

PENGANA HIGH CONVICTION PROPERTY SECURITIES FUND

DESCRIPTION

A Property Fund focussed on capital security, income yield, and sustainable growth.
 The Fund believes each security has an underlying or intrinsic value and that securities become mispriced at times relative to their value and each other.
 The Fund seeks to exploit such market inefficiencies by employing an active, value based investment style to capture the underlying cashflows generated from real estate assets and/or real estate businesses.
 The Fund believes that responsible investing is important to generate long term sustainable returns. Incorporating ESG factors along-side financial measures provides a complete view of the risk/return characteristics of our property investments.
 The Fund is benchmark unaware. All positions are high conviction and assessed on a risk-reward basis, resulting in a concentrated portfolio of 10-20 securities.

STATISTICAL DATA

VOLATILITY³	NUMBER OF STOCKS 16	BETA⁴	MAXIMUM DRAW DOWN -31.4%
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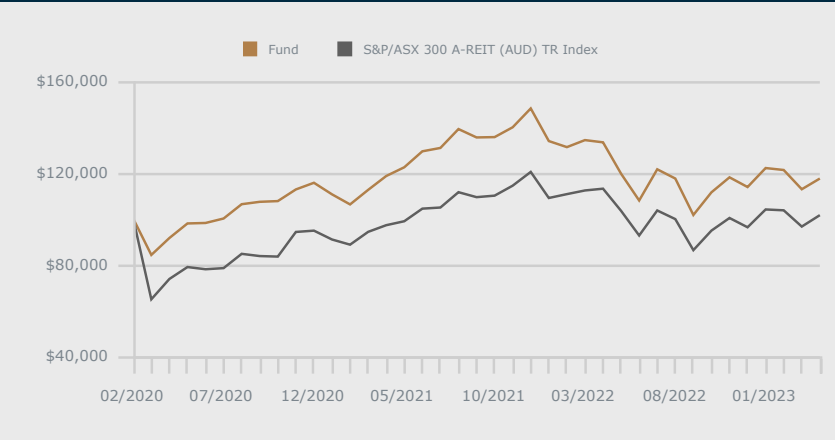
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Apr 2023¹

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	4.1%	-11.8%	-0.5%	8.7%	5.2%
S&P/ASX 300 A-REIT (AUD) TR Index	5.2%	-10.2%	2.2%	11.3%	0.5%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Charter Hall Group	Real Estate
Goodman Group	Real Estate
GPT Group	Real Estate
Lifestyle Communities	Real Estate
Stockland	Real Estate

SECTOR BREAKDOWN

Retail REITs	7.7%
Diversified REITs	36.9%
Specialized REITs	4.4%
Industrial REITs	26.1%
Real Estate Management & Development	13.2%
IT Services	3.5%
Health Care REITs	4.4%
Cash	3.8%

FROM FEAR OF INFLATION TO FEAR OF RECESSION, AND 2 FACTORS TO DRIVE OUTPERFORMANCE

COMMENTARY

The Australian REIT sector continued its rollercoaster ride of performance, delivering a +5.2% return in April, after the RBA's pause in rates at 3.60%. This saw the sector recover most of its decline in the previous month, with year-to-date performance slightly ahead of the broader market.

The Fund returned +4.2% in the month of April, with our exposure to **Centuria Capital Group** (CNI+13.6%) and **Stockland Group** (SGP +11.8%) contributing the most to performance, whilst our exposure to **RAM Essential Services Property Fund** (REP -2.0%) and **HealthCo Healthcare and Wellness REIT** (HCW -0.4%) detracted from performance.

The unexpected 25 bps cash rate rise to 3.85% on 3 May 2023 took the market by surprise, having expected the RBA to pause for the second time following its decision in April.

Whether the RBA continues to raise rates will depend on the unemployment rate and what's happening in the U.S., with the market currently pricing in for a recession by the end of the year. This is reflected in the inverted yield curve where the Australian 3-year bond yield is below the cash rate.

Looking at the health of the economy, inflation is still high at 7% (well outside the 2%-3% RBA target range), employment levels are still strong (with the unemployment rate at 3.5%), the housing shortage, and affordability, remains a concern with vacancy rates at an all-time low (<1%), and with strong recovery in migration expected over the next two years.

So how are we positioned?

The market will remain jittery as inflation remains high, but the risk now seems to shift from high inflation to slowing growth. As we enter into a weaker economy, this tends to drive earnings downgrades and the outperformance of defensive over cyclical sectors.

For AREITs this means convenience retail over discretionary, and alternative assets such as healthcare, childcare, and retirement living over core office, retail, and industrials.

As interest rates stabilise, we are starting to see more confidence in the recovery of residential fundamentals with the CoreLogic home value index data released in early April posting a +0.6% monthly gain. This was the first month-on-month gain in national house prices since the housing downturn started in May 2022.

There are two factors why we think residential REITs will outperform over the medium term:

- With the embedded lack of housing supply (vacancy rates <1%) and affordability issues in Australia, we believe that housing, especially affordable housing, will continue to be supported; particularly as migration is set to pick up remarkably in the next couple of years (700,000 new migrants expected to come to Australia by the end of 2024), well above the long term average.
- Rate hikes are slowing, which should be supportive for residential markets, and more importantly, the market is pricing in a rate cut later in the year as the risk of the U.S. going into a recession increases.

The Fund continues to support defensive retailing with more than 15% exposure to convenience retail anchored by supermarkets and essential services, and our overweight exposure to affordable housing such as **Stockland Group (SGP)**, **Lifestyle Communities (LIC)**, and **Peet Group (PPC)**. These exposures support our strategy to deliver a solid yield of 5% and sustainable earnings growth of 4% to our investors.

FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A\$ 1.0157
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 16.18m
STRATEGY INCEPTION DATE	11 March 2020
BENCHMARK	S&P/ASX 300 A-REIT Total Return Index

FUND MANAGERS



Amy Pham
Portfolio Manager



Jade Ong
Investment Specialist

1. Net performance figures are shown after all fees and expenses, and assume reinvestment of distributions. The Fund inceptioned on March 11th 2020. Index performance calculations include a complete month's performance for March 2020. No allowance has been made for buy/sell spreads. Please refer to the PDS for information regarding risks. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

2. Inception 11 March 2020.

3. Annualised standard deviation since inception.

4. Relative to S&P/ASX 300 A-REIT TotalReturn Index.

* For further information regarding fees please see the PDS available on our website.

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