PENGANA
CAPITAL GROUP

MONTHLY REPORT
MAY 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
	18		-31.4%

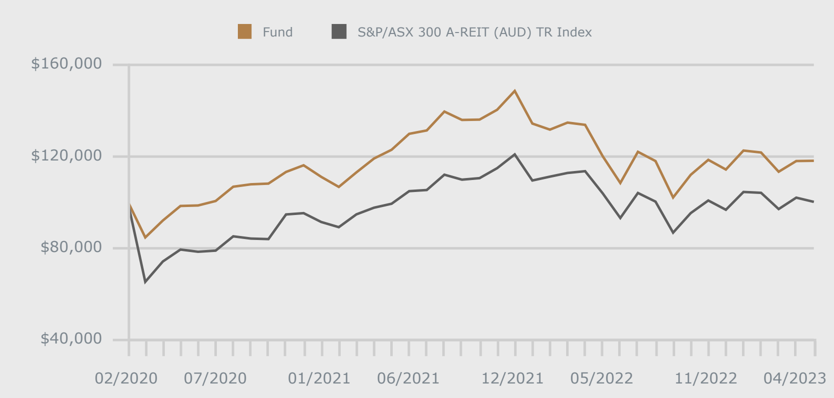
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 May 2023[1]

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	0.1%	-1.6%	-2.0%	6.3%	5.1%
S&P/ASX 300 A-REIT (AUD) TR Index	-1.8%	-3.6%	0.4%	8.1%	-0.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION[2]



TOP HOLDINGS (ALPHABETICALLY)

Goodman Group	Real Estate
GPT Group	Real Estate
HealthCo REIT	Real Estate
Lifestyle Communities	Real Estate
Stockland	Real Estate

SECTOR BREAKDOWN

Office REITs	**2.5%**
Retail REITs	**8.9%**
Diversified REITs	**33.2%**
Specialized REITs	**4.4%**
Industrial REITs	**26.5%**
Real Estate Management & Development	**12.2%**
IT Services	**4.4%**
Health Care REITs	**4.5%**
Cash	**3.3%**

A NEW PLAYING FIELD

COMMENTARY

The Fund returned +0.1%, delivering a strong outperformance of +1.9% relative to the S&P/ASX 300 A-REIT Index. A-REITs fell -1.8% in May but outperformed the broader equities market, despite a rise in both cash rates and bond yields during the month.

The Fund's outperformance was driven by holdings in **NextDC** (NXT +11.8%), **Qualitas Ltd** (QAL +9.8%), and **HealthCo** Healthcare and Wellness REIT (HCW +4.4%). We highlight that the majority of the Fund's outperformance was attributed to exposures to the alternative real estate sector, which is supported by secular trends and has seen less impact from rising interest rates and inflation.

We believe the market is entering a new playing field with higher inflation, higher interest rates, and lower growth. The recent CPI data showed a 6.8% y-o-y, stubbornly higher than the market anticipated. This combined with the 5.75% increase in award wages, at a time when productivity growth is low, has led many market participants to now expect cash rates to remain higher for longer.

So how have REITs performed in this environment?

Quarterly company updates have underscored the operational resilience of the sector, with the following being reported:

- The majority of A-REITs maintained their earnings guidance. Goodman Group (GMG) upgraded earnings and Vicinity Group (VCX) lifted its earnings guidance to the top end of the range, whilst Mirvac Group (MGR) lowered guidance by 5%.
- Retail sales growth remained healthy at 15% above 2019 despite rising cost of living pressures.
- Office occupancy is holding up better than expected with average occupancy at 93%, whilst REITs with higher quality assets reported a modest decline in incentives. This further reinforces the flight to quality as tenants reassess their office requirements post COVID.
- Industrial markets continue to benefit from low vacancies (<1%) resulting in rental growth of +22%.
- Residential REITs reported a slowdown in settlements from the peaks of 2022, but prices are holding up with medium and long term demand supported by strong population growth and a lack of supply.

The Fund is well positioned to benefit from the upside in industrial and residential markets with a combined exposure to these two sub-sectors of 38%. Whilst our exposure to alternative real estate assets (23%) such as data centres, childcare, healthcare, and retirement living helps protect the portfolio from rising interest rates and inflation.

FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A$ 1.0167
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A$10,000
FUM AT MONTH END	A$ 16.16m
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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