

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.

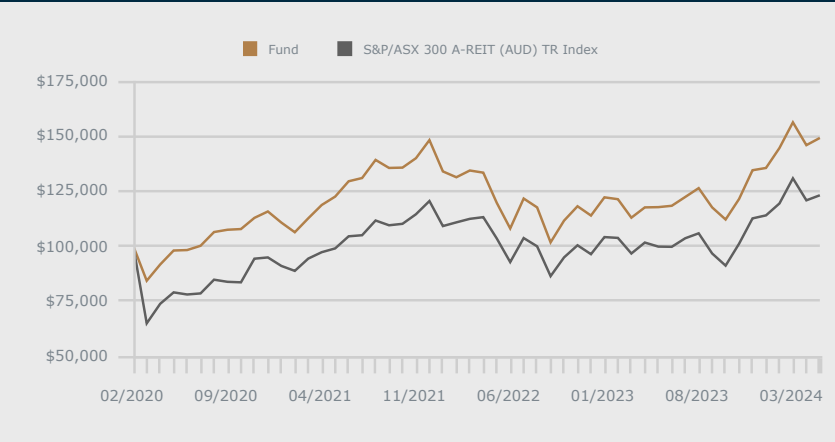
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 May 2024¹

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	2.2%	26.7%	11.6%	6.8%	9.8%
S&P/ASX 300 A-REIT (AUD) TR Index	1.9%	23.4%	9.1%	7.5%	5.0%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Goodman Group	Real Estate
HomeCo Daily Needs REIT	Real Estate
National Storage REIT	Real Estate
Scentre Group	Real Estate
Stockland	Real Estate

SECTOR BREAKDOWN

Retail REITs	21.4%
Diversified REITs	19%
Specialized REITs	7.9%
Industrial REITs	36.3%
Real Estate Management & Development	1.9%
IT Services	3.2%
Residential REITs	5.1%
Capital Markets	2.7%
Cash	2.5%

STATISTICAL DATA

VOLATILITY³ 21.4%

NUMBER OF STOCKS 14

BETA⁴ 0.74

MAXIMUM DRAW DOWN -31.4%

WHAT TO EXPECT LEADING UP TO FY24 RESULTS

COMMENTARY

The Fund returned +2.25% for the month. In comparison A-REITs delivered a +1.91% return in May, outperforming the broader equities market by +1.01%.

On a rolling year-to-date, the Fund is tracking at 26.72% return, outperforming the benchmark by +3.34%. The Fund's outperformance is attributed to our active strategy of being benchmark unaware and not investing in pure office REITs, whilst leveraging into sectors with exposure to secular trends of AI and cloud computing such as data centres through our holdings in **NextDC** (NXT +41.55%) and **Goodman Group** (GMG +73.06%).

The recent March 2024 quarterly updates showed 1) retail metrics normalising as leasing spreads pulled back from +5% to +2.5%; 2) Residential sales slowly improving, however settlements are heavily skewed to the last quarter of the financial year; 3) office fundamentals remaining a slow grind; and 4) industrial rental growth moderating from its peak of +40% to +20%.

Putting all this together, our view heading into this reporting season is one of cautious optimism. We believe that rates have peaked and whilst the exact timing of rate cuts is unknown, REITs are well positioned to take advantage of the turnaround in the rate cycle with attractive valuations and, for the majority, sound balance sheets with the average sector gearing at 27%.

In terms of office valuations, all eyes will be on the sale of several A-grade CBD office towers, namely 231 Elizabeth Street (Sydney), 333 George Street (Sydney), 200 Queen Street (Melbourne), 5 Martin Place (Sydney) and 175 Pitt Street (Sydney). This is seen as positive for the sector as it provides transactional evidence and hence price discovery and valuation. The key risk is that there will be further devaluations, which will exacerbate already high leverage levels in some of the more passive REITs. As a result, we remain cautious about the recovery of the office sector until we have more visibility on capital demand for these assets. Our strategy continues to support REITs with high visibility in earnings and strong balance sheets to support earnings growth through developments and acquisitions.

FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A\$ 1.24
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 19.86m
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.

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.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.