession, securities of financially or operationally troubled issuers are more likely to go into default than securities of other issuers. In addition, it may be difficult to obtain information about financially or operationally troubled issuers. Investment in the instruments of financially or operationally troubled issuers is typically a part of a long-term investment strategy and, accordingly, the Underlying Funds in which the Fund invests should have the financial ability and willingness to remain invested for the long term. Instruments of financially or operationally troubled issuers are less liquid and more volatile than instruments of companies not experiencing such difficulties. The market prices of these instruments are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected for more liquid or less volatile instruments. In addition, it is anticipated that many of the portfolio investments of the Underlying Funds may be illiquid. As a result, Underlying Funds may experience delays and incur losses and other costs in connection with the sale of their portfolio investments. In addition, the Underlying Funds may be subject to restrictions on the sale of certain instruments in the portfolio as a result of the Underlying Fund's percentage of holdings of instruments in such issuer or as a result of its access to confidential information.

**Defaulted instruments** – The Underlying Funds may invest in strategies involving the instruments of municipalities or companies involved in bankruptcy proceedings, reorganisations and financial restructurings. In a bankruptcy or other proceeding, the Underlying Fund as a creditor may be unable to enforce its claims or rights in any collateral or may have its claims or security interest in any collateral challenged, disallowed or subordinated to the claims or security interests of other creditors. There can be no assurance that such claims will not be asserted or that the relevant Underlying Fund will be able to successfully defend against them. Even if the Underlying Fund is ultimately successful, it may in the interim be required to post a bond pending an appeal that may limit its ability to deploy capital to other investment opportunities, which could adversely affect that Underlying Fund.

**High yield, low or unrated financial instruments** – The Underlying Funds may invest in strategies involving "high yield" bonds and preferred stock or debt instruments that are unrated or rated in the lower categories by the various credit rating agencies (or in comparable non-rated securities). Financial instruments in the lower categories are subject to greater risk of loss of principal and interest than higher-rated instruments and are generally considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than instruments with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated instruments, the yields and prices of such instruments may tend to fluctuate more than those of higher-rated instruments. The market for lower-rated instruments is thinner and less active than that for higher-rated instruments, which can adversely affect the prices at which these instruments can be sold. In addition, adverse

publicity and investor perceptions about lower rated instruments, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated instruments.

**Volatile markets** – The market for publicly traded bank loans, corporate debt, municipal debt and other credit-related investments has historically experienced levels of extreme volatility, and this volatility may recur at any time. During such periods, markets may experience periods of very limited liquidity. The Investment Manager and Investment Consultant believe that these market conditions may present attractive opportunities, but they also present the risk of large losses. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, political events, trade policy and tariff announcements, interest rate movements, natural disasters, and general economic conditions. Diverse markets may move rapidly in the same direction due to any one or a combination of these factors.

**Investments in different parts of the capital structure** – The holders of classes of financial instruments that differ from the class of financial instruments owned by the Underlying Funds may control the exercise of remedies in connection with such financial instruments. Such exercise of remedies by a holder of a different class of financial instruments may be in conflict with the interests of the Underlying Funds.

**Post reorganisation securities** – Financial instruments received post-reorganisation typically entail a higher degree of risk than investments in companies that have not undergone and are not perceived as likely to undergo a reorganisation or restructuring. Moreover, post-reorganisation instruments can be subject to heavy selling or downward pricing pressure after the completion of a bankruptcy reorganisation or restructuring. If an Underlying Fund's portfolio manager's assessment of the anticipated outcome of an investment situation should prove incorrect, the Underlying Fund could experience a loss. While the strategies that the Fund invests in may focus on investing in senior instruments that typically receive cash or debt in a reorganisation, the Underlying Fund's investment strategy may from time to time result in the receipt of post-reorganisation equity, which may be subject to greater risk than debt.

**Contingent liabilities** – The Underlying Funds may, from time to time, incur contingent liabilities in connection with an investment. For example, an Underlying Fund may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Underlying Fund would be obligated to fund the amounts due.

**Asset-backed securities** – The Underlying Funds may invest in a variety of assets including mortgage-backed securities, home equity loans, commercial loans, instalment sale contracts, credit card receivables or other assets. The Underlying Funds may acquire exposure to such investments through asset-backed securities. Asset-backed securities are "pass-through" securities, meaning that principal and interest payments net of expenses made by the borrower on the underlying assets (such as credit card receivables) are passed through to the Underlying Fund. The value of asset-backed securities, like that of traditional fixed income securities, typically increases when interest rates fall and decreases when interest rates rise. However, asset-backed securities and other exposures to similar assets underlying asset-backed securities differ from traditional fixed income securities because of their potential for prepayment. The price paid by the Underlying Fund for its asset-backed securities, the yield the Underlying Fund expects to receive from such securities and the average life of the securities are each based on a number of factors, including the anticipated rate of prepayment of the underlying assets. In a period of declining interest rates, borrowers may prepay the underlying assets more quickly than anticipated, thereby reducing the yield to maturity and the average life of the asset-backed securities. Moreover, when the Underlying Fund reinvests the proceeds of a prepayment in these circumstances, it will likely receive a rate of interest that is lower than the rate on the security that was prepaid. To the extent that the Underlying Fund purchases asset-backed securities at a premium, prepayments may result in a loss to the extent of the premium paid. In a period of rising interest rates, prepayments of the underlying assets may occur at a slower than expected rate, creating maturity extension risk. This particular risk may effectively change a security that was considered short or intermediate-term at the time of purchase into a longer term security. Since the value of longer-term securities generally fluctuates more widely in response to changes in interest rates than shorter term securities, maturity extension risk could increase the volatility of such securities. When interest rates decline, the value of an asset-backed security with prepayment features may not increase as much as that of other fixed-income securities, and, as noted above, changes in market rates of interest may accelerate or retard prepayments and thus affect maturities.

**Other investments** – An Underlying Fund's strategies may from time to time invest in other kinds of investments, including, without limitation, emerging market debt securities or equity securities, convertible securities, warrants, futures and options, each of which involve special risks.

**Co-investments with third parties** – An Underlying Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of the Underlying Fund may at any time have economic or business interests or goals which are inconsistent with those of the Underlying Fund, or may be in a position to take action contrary to the Underlying Fund's investment objectives. In addition, the Underlying Fund may be liable for actions of its co-venturers or partners.

**Risks inherent in fund and co-investment investing** – The success of an Underlying Fund, in general is subject to a variety of risks, including, without limitation, those related to: (i) the quality of the management of the Underlying Funds and the ability of such management to successfully select investment opportunities; (ii) the quality of the management of the operating companies in which the Underlying Funds have invested; (iii) general economic conditions; and (iv) the ability of the Underlying Funds and the Fund to liquidate their investments. The Fund will not participate in the management and control of the Underlying Funds or the assets in which the Underlying Funds invest either directly or indirectly through Underlying Funds. There can be no assurance that the management team of an Underlying Fund or any successor will be able to operate the Underlying Fund in accordance with the Fund's expectations or the Investment Manager/Investment Consultant's suggestions (if any), or that the Fund will be able to recover on its investments.

**Investment Risks in General** – It is possible certain Underlying Funds may experience severe financial difficulties, which in some cases may never be overcome. Underlying Funds may utilise highly speculative investment techniques, including high leverage, highly concentrated portfolios, workouts and startups, control positions, non-control positions and illiquid investments. The Fund will not have the ability to direct or influence the management of an Underlying Fund's investments. As a result, the returns of the Fund will primarily depend on the performance of such unrelated portfolio managers and the returns of the Fund could suffer substantial adverse effects by the unfavourable performance of such investment advisors.

**Long term Underlying Fund investments; no assurance of investment return** – The Underlying Funds may make investments that are illiquid and cannot be realised in an orderly fashion. There can be no assurance that the Fund or the Underlying Funds will be able to generate returns, that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein or that the Investment Manager/Investment Consultant's or the underlying portfolio managers' methodologies for evaluating risk-adjusted return profiles for investments will achieve their objectives. It is possible there may be little or no near-term cash flow available to the investors of the Fund, and there can be no assurance that the Fund will make any distribution to its investors. Partial or complete sales, transfers, or other dispositions of investments which may result in a return of capital or the realisation of gains, if any, are generally not expected to occur for a number of years after an investment is made. In some cases, the Underlying Fund may be legally, contractually or otherwise prohibited from selling investments for a period of time or otherwise be restricted from disposing of them, and illiquidity may also result from the absence of an established market for such investments. The realisable value of a highly illiquid investment at any given time may be less than its intrinsic value. In addition, certain types of investments made by an Underlying Fund may require a substantial length of time to liquidate. As a result, the Fund or such Underlying Fund may be unable to realise its investment objectives by sale or other disposition at attractive prices. The Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. Past performance of individuals or investment entities associated with such individuals, as well as the Investment Manager/Investment Consultant/portfolio manager or any Underlying Fund is not necessarily indicative of future results and provides no assurance of future results.

**Excuse and exclusion from partnership investments** – Where the Master Fund invests in an Underlying Fund that is a partnership as a limited partner, the general partner of the Underlying Fund may have powers to excuse or exclude a limited partner from participating in one or more portfolio investments. Any such excuse or exclusion may increase the participation of other limited partners in the applicable portfolio investment(s) and/or decrease the participation of such other limited partners in other portfolio investments from which the excused or excluded investor has not been excused or excluded, which in any case would be expected to result in differing aggregate returns realised by excused or excluded limited partners, on the one hand, and by limited partners that have not been excused or excluded from such portfolio investment(s) on the other. For example, a limited partner that is excused or excluded from a successful portfolio investment may realise lower aggregate returns than those realised by the limited partners participating in such portfolio investment, while a limited partner that is excused or excluded from an unsuccessful portfolio investment may realise higher aggregate returns than those realised by the limited partners participating in such portfolio investment. In the latter case, limited partners that have not been excused or excluded from such unsuccessful portfolio investment may have greater exposure to losses from such investment than they would have had there been no excuse or exclusion of any limited partner from such portfolio investment. In addition, limited partners that have not been excused or excluded from such unsuccessful portfolio investment may have lesser exposure to other portfolio investments, including successful portfolio investments, from which such excused or excluded limited partner has not been excused or excluded. To the extent a limited partner's participation in certain

portfolio investments becomes more concentrated due to the exercise of excuse or exclusion rights (whether with respect to such limited partner or with respect to other limited partners), the value of such limited partner's interest in the Underlying Fund will be more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting those particular portfolio investments, and could be materially adversely affected by the unfavourable performance of even one such portfolio investment.

**Identification of investments** – Identification of attractive investment opportunities by the Investment Manager/Investment Consultant and portfolio managers of Underlying Funds involves a high degree of uncertainty. The success of the Fund and each Underlying Fund depends on the availability of appropriate investment opportunities (including co-investments) and the ability of the Investment Manager/Investment Consultant and the portfolio managers to identify, select, gain access to and consummate appropriate investments. Investors may not have an opportunity prior to investing to evaluate any of the investments made by the Fund or the Underlying Funds or the relevant economic, financial and other information regarding such investments and, accordingly, will be entirely dependent upon the judgment and ability of the Fund, Investment Manager/Investment Consultant and the portfolio managers in investing and managing the capital of the Fund. The availability of investment opportunities for the Fund generally will be subject to market conditions and the ability of the Investment Manager/Investment Consultant to locate Underlying Funds in their fundraising stages that are available for purchase at attractive prices. There can be no assurance that suitable investments will be available or that the Fund or a Underlying Fund will be able to choose, make and realise investments in any particular company or portfolio of companies, or that it will be able to fully invest its capital. To the extent that any portion of such capital is not invested, the potential for return for the Fund and an Underlying Fund will be diminished. Moreover, the historical performance of any Underlying Fund or any portfolio manager thereof is not a guarantee or indication of its future performance. No assurance can be given that investments (and underlying investments thereof) can be acquired at favourable prices or that, once purchased, investments will perform to the Fund's or the Underlying Fund's expectations.

**Secondary market considerations; highly competitive market for investment opportunities** – The activity of identifying, completing and realising on attractive investments that fall within the Fund's objective is highly competitive and involves a high degree of uncertainty and will be subject to market conditions. Other investment funds currently in existence or organised in the future, may adopt, partially or totally, the Fund's strategy and compete with the Fund. Such funds may have greater resources than the Fund, which could adversely affect the Fund's proposed business plan. Some of these funds may have greater ability to complete investments than the Fund, or may have different return criteria than the Fund, any of which would afford them a competitive advantage. The volume of capital raised by private credit strategies in recent years has materially increased competition for attractive investment opportunities, which may compress yields, weaken lender protections in deal terms or reduce the availability of investments meeting the Fund's risk and return parameters.

**Follow-on investments** – The Master Fund may be called upon to provide additional funding for its investments or have the opportunity to increase its investment in its Underlying Funds. There can be no assurance that the Master Fund will seek such follow-on investments or that it will have sufficient capital to do so. Any decision by the Master Fund not to make follow-on investments or its inability to make such investments may have a substantial negative impact on an Underlying Fund or other investment in need of such an investment and may diminish the Master Fund's ability to influence the Underlying Fund's or other investment's future development. Furthermore, no assurance can be made that any follow-on investments made by the Master Fund will be profitable to the Master Fund.

**Underlying fund insolvency risks** – If a court in a lawsuit brought by a creditor or representative of creditors (such as a trustee in bankruptcy) of a Underlying Fund were to find that (a) the Underlying Fund did not receive fair consideration or reasonably equivalent value for incurring the indebtedness evidenced by the securities issued to the Fund and (b) after giving effect to such indebtedness and the use of the proceeds thereof, the Underlying Fund (i) was insolvent; (ii) was engaged in a business for which its remaining assets constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the obligor or recover amounts previously paid by the Underlying Fund to the Fund in satisfaction of such indebtedness. In addition, upon the insolvency of a Underlying Fund, payments that it made to the Fund may be subject to avoidance as a "preference" if made within a certain period of time before insolvency. There can be no assurance as to what standard a court would apply in order to determine whether the company was "insolvent" or that, regardless of the method of valuation, a court would not determine that the company was "insolvent," in each case, after giving effect to the indebtedness evidenced by the securities held by the Fund and the use of the proceeds thereof. In general, if payments are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Fund) or from subsequent transferees of such payments, including the investors of the Fund.

**Use of leverage by Underlying Funds** – Certain Underlying Funds may have leveraged capital structures. The leveraged capital structures of such Underlying Funds will magnify the exposure to adverse economic factors such as rising interest rates, reduced cash flows, fluctuations in exchange rates, inflation or downturns in the economy. In particular, in the event the underlying portfolio company cannot generate sufficient cash flow to meet its principal and interest payments on its debt obligations, the value of such underlying portfolio companies, and indirectly the Underlying Fund which owns such portfolio company, could be significantly reduced or even eliminated. Moreover, an Underlying Fund may itself employ leverage and an inability to meet its principal and interest payments on indebtedness will similarly have a material adverse effect on the Underlying Fund and ultimately the Fund.

**Investment in certain funds** – Investments in the Underlying Funds are not freely redeemable. There is no public market for the interests of the Underlying Funds and none is expected to develop.

**Illiquidity of Underlying Fund interests** – Interests in Underlying Funds are typically restricted as to their transferability under securities laws or under the terms and conditions of their respective governing documents and are highly illiquid. The sale of any such investments by the Master Fund may be possible only at substantial discounts, if at all. In addition, generally the consent of the general partner of such Underlying Fund is required to facilitate any transfer or sale of an interest in the Underlying Fund, which consent may be withheld in the discretion of the general partner, whether reasonable or not. Further, such investments may be extremely difficult to value with any degree of certainty.

**Lack of coordination among investment decisions of portfolio managers** – Investment decisions of the Underlying Funds are made by such Underlying Funds' portfolio managers independently of each other. Consequently, at any particular time, one Underlying Fund may be purchasing interests in an issuer that at the same time are being sold by another Underlying Fund. Investing by the Underlying Funds in this manner could cause the Fund to incur indirectly certain transaction costs without accomplishing any net investment result.

**Default by investors in Underlying Funds** – If another investor in any Underlying Fund defaults on its funding obligations, the Master Fund may be required to fund its pro-rata portion of such investor's default amount.

**Time Frame** – Underlying Funds typically have several years over which to call and invest their capital. Each Underlying Fund and/or portfolio company is also likely to take several years to mature to a point where it can be disposed of. Alternatively, to the extent an Underlying Fund invests all of its capital early in the life of the Underlying Fund, the Underlying Fund's exposure to market risks may be magnified and the Underlying Fund's management and other resources may become thinly spread.

**Ability to verify information** – Although the Investment Manager/Investment Consultant may sometimes seek to receive detailed information from each Underlying Fund regarding its historical performance and business strategy, in most cases the Investment Manager/Investment Consultant will have little or no means of independently verifying this information. An Underlying Fund may use proprietary investment strategies that are not fully disclosed to the Investment Manager/Investment Consultant, which may involve risks under some market conditions that are not anticipated by the Investment Manager/Investment Consultant.

**Multiple layers of expense** – The Underlying Funds each have multiple layers of expenses and management costs that will be borne, directly or indirectly, by the investors of the Fund. Such compensation, fees and expenses are expected to reduce the actual returns to investors of the Fund.

**In-kind distributions** – If the Master Fund receives distributions in kind from any investment, the Master Fund may incur additional costs and risks in connection with the disposition of those assets. Distributions made to the Fund in-kind could consist of securities for which there is no readily available public market or could consist of securities of companies unable to meet required interest or redemption payments. The Master Fund may experience difficulties in selling, or may be forced to sell, such securities at a price below what the Investment Manager/Investment Consultant believes the securities are worth in order to liquidate the in-kind distribution. The risk of loss and delay in liquidating these financial instruments will be borne by the Master Fund, with the result that investors in the Fund may ultimately receive less cash than they would have received if it had been paid in cash.

**Recall of distributions** – Some of the Underlying Funds may reserve the right to recall some or all of the distributions to their investors, including the Master Fund, in order to make additional investments, pay expenses or for other purposes.

**Reliance on unaffiliated portfolio managers** – Most of the Underlying Funds in which the Fund invests are managed by professional investment managers unrelated to the Master Fund. The returns achieved by the Fund thus will depend in large part on the efforts and performance results obtained by the portfolio managers of the Underlying Funds. The Investment Manager will attempt to evaluate each Underlying Fund based on an analysis of its investment portfolio from available information, criteria such as the performance history of prior vintage years of the Underlying Fund or other funds managed by its portfolio managers, and the investment strategies of the Underlying Fund. Past

performance may not, however, be a reliable indicator of future results, and portfolio managers, investment management personnel and investment strategies of any Underlying Fund in which the Fund invests may change without the consent of the Fund. In addition, the Fund will typically not be in a position to exercise control or substantial influence over the Underlying Funds. The actions taken by those holding a majority ownership interest in and/or control of an Underlying Fund may not always be in the best interests of the Fund and may even have an adverse effect on the Fund's investment in such Underlying Fund.

**Use of third-party service providers** – The Underlying Funds will delegate certain tasks to third party service providers, including the Underlying Fund's administrator and other service providers, and the Investment Manager/Investment Consultant may not be in a position to verify the risks or reliability of such third-parties. For example, certain aspects of fund administration, legal, accounting, audit, and tax reporting services will be provided to the Underlying Fund by third party service providers at the Underlying Fund's expense. The Underlying Fund may suffer adverse consequences from actions, errors or failure to act by such third parties, and may have obligations, including indemnity obligations, and limited recourse against them. While the Master Fund's monitoring of the Underlying Fund's investments may include developing a general understanding of what fees and types of fees may be charged to an Underlying Fund (and/or a company with respect to direct investments or co-investments) by the Underlying Fund's portfolio managers and/or affiliates of those having equity interests in the Underlying Fund or underlying, as applicable, neither the Master Fund nor the Investment Manager/Investment Consultant will be responsible for determining whether Underlying Funds and/or underlying companies (or the managers thereof or the service providers thereto) are properly charging fees and expenses or correctly calculating and/or allocating such fees and expenses (withholding or other taxes or fee offsets, if applicable); rather, it will be the responsibility of such Underlying Funds, underlying companies, the managers thereof and the service providers thereto (including their administrators and auditors) to verify these calculations. In addition to the foregoing, please note that the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and any ultimate sales price could be material.

**Institutional risk; prime brokers and custodians** – Institutions, such as brokerage firms or banks (including the custodians), may hold certain assets of an Underlying Fund in their own name and in non-segregated accounts. Bankruptcy or fraud at one of these institutions or other entities could impair the operational capabilities or the capital position of the Underlying Fund or result in its inability to perform its obligations. Certain brokers and custodians will have general custody of the assets of Underlying Funds, and the failure of a broker or custodian may result in adverse consequences to the assets held and may in turn have an adverse effect on the value of the Interests.

## 6.2. RISKS ASSOCIATED WITH THE FUND

**Track Record and Performance History Risk** - The Fund has an operating history; however, investors should not place undue reliance on the Fund's historical performance, if any, when assessing the likely future performance of the Fund. Early or short-term performance may not be representative of performance over a full market cycle or over the intended investment horizon of the Fund.

The Fund's future returns may differ materially from past outcomes as a result of changes in market conditions, credit environments, interest rates, underlying manager performance, portfolio composition or other factors. Past performance does not guarantee future performance and should be considered in conjunction with the risks described in this Information Memorandum.

**Fund Risk** – Fund risk refers to other specific risks associated with the Fund, such as termination and changes to fees and expenses. The performance of the Fund or the security of an Investor's capital is not guaranteed. There is no guarantee that the Investment Strategy of the Fund will be managed successfully or will meet its objectives. Failure to do so could negatively impact the performance of the Fund. An investment in the Fund is governed by the terms of the Constitution and this IM. The Trustee may elect, in accordance with the Constitution and the Corporations Act, to terminate the Fund for any reason.

**Master Feeder Fund Structure** – the Fund invests in PPNs issued by the Feeder Fund and the Feeder Fund invests in the Master Fund. As such, the Fund may be exposed to risks that are specific to the Feeder Fund and Master Fund. This may include operational risks, distribution risks, valuation risks, liquidity risks and tax risks that are specific to the Feeder Fund and Master Fund.

There may be more than one fund (other than the Fund) exposed to the Feeder Fund and subsequently, the Master Fund. Redemption requests received by one fund will ordinarily necessitate a corresponding redemption request from that fund to the Feeder Fund and subsequently, the Master Fund. As such, the ability of a fund to satisfy redemption requests received by it is partially dependent on the amount of redemption requests received by other fund(s) for the same redemption date. Prospective Fund investors should bear this in mind as it could either reduce or increase the

amount of redemption proceeds an investor may otherwise receive were there no other funds into the Feeder Fund and subsequently, the Master Fund.

**Legal structuring risk** – the Fund does not directly hold the underlying investments to which it principally has investment exposure. Controls have been established in the PPN Agreement to provide for the PPN to deliver to the Fund investment exposure that complies with the Fund's investment objective, investment strategy and investment guidelines as documented in an investment management agreement between the Investment Manager, the Feeder Fund and the Master Fund. The Trustee as a noteholder also has the ability to request for the PPN to be redeemed on a weekly basis, subject to the Issuer having the right to declare a suspension of redemptions.

**Unsecured and limited recourse obligations** – the recourse of the Trustee under the PPN Agreement shall at all times be limited to the proceeds of realisation of the unsecured assets of the Feeder Fund referable to the relevant PPNs.

The Feeder Fund is permitted to incur secured debt and leverage as disclosed in this IM. Any such secured debt will rank ahead of the PPNs in respect of any distributions or payments by the Feeder Fund. In an enforcement scenario under any secured debt, the provider(s) of any such secured debt will have the ability to enforce their security over the assets of the Feeder Fund and to dispose of or liquidate (on their own behalf or through a security trustee or receiver) the assets of the Feeder Fund in a manner which is beyond the control of the Trustee, Investment Manager or Feeder Fund. In such an enforcement scenario, there is no guarantee that there will be sufficient proceeds from the disposal or liquidation of the Feeder Fund's assets to repay any amounts due and payable on the PPNs. See Sections 3.1 and 3.6.2.1 for details around the leverage employed within the Fund and the leverage policy of the Fund.

**Cross Contamination Risk** – the Feeder Fund and Master Fund are each a separate legal entity/company. See Section 2 for details on the structure of the Fund.

The Fund has economic exposure to the Feeder Fund. Holders of one or more classes of PPNs in the Feeder Fund (including the Fund as a holder of the Feeder Class) or shareholders of one or more classes of the Master Fund may be compelled to bear the liabilities incurred in respect of other classes in each of the Feeder Fund and Master Fund which such participating holders do not themselves own if there are insufficient assets in that other class in each of the Feeder Fund and Master Fund to satisfy those liabilities. Accordingly, there is a risk that liabilities of one class in each of the Feeder Fund and Master Fund may not be limited to that particular class and may be required to be paid out of one or more other classes.

**Liquidity Risk** – The ability of the Master Fund to dispose of an investment with an Underlying Manager may depend on the specific terms agreed with the Underlying Manager, the assets held by the Underlying Manager in their funds, and whether there is a secondary market for funds managed by the Underlying Manager.

Where the Master Fund is unable to redeem or withdraw its holdings with the Underlying Managers, due to the illiquidity of the Underlying Assets, the ability of Investors to withdraw from the Fund, after the end of their lock-up period, may be impeded. Where it is necessary for the Underlying Managers to sell assets in order to meet redemption requests or other liquidity requirements, they may not be able to sell investments at an attractive valuation, and this may impact the capital value of your investment.

**Redemption Risk** – After the lock-up period, the Trustee may accept or reject redemption requests in its absolute discretion. Whilst it is expected that under normal market conditions requests to redeem will be accepted, this may not always be the case. Factors affecting whether redemption requests can be accepted include the ability of the Trustee to redeem the PPNs it holds in the Feeder Fund, the level of redemption requests received by the Trustee and prevailing market conditions. There may be times at which an Investor's ability to redeem their Units is restricted. The Trustee may suspend redemptions in certain circumstances and redemptions may also be staggered over a period of time.

**Investment Manager Replacement** – Under the Investment Management Agreement, the Investment Manager may only be terminated for cause. These instances include where Pengana Credit is insolvent, in breach of any provisions of the Investment Management Agreement or ceases to hold necessary authorisations to operate as a manager. If Pengana Credit is not meeting the Fund objectives, the Trustee may not be able to remove Pengana Credit as the manager of the Fund, the Feeder Fund or the Master Fund.

If Pengana Credit ceases to manage the Fund and the Investment Management Agreement is terminated, the Trustee will need to identify and engage a suitably qualified and experienced manager to manage the Fund and continue to meet the Fund's investment strategy. If Pengana Credit for any reason ceases to be the manager of the Master Fund or Feeder Fund, this is likely to impact the ability of the Fund to achieve the Investment Objective and implement the Investment Strategy.

**Trustee Risk** – The Trustee is required to supervise and monitor Pengana Credit and other service providers to the Fund. The Trustee has put in place policies and procedures to achieve this. These measures may not, however, be

successful or adequate, resulting in such service providers not being adequately supervised and monitored. This could result in the Trustee not being in a position to protect the interests of Investors.

**Conflicts of Interest** – Pengana Capital Limited is the Trustee of the Fund. Pengana Credit Pty Ltd, a related entity of Pengana Capital Limited, is the investment manager of each of the Fund, the Feeder Fund and the Master Fund. Situations may arise where the Trustee and Pengana Credit and their related entities have interests that conflict with those of the Investors.

The Trustee and Pengana Credit may act in a similar capacity, or be involved in other funds, which may have similar investment objectives, leading to conflicting demands in allocating time, services and other functions. If a conflict does arise, the Trustee and Pengana Credit will endeavour to ensure that such conflict is resolved fairly.

Other parties and investors (including investors with the Underlying Managers) may have interests that diverge from that of the Fund and Investors, which may have an adverse effect on Investors.

**Service Provider Risk** – Fund performance relies on the successful performance of the Trustee's contracts with service providers, such as the Investment Management Agreement with Pengana Credit, the Registry, and the Administrator. Refer to Section 4.4 for details on the Material Agreements. The Fund could be exposed to the risk of loss if a counterparty does not meet its obligations, including due to insolvency, financial distress or a dispute over the terms of the contract or the termination of any of the material agreements and there can be no assurance that the Trustee would be successful in enforcing its contractual rights. In the case of a counterparty default, the Fund may also be exposed to adverse market movements while the Trustee sources replacement service providers.

**Regulatory Approvals** – All regulatory approvals for the continued operation of the Fund, including licenses or exemptions from licensing for Pengana Credit have been obtained and the Trustee and Pengana Credit are not aware of any circumstances which might give rise to the cancellation or suspension of any of those approvals. If any of the approvals are cancelled or suspended, the Fund may be adversely affected.

### 6.3. GENERAL RISKS

**Legal and Regulatory Risk** – Legal and regulatory risk is the risk that a change in government policies, laws and regulations (including taxation and accounting) may adversely affect the value of an investment in the Fund, of the Fund or its underlying assets.

**Litigation Risks** – From time to time, the Trustee, Pengana Credit or Underlying Managers may be involved in litigation. This litigation may include, but is not limited to, contractual claims. If a claim is pursued against the Trustee, Pengana Credit or Underlying Managers, the litigation may adversely impact on the profits and financial performance of the Fund. Any claim, whether successful or not, may adversely impact the Fund, the capital value of your investment and/or the return on your investment.

**Cyber Security Breaches and Identity Theft** – Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in both frequency and severity. The Trustee's, Pengana Credit's, the Underlying Manager's and their respective service providers' information and technology systems may be vulnerable. If unauthorised parties gain access to such information and technology systems, they may be able to steal, publish, delete, or modify private and sensitive information. Breaches such as those involving covertly introduced malware, impersonation of authorised users (including through the use of artificial intelligence-generated voice, video and other deepfake content), AI-enabled phishing and social engineering, and industrial or other espionage may not be identified even with sophisticated prevention and detection systems. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Trustee's, Pengana Credit's and the Underlying Manager's – and accordingly, Fund operations.

### 6.4. INHERENT LIMITATIONS OF RISK DISCLOSURES

The discussion and summary of certain risk factors in this IM do not in any way purport to be a complete discussion nor should it be construed to imply that it is a complete list of all of the numerous risk factors that an Investor should consider prior to deciding whether to invest in the Fund.

## 7. GLOSSARY OF INDUSTRY TERMS, DEFINED TERMS AND ABBREVIATIONS

The following terms used in this IM have the following meanings unless the context otherwise requires.

<b>\$</b>	Australian dollars. All amounts in this IM are in Australian dollars unless otherwise stated.
<b>AMMA Statement</b>	AMIT member annual statement.
<b>ABN</b>	Australian business number.
<b>Administrator</b>	BNP Paribas SA
<b>AMIT</b>	Attribution Managed Investment Trust.
<b>AFSL</b>	Australian Financial Services Licence.
<b>AML</b>	Anti-Money Laundering.
<b>Application Adjustment</b>	An adjustment equal to the subscription spread applied in respect of the issue of PPNs held by the Fund that is applied to the Monthly Unit Price. Refer to Section 5.2.1 for further information.
<b>Application Form</b>	Means the form in Section 8
<b>Application Price</b>	The application price for the issue of an Unit. Refer to Section 5.2.1 for further information.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Asset-Based Lending</b>	A private credit investment strategy broadly including real assets such as real estate and infrastructure debt. Refer to Section 1.5 for further information.
<b>ATO</b>	Australian Taxation Office
<b>Auditor</b>	Ernst & Young
<b>Business Day</b>	A day on which banks are open for general banking business in Sydney, Australia.
<b>CFC</b>	Controlled foreign company
<b>Calendar Six Month Period</b>	The calendar six-month period ending on 31 December or 30 June each year.
<b>Class</b>	The class of Units offered under this IM.
<b>CGT</b>	Capital gains tax
<b>Constitution</b>	Means the constitution of the Fund as amended or replaced from time to time.
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Credit</b>	Has the meaning given to that term in Section 1.3. 'Credit' and 'Debt' are used interchangeably in this IM.
<b>Credit Opportunities</b>	A private credit investment strategy that potentially benefits from dislocations in the credit or equity markets. Refer to Section 1.5 for further information.
<b>CTF</b>	Counter Terrorism Financing
<b>Custodian</b>	BNP Paribas SA
<b>Direct Lending</b>	A private credit investment strategy involving lending directly to companies. Refer to Section 1.5 for further information.

<b>Feeder Class</b>	Class of notes (PPNs) in the Feeder Fund's Wholesale Class (Hedged), which are issued to the Fund by the Pengana Private Credit Feeder Fund.
<b>Feeder Fund</b>	Pengana Private Credit Feeder Fund
<b>Financial Year End</b>	Each 30 June
<b>Fund</b>	Pengana Diversified Private Credit Fund
<b>FX</b>	Foreign exchange
<b>Gross Asset Value</b>	The value of the Class' investments, excluding any accruals for unpaid distributions and fees charged by Pengana Credit. Also known as "GAV".
<b>GFC</b>	Global Financial Crisis
<b>GST</b>	Goods and Services Tax
<b>IC</b>	The Investment Committee as described in Section 3.3 of this IM.
<b>ICG</b>	The Investment Consulting Group described in Section 3.3 of this IM.
<b>IM</b>	This information memorandum
<b>Investment Consultant</b>	Mercer Consulting (Australia) Pty Ltd
<b>Investment Consulting Agreement</b>	The agreement between the Investment Manager and the Investment Consultant, which consists of an engagement letter, statement of works and terms and conditions as referred to in Section 4.4.4.
<b>Investment Management Agreement</b>	The investment management agreement between Pengana Credit and the Trustee as trustee for the Fund, as amended from time to time, pursuant to which Pengana Credit agrees to provide certain investment management services in respect of the Fund.
<b>Investment Manager</b>	Pengana Credit Pty Ltd (ACN 659 608 849, CAR 001297160), in its capacity as investment manager of the Fund, Feeder Fund, and/or Master Fund as the context requires.
<b>Investment Objective</b>	The investment objective as described in Section 3.1 of this Information Memorandum.
<b>Investment Strategy</b>	The investment strategy implemented to achieve the investment objective as described in Section 3.2 of this Information Memorandum.
<b>Investor</b>	A registered holder of a Unit.
<b>Hurdle</b>	Has the meaning given to that term in Section 5.4.2
<b>KYC</b>	Know Your Customer.
<b>Liquid Credit</b>	Credit securities that may be traded on a public capital market.
<b>Master Class</b>	A class of participating shares in the Master Fund providing investment exposure to investments in private credit, each of which is exposed to funds managed by Underlying Managers that share common characteristics and objectives.
<b>Master Fund</b>	Pengana Private Credit Master Fund.
<b>Mercer</b>	Mercer Consulting (Australia) Pty Ltd.
<b>MIT</b>	A managed investment trust for Australian income tax purposes.
<b>Monthly Pricing Day</b>	The last calendar day of each Month .
<b>Monthly Unit Price</b>	The Unit Price calculated on the last calendar day for each month before any adjustment to create an Application Price or Redemption Price. Refer to Section 5.2 for more information.

<b>Net Asset Value</b>	The value of the Fund's or Class's assets less the Fund's or Class's liabilities. Also known as "NAV".
<b>PCG</b>	Pengana Capital Group Limited (ABN 43 059 300 426).
<b>Pengana Credit</b>	Pengana Credit Pty Ltd (ACN 659 608 849, CAR 001297160), in its capacity as Investment Manager of the Fund, Feeder Fund, and/or Master Fund as the context requires.
<b>Portfolio</b>	The assets of the Master Fund which the Fund is directly or indirectly exposed to through its Feeder Class and Master Fund Class investments.
<b>PPN</b>	Has the meaning given to that term in Section 2
<b>PPN Agreement</b>	The agreement between the Feeder Fund and the Trustee, which consists of a note deed poll and note subscription agreement as referred to in Section 4.4.2.1.
<b>Quarter</b>	The period of three calendar months ending on March 31, June 30, September 30, or December 31.
<b>Quarterly Pricing Day</b>	The last calendar day of the last month of each Quarter
<b>Redemption Adjustment</b>	An adjustment equal to the redemption spread applied in respect of the redemption of PPNs held by the Fund that is applied to the Monthly Unit Price. Refer to Section 5.2.1 for further information.
<b>Redemption Price</b>	The redemption price for the redemption of an Unit. Refer to Section 5.2.1 for further information.
<b>Registry</b>	BNP Paribas SA
<b>Reserve Bank of Australia Official Cash Rate</b>	The Reserve Bank Board's operational target for monetary policy. It is the interest rate on unsecured overnight loans between banks. Also known as 'RBA Official Cash Rate' or 'RBA OCR'.
<b>RITC</b>	Reduced input tax credits.
<b>Secured Overnight Financing Rate</b>	The weighted average of the overnight rates used in U.S. Treasury bond repurchase agreements as published by the New York Federal Reserve Bank. Also known as 'SOFR'.
<b>Specialty Finance</b>	A private credit investment strategy including niche lending that requires specialised knowledge. Refer to Section 1.5 for further information.
<b>Structured Credit</b>	A private credit investment strategy consisting of loans dependent on performance of asset pools. Refer to Section 1.5 for further information.
<b>Target Return</b>	RBA Official Cash Rate plus 7 - 9% p.a. in Australian Dollars, generated over a rolling 5 year investment horizon.
<b>TFN</b>	Tax file number
<b>Transaction Costs</b>	Has the meaning given to that term in Section 5.2.4.
<b>Trustee</b>	Pengana Capital Limited (ABN 30 103 800 568, AFSL 226 566) in its capacity as trustee for the Fund. Also known as 'We' or 'Us'.
<b>Underlying Assets</b>	The assets held in the funds held by the Master Fund.
<b>Underlying Funds</b>	Funds managed by the Underlying Managers.
<b>Underlying Managers</b>	The managers of the funds in which the Master Fund invests.
<b>Unit Price</b>	NAV of a Class divided by the total number of Units in the Class (including adjustments as defined in this IM).
<b>Unit</b>	Means a unit of capital in the Class.
<b>Withdrawal Form</b>	Means the form available at <a href="http://www.pengana.com/resources/forms">www.pengana.com/resources/forms</a>

## 8. APPLICATION FORM

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