MONTHLY REPORT
JANUARY 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.

STATISTICAL DATA

VOLATILITY[3]	NUMBER OF STOCKS	BETA[4]	MAXIMUM DRAW DOWN
	15		-31.4%

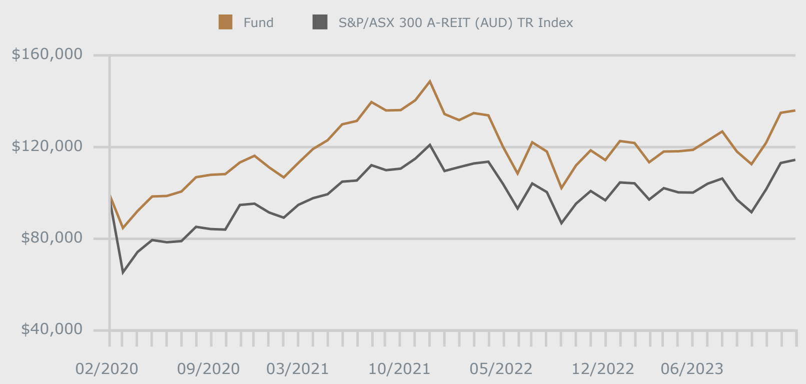
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Jan 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%	10.9%	0.6%	7.0%	8.0%
S&P/ASX 300 A-REIT (AUD) TR Index	1.2%	9.5%	2.2%	7.8%	3.4%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Arena REIT	Real Estate
Goodman Group	Real Estate
Ingenia Communities Group	Real Estate
Scentre Group	Real Estate
Stockland	Real Estate

SECTOR BREAKDOWN

Office REITs	2.1%
Retail REITs	19.7%
Diversified REITs	17.4%
Specialized REITs	8.3%
Industrial REITs	31.7%
Real Estate Management & Development	2.1%
IT Services	2.7%
Health Care REITs	3.9%
Residential REITs	5.1%
Capital Markets	2.9%
Cash	4%

SETTING UP FOR GROWTH

COMMENTARY

A-REITs started 2024 with a +1.21% return in January, as weaker Australian inflation and soft employment numbers in the US further pointed to potential near-term rate cuts. In comparison, the Fund returned +0.76% over the month.

The main contributors included our investment in **Qualitas Limited** (QAL +5.98%) and **HomeCo Daily Needs REIT** (HDN +4.10%), whilst **HealthCo Healthcare and Wellness REIT** (HCW -7.14%) and **Arena REIT** (ARF -5.66%) detracted from performance. We remain positive on HCW and ARF particularly as the ACCC inquiry into the childcare services sector was released on 29 January 2024 with minimal impact on childcare landlords.

We recently recorded an interview between Executive Director Adam Myers and Portfolio Manager Amy Pham, where they discuss how the Fund navigated the challenges of 2023 in the real estate market, highlighting the advantages of being a high-conviction fund and focusing on REITs with high-quality management and assets.

As we head into reporting season, the outlook for REITs is a lot more supportive with signs of a peak in rates and the potential for rate cuts to occur later this year.

Based on REITs that have reported so far, the majority have re-affirmed earnings guidance for FY24. 2023 clearly was a trough in earnings with the headwinds from high cost of debt, property expenses and corporate overheads dissipating.

This is a turning point for REITs. We are starting to see companies with solid balance sheets or access to third party capital able to execute on strategy. These groups are well placed to acquire assets at an attractive price or ramp up developments to grow earnings.

We remain positive on the logistics sector given the demand/supply dynamics, continued strong rental growth albeit off peak levels, and opportunities for further upside through a shifting focus towards data centres. We also favour large retail malls due to the resilience in earnings from lease structures with embedded rental growth despite consumer slowdown. In residential, we favour the more affordable products such as Master Plan Communities and Land Lease Communities benefiting from structural tailwinds. On a stock analysis, we look for companies with a strong balance sheet and resilient earnings. This is important as the sector positions itself for the next growth phase.

FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A$ 1.1321
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 18.48m
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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