PENGANA CAPITAL GROUP

MONTHLY REPORT
MARCH 2026

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.

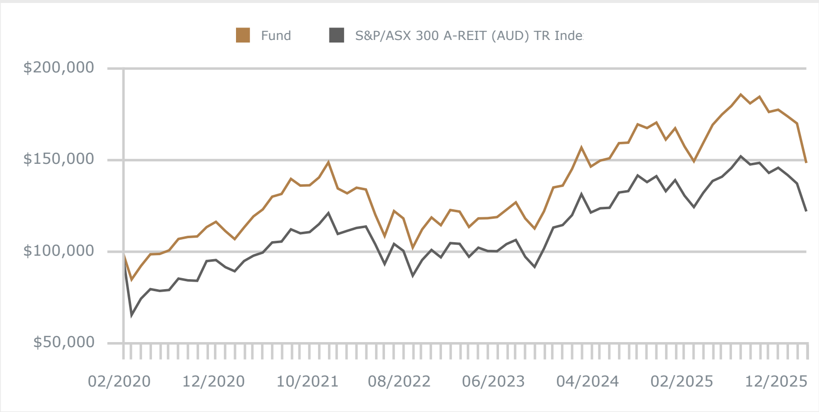
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 2026 [1]

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	-12.7%	-0.6%	-2.7%	9.4%	6.6%
S&P/ASX 300 A-REIT (AUD) TR Index	-11.2%	-1.9%	-3.6%	7.9%	3.2%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION [2]



TOP HOLDINGS (ALPHABETICALLY)

Arena REIT	Real Estate
Gemlife Communities Group	Real Estate
Goodman Group	Real Estate
Region Group	Real Estate
Scentre Group	Real Estate

SECTOR BREAKDOWN

Retail REITs	21.2%
Diversified REITs	10.6%
Specialized REITs	4.7%
Industrial REITs	41.7%
Real Estate Management & Development	11.6%
IT Services	2.2%
Capital Markets	2.4%
Cash	5.5%

STATISTICAL DATA

VOLATILITY[3]	20.4%
NUMBER OF STOCKS	14
BETA[4]	0.75
MAXIMUM DRAW DOWN	-31.4%

3 THINGS TO CONSIDER IN THE CURRENT ENVIRONMENT

COMMENTARY

A-REITs were caught in a broad market sell-off in March, despite reporting solid results in February. The sector recorded a total return of -11.2%, marking its largest monthly decline in over three years, as the onset of the Middle East war unsettled global markets, driving a sharp steepening in the yield curve to 4.97% and a second consecutive 25bp RBA rate hike.

The Fund was not immune, returning -12.7% over the month, underperforming the benchmark by 1.6%. On a rolling 12-month basis, the Fund returned -0.6%, compared to the benchmark's -1.9%, representing an outperformance of +1.3%.

The main detractors for the month were our exposures to residential developers, including **Cedar Woods Properties** (CWP -20.54%), **Qualitas** (QAL -22.34%) and **GemLife Communities** (GLF -17.01%). However, these positions have been key contributors to performance over the past 12 months, led by **Cedar Woods Properties** (CWP +42.30%), **Aspen Group** (APZ +62.59%) and **Peet Limited** (PPC +15.95%).

Escalation of geopolitical tensions in the Middle East has weighed on the sector, pushing bond yields higher and bringing inflation risks back into focus.

There are several factors to consider: 1) Are higher bond yields reflected in valuations? 2) Should investors start buying A-REITs? and 3) Is the energy and supply chain shock triggered by the conflict comparable to those seen during the pandemic?

- Australian 10-year bond yields have moved above 5.0%, putting pressure on REIT valuations. At current levels, GPT Group's (often used as a proxy for the sector) implied cap rate (~6.8%) is broadly in line with historical levels when yields were last this high, suggesting market pricing remains reasonable. However, the recent rise in yields could still drive modest cap rate expansion of around 25–50 bps from December 2025 book values.
- The forward yield curve is currently pricing in three additional RBA rate hikes in May, August, and September 2026. If realised, the optimal entry point would likely be toward the end of the hiking cycle, around 3Q CY26. However, several economists expect no further rate hikes, forecasting the cash rate to remain at 4.1% through to 2027 before easing begins, with 25 bp cuts anticipated in May and August 2027. Under this scenario, the opportunity to accumulate the sector is already emerging. Supporting this view, the sector is currently trading on a 1-year forward P/E of 14.8x, well below its 10-year average of 16.6x.
- While the Iran conflict is disrupting around 20% of global oil flows, as well as roughly one-fifth of LNG supply, and ~30% of traded fertilisers, the shock is more contained than previous disruptions. Importantly, it is occurring against a backdrop of elevated inflation uncertainty, with most G10 economies still running above-target inflation and inflation expectations remaining elevated across consumers and businesses. By contrast, during the pandemic, supply chain disruptions affected a broad range of industries simultaneously, with wholesale trade, utilities and logistics transmitting cost pressures across much of the CPI basket, exacerbated by constraints on both goods and labour mobility. The current shock is narrower and largely concentrated in commodity channels, although broader impacts could emerge if the conflict prolongs and escalates further.

Putting the above into perspective, we see good buying opportunities in high quality names such as Goodman Group. In the residential sector, we are more selective – peak margins, rising costs and lower settlement volumes are potential headwinds for larger scale developers. However, we still see pockets of value in smaller, more affordable product offerings such as Cedar Woods Properties and Peet Limited, where there is valuation support from our bottom up analysis.

FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A$ 1.0321
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 34.46m
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.

PENGANA HIGH CONVICTION PROPERTY SECURITIES FUND

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com

PENGANA CAPITAL GROUP

PENGANA.COM

Pengana Capital Ltd (ABN 30 103 800 568, Australian financial services license number 226566) is the issuer of units in the Pengana High Conviction Property Securities Fund (ARSN 639 011 180) (the "Fund"). An Information Memorandum and Target Market Determination are available and can be obtained from our distribution team. A person should obtain a copy of the product disclosure statement and should consider the product disclosure statement carefully before deciding whether to acquire, or to continue to hold, or making any other decision in respect of, the units in the Fund. This report was prepared by Pengana Capital Ltd and does not contain any investment recommendation or investment advice. This report has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Pengana Capital Ltd nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund.