MONTHLY REPORT
JUNE 2024

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.

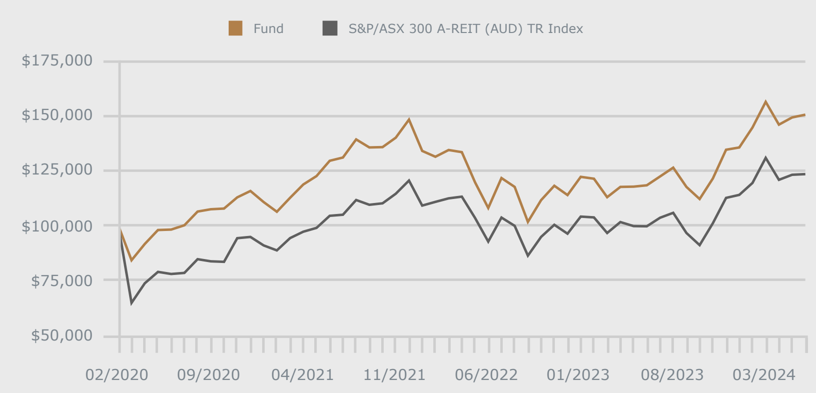
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Jun 2024 [1]

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	0.8%	27.1%	18.0%	5.1%	9.9%
S&P/ASX 300 A-REIT (AUD) TR Index	0.2%	23.8%	15.3%	5.7%	5.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION [2]



TOP HOLDINGS (ALPHABETICALLY)

Goodman Group	Real Estate
HomeCo Daily Needs REIT	Real Estate
National Storage REIT	Real Estate
Scentre Group	Real Estate
Stockland	Real Estate

SECTOR BREAKDOWN

Retail REITs	20.9%
Diversified REITs	17.5%
Specialized REITs	7.5%
Industrial REITs	38.4%
Real Estate Management & Development	1.9%
IT Services	3.2%
Residential REITs	5%
Capital Markets	2.6%
Cash	3%

STATISTICAL DATA

VOLATILITY [3]	21.2%
NUMBER OF STOCKS	14
BETA [4]	0.74
MAXIMUM DRAW DOWN	-31.4%

LOOKING AHEAD TO FY25

COMMENTARY

The Fund delivered another month of outperformance in June, closing with +0.84% return compared with the S&P/ASX 300 A-REIT Index of +0.23%. For the 2024 financial year, the Fund delivered a strong performance of +27.13% compared to the Index return of +23.79%, generating an outperformance of +3.34%.

Key contributors to outperformance for the year include our underweight position in the office sector (zero holdings in pure office REITs), selective positionings in retail (favour convenience retail) and the alternative real estate sector (such as data centres and senior living). On a stock basis, our investment in **NextDC** (NXT +41.43%) continued to benefit from the theme of exponential growth in AI boosting data centre demand, whilst **Lifestyle Communities** (LIC +13.35%) benefited from secular drivers of the ageing population and affordable housing.

Looking ahead we see further upside in the sector as rates stabilise and start to come down from these levels. Improved certainty around the outlook for interest rates and asset values troughing is helping regain investor confidence, thereby leading to a pick-up in transaction volumes and providing further market evidence to valuations.

In the short term, interest rates remain volatile and highly data dependent. With the stronger than expected headline CPI measure in May at 4.0% year-on-year, the market quickly vacillates from a potential rate cut to now a rate hike of 0.25% in August to bring cash rates to 4.6%. Whether there'll be one more rate hike or not, the consensus view is that rates have peaked or are near peaking i.e. we are closer to the end of a rate hiking cycle.

With the back drop of a higher for longer interest rate environment, several positive factors drive the relative performance of A-REITs compared to the broader equities market including: 1) asset values have fallen approx. 25% from their peak and are closer to trough with transaction volumes increasing; 2) debt markets are improving and the impact on FY25 earnings is minimal given most REITs have over 70% of their debt hedged; 3) consumers have broadly remained resilient which is positive for retail malls and 4) less office supply to come on to the market will lead to improved vacancy rates and effective rents.

We remain selective and favour REITs with a strong balance sheet and high visibility of earnings. The Fund is forecast to deliver a total return of 10% (4% distribution growth and 6% earnings growth) over the next 12 months. This is underpinned by holding high quality businesses such as **Goodman Group** (GMG) and **Stockland Group** (SGP) and the alternative real estate sector. Our selective positions in non-index stocks demonstrate where the Fund differentiates from its peers, providing an opportunity to gain exposure to businesses that are benefiting from secular trends such as data centres, senior living, real estate private credit, childcare, and healthcare.

FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A$ 1.2504
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 19.94m
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 incepted 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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