

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 15

BETA⁴

MAXIMUM DRAW DOWN -31.4%

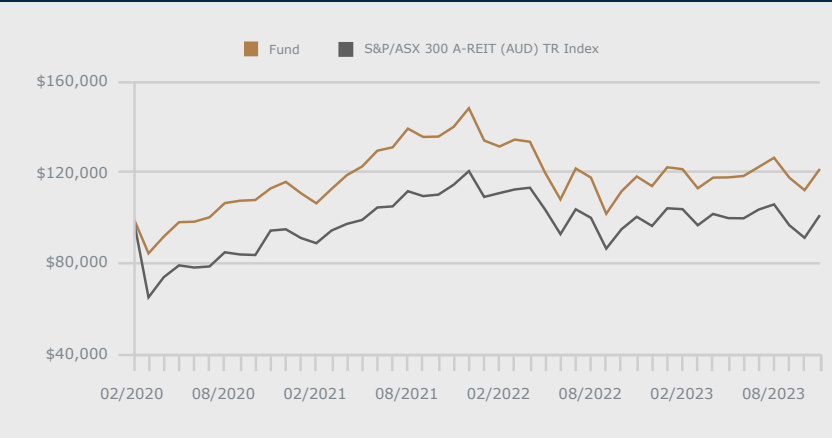
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Nov 2023¹

| | 1 MTH | 1 YEAR | 2 YEARS P.A. | 3 YEARS P.A. | SINCE INCEPTION P.A. |
|--|-------|--------|--------------|--------------|----------------------|
| High Conviction Property Securities Fund | 8.3% | 2.8% | -6.9% | 2.5% | 5.3% |
| S&P/ASX 300 A-REIT (AUD) TR Index | 10.9% | 0.7% | -6.0% | 2.3% | 0.3% |

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

| | |
|---------------|------------------------|
| Arena REIT | Real Estate |
| Goodman Group | Real Estate |
| NEXTDC Ltd | Information Technology |
| Scentre Group | Real Estate |
| Stockland | Real Estate |

SECTOR BREAKDOWN

| | |
|--------------------------------------|-------|
| Office REITs | 2.1% |
| Retail REITs | 17.5% |
| Diversified REITs | 19.7% |
| Specialized REITs | 8.8% |
| Industrial REITs | 30.8% |
| Real Estate Management & Development | 6.4% |
| IT Services | 5.2% |
| Health Care REITs | 4.2% |
| Residential REITs | 2.7% |
| Cash | 2.5% |

TIME TO LOOK FORWARD

COMMENTARY

The past year has been a challenge for the AREIT sector with rising inflation affecting bond yields and cash rates. With inflation slowing from the peak of 8% to currently 4.6%, markets are starting to factor in a more stable interest rate environment which is supportive of the REIT sector as it impacts valuations and the cost of capital.

A-REITs had a strong rebound in November, with the index up 10.93% as Australian and US bond yields dropped in response to positive inflation prints during the month, dampening probabilities of future rate hikes. With 'peak rates' now in sight, investors turned to names that have been oversold over the past year. In particular, fund managers saw the largest gains over the month, with **Centuria Group** (CNI +27.95%) and **Charter Hall Group** (CHC +19.95%) among the top performers.

The Fund returned 8.3% in November. The main contributors to performance were **Centuria Group** and **Stockland Group** (SGP +16.67%), whilst our holding in **Healthco Healthcare** and **Wellness REIT** (HCW -3.64%) and **Qualitas Limited** (QAL -6.52%) detracted from performance. These two stocks were impacted due to small cap volatility, but we remain confident in their ability to grow earnings over the medium to long-term outlook. For the past 12 months rolling, the Fund returned 2.8% compared to the benchmark of 0.7%.

So where to from here? The sector is currently trading at an average 20%-30% discount to NTA's (from 30-40% last month). If bond yields and the BBSW futures curve continue to fall, this could indicate the end of several years of rising interest expenses and falling valuations.

Can the gap be fully closed? We believe transactional evidence is still weak, particularly in the office sector. Positively, in the last six months industrial and small retail assets have been sold at book value. As interest rates stabilise, we expect more transactional evidence to emerge. The up and coming half-yearly reporting season will be an important one as the market will assess the health of REITs and which are best placed to take advantage of the current dislocation and have the capacity to set themselves up for the next growth cycle.

We have positioned the portfolio to invest in REITs that have a strong balance sheet to drive growth and leverage to sectors that are well-placed to benefit from a market recovery. These include **Goodman Group** with its \$50 billion data centre development pipeline to leverage into the structural shift towards cloud computing and AI, as well as **Stockland Group** (residential) and **Scentre Group** (large retail mall) who are both beneficiaries of the anticipated population growth with over 700,000 new immigrants expected to be entering Australia over the coming years.

We remain cautious about office REITs due to the ongoing structural impact of working from home and the cyclical impact of a softer economy, which may delay the recovery in the sector even as bond yields decline.

FEATURES

| | |
|----------------------------|---|
| APIR CODE | PCL8246AU |
| REDEMPTION PRICE | A\$ 1.0243 |
| FEES * | Management Fee: 0.70% Performance Fee: 15% |
| MINIMUM INITIAL INVESTMENT | A\$10,000 |
| FUM AT MONTH END | A\$ 16.54m |
| 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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