MONTHLY REPORT
MARCH 2023

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%

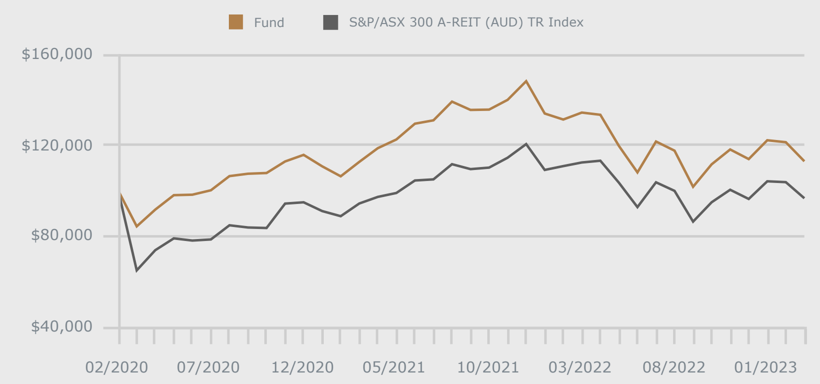
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 2023[1]

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	-6.9%	-16.0%	0.1%	10.3%	4.0%
S&P/ASX 300 A-REIT (AUD) TR Index	-6.8%	-14%	1.2%	14.2%	-1.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



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	**36.1%**
Specialized REITs	**4.4%**
Industrial REITs	**26.3%**
Real Estate Management & Development	**13.2%**
IT Services	**3.4%**
Health Care REITs	**4.5%**
Cash	**4.4%**

COMMERCIAL REAL ESTATE CONCERNS - ARE THEY JUSTIFIED?

COMMENTARY

REITs were off 6.8% in March, reversing most of the gains at the start of the year. The Fund performed in line with the index with contributors to performance including our exposure to Peet Ltd (PPC +2.7%) and NextDC (NXT 1.9%) whilst HealthCo Wellness REIT (HCW -16.5%) and Qualitas (QAL -14.0%) detracted from performance. The former undertook a rights issue to fund an accretive portfolio acquisition and the latter sold off on perceived risk around the construction and building sector.

The recent U.S. banking market volatility has led to concerns around the cost and availability of credit for commercial real estate in Australia. We have stress tested stock specific financing risks – including REITs with U.S. Private Placement exposures – across our portfolio and believe our holdings are well capitalised to fund future developments and acquisitions. In addition, we continue to assess the risk of contagion across the banking system and the implications on commercial real estate markets more broadly, although we believe that the temporary injection of liquidity into the U.S. system via the Bank Term Funding Program has significantly reduced this risk.

A reduction in commercial real estate lending has been on the cards for a while in the U.S., although like in Australia, the listed real estate sector is mostly financed with a diversified and long-dated pool of debt instruments. From our perspective, the situation in the US appears to be focused around private / non-institutional borrowers (who typically borrow with higher leverage / floating debt) or suburban office investments (which have been hit by working from home thematics and significant devaluations). We believe a similar situation in Australia is likely to slowly unfold, however the institutional market will be relatively resilient due to REITs' better negotiating leverage with their financiers. We have continued to maintain our substantial long-term underweight to the office sector in anticipation of significant devaluations to redundant stock within the sub-sector.

Overall, we would note that AREITs are in a much better position compared to during the GFC, with low average gearing of 26% (compared to 40-45% during the GFC) and the source of debt is much more diversified, and well hedged at >60%. Only 10% of AREIT debt across the large caps expires in the next two years, and interest coverage ratios are expected to be maintained at >4.0x moving forward. When you combine all of these factors, the majority of AREITs are therefore well capitalised to fund any committed developments, dividends, and near-term debt expiries, so the need to issue dilutive capital raisings at a discount to NTA is limited.

From a macro prospective, 10 year bonds both in the US and Australia have came down significantly from their peaks a year ago, which should see support for the sector, particularly the REITs that have been oversold.

FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A$ 0.9801
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 15.6m
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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