

## 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 Aug 2024<sup>1</sup>

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	0.2%	25.8%	16.3%	4.5%	10.8%
S&P/ASX 300 A-REIT (AUD) TR Index	0.6%	25.2%	15.2%	5.9%	6.4%

### PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION<sup>2</sup>



### TOP HOLDINGS (ALPHABETICALLY)

Goodman Group	Real Estate
HomeCo Daily Needs REIT	Real Estate
Ingenia Communities Group	Real Estate
Scentre Group	Real Estate
Stockland	Real Estate

### SECTOR BREAKDOWN

Retail REITs	20.4%
Diversified REITs	20.4%
Specialized REITs	8.2%
Industrial REITs	32.9%
Real Estate Management & Development	1.9%
IT Services	3.5%
Residential REITs	5.2%
Capital Markets	3.7%
Cash	3.9%

### STATISTICAL DATA

VOLATILITY<sup>3</sup> 20.9%

NUMBER OF STOCKS 14

BETA<sup>4</sup> 0.74

MAXIMUM DRAW DOWN -31.4%

## WINNERS AND LOSERS OF FY24 REPORTING SEASON AND OUR OUTLOOK

### COMMENTARY

A-REITs returned +0.57% for the month of August, ahead of the broader market return of 0.44%. In comparison the Fund returned +0.18%, slightly underperforming the benchmark.

Join Fund Manager Amy Pham as she discusses the Fund's current portfolio holdings, the factors influencing recent performance, and some of the market variables the investment team is considering moving forward. [Register here.](#)

FY24 reporting season has been unusually volatile for A-REITs, making stock selection even more critical in delivering returns. **Charter Hall Group** (CHC +14.27%) was the best performer in the month and **Goodman Group** (GMG -4.84%) the worst. CHC's share price rallied following the release of its results. Whilst it delivered FY24 earnings in line with market expectations, guidance for FY25 was better than expected even with no performance fees assumed. Management had a bullish tone suggesting that the valuation cycle is at the trough and transactions will pick up again over the next year, which is a key driver for the stock. GMG on the other hand achieved strong earnings growth of +14% in FY24 ahead of its initial guidance of +9%. However, despite continued progress on its data centre developments (now 40% of work in progress), which will drive higher development returns, delivery timeframes will take longer than for logistics. The market also wanted to see tangible evidence of leases with hyperscalers and new capital partnerships to satisfy the stock's high PE multiple of >30x. We view the relative weakness in share price performance for GMG in terms of the stock taking a breather, with investors taking profits after returning +44% over the last year.

The office sector, the Fund's key underweight, has been a notable underperformer within the large cap diversified REIT space, with poor free cashflow due to elevated incentives of 30%-40% leaving lower levels of retained earnings from which to fund committed capital expenditure programs. As a result, we saw dividend cuts and asset sales being heavily featured for groups such as **Dexus Group** (DXS), **Mirvac Group** (MGR), and **Charter Hall Long WALE** (CLW).

In large cap REITs, we continue to prefer quality asset owners with strong free cash flow generation such as **Scentre Group** (retail) and **Stockland** (integrated residential and funds management platform) – these two REITs have significantly outperformed their sector counterparts in Vicinity and Mirvac over the last year. Stockland in particular has been able to successfully manage and grow its master-planned community portfolio despite an aggressive rate hiking cycle, supplementing this with inorganic growth in land lease through Halcyon. At the same time, it has shifted its growth off balance sheet through the establishment of new masterplanned community and land lease funds, driving less cyclical and higher returning, more annuity-style earnings.

Our exposure to alternative real estate continues to drive performance for the Fund. **NextDC**, the Fund's non-index exposure to data centers, jumped +8.4% on 5 September 2024 after it was announced that it would be entering the FTSE NAREIT Index. It is up +60.4% on our initial position acquired in late 2020. Land lease communities is another sector in which we have long-term high conviction. Our investment in **Ingenia Communities Group** (INA) has returned +28% since the Fund acquired its position in the stock in late 2023.

Our strategy to invest in high quality REITs with a strong balance sheet means that we are not reliant on future rate cuts in order to deliver performance. This has been demonstrated by the Fund delivering +16.26% p.a. return over the past two years, outperforming the benchmark return of +15.16% p.a., in an environment of the sharpest interest rate rises in over a decade.

## FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A\$ 1.2984
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 21.15m
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 11<sup>th</sup> 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

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### PENGANA.COM

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