

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.

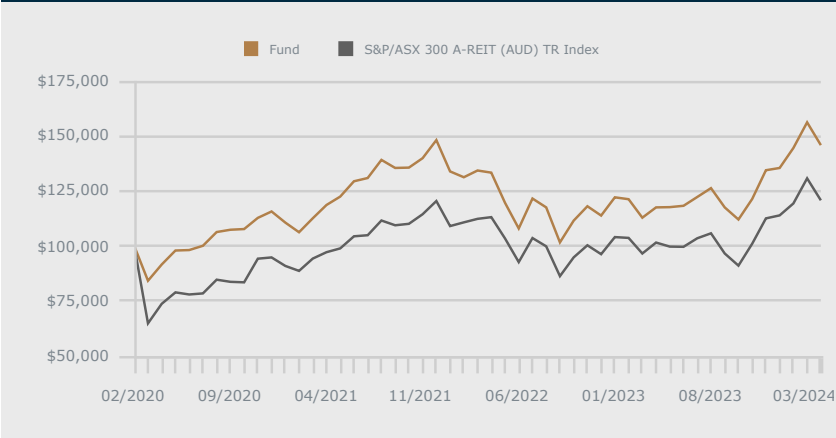
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Apr 2024¹

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	-6.6%	24.1%	4.6%	7.1%	9.5%
S&P/ASX 300 A-REIT (AUD) TR Index	-7.6%	18.9%	3.3%	7.5%	4.6%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Goodman Group	Real Estate
Ingenia Communities Group	Real Estate
National Storage REIT	Real Estate
Scentre Group	Real Estate
Stockland	Real Estate

SECTOR BREAKDOWN

Retail REITs	22%
Diversified REITs	17.3%
Specialized REITs	7.8%
Industrial REITs	35.5%
Real Estate Management & Development	1.9%
IT Services	3.2%
Health Care REITs	2.4%
Residential REITs	5%
Capital Markets	2.7%
Cash	2.1%

STATISTICAL DATA

VOLATILITY³ 21.6%

NUMBER OF STOCKS 14

BETA⁴ 0.74

MAXIMUM DRAW DOWN -31.4%

THE HOUSING CRISIS AND HOW REITS CAN HELP SOLVE THE ISSUE

COMMENTARY

The A-REIT sector gave back most of the previous month's performance to return -7.64% in April, as 10-year bonds rose sharply to 4.42% on the back of higher inflation prints in Australia and the US. In comparison, the Fund returned -6.63% outperforming the benchmark by 1.00%. Key contributors to the outperformance came from our exposure to non-index stocks such as **RAM Essential Services Property Fund** (REP -2.38%), **Peet Limited** (PPC -1.24%), and **NextDC** (NXT -5.12%).

This month our focus turns to the residential sector and the key challenges and opportunities for REITs. It has been well documented that with interest rates having risen significantly since May 2022, coupled with limited supply and strong population growth, we find ourselves coming out of COVID four years later in a housing crisis. Key bottlenecks to supply include 1) the lengthy process in rezoning of land; 2) supply chain constraints and rising construction costs, which are only now subsiding after being a significant issue for the last two years; and 3) labour shortages. As a result, a large number of Australian builders have gone into administration, putting further pressure on supply. At the same time, immigration has surged and is expected to exceed the government forecast by 140,000 over the next three years.

We believe another key issue is affordability. While the established housing market's strong recovery continues, it is being driven by higher income buyers, a different cohort to new housing markets which generally skew towards younger, middle income, and first-home buyers. Indeed, with the rise in interest rates and buying power down 22% since December 2019 whilst construction costs are up 40%, we are unlikely to see a material rise in new housing activity.

So what needs to happen? Efforts to cut red tap and more efficient planning would be a positive. However, the key driver still rests on interest rate cuts to improve affordability and ultimately drive new supply.

In the meantime, residential developers within the REIT sector have flagged that sales will remain subdued over the medium term but are actively implementing several strategies to meet the market including 1) lowering lot size to reduce total price, 2) offering land lease products, and 3) focusing on built-to-rent.

Our strategy is supportive of this trend by favouring REITs with affordable products such as **Stockland** (SGP) and **Peet Limited** (PPC) and land lease communities such as **Ingenia Group** (INA).

FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A\$ 1.2127
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 19.45m
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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