

## 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<sup>3</sup>

NUMBER OF STOCKS 17

BETA<sup>4</sup>

MAXIMUM DRAW DOWN -31.4%

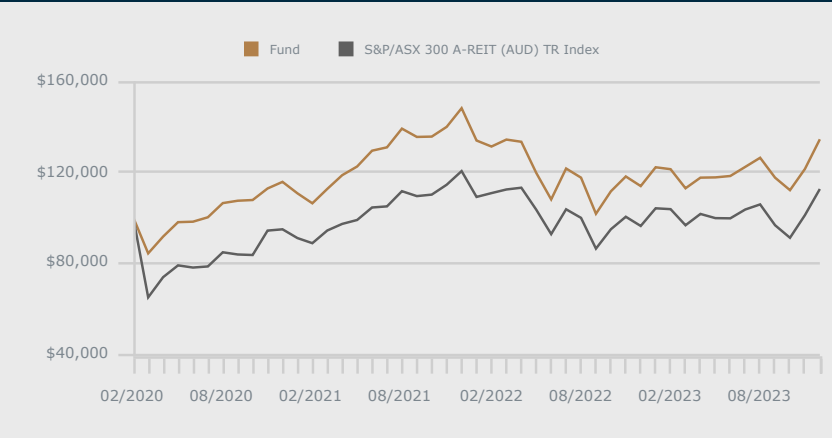
### PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Dec 2023<sup>1</sup>

	1 MTH	1 YEAR	2 YEARS P.A.	3 YEARS P.A.	SINCE INCEPTION P.A.
High Conviction Property Securities Fund	10.8%	18.1%	-4.7%	5.1%	8.0%
S&P/ASX 300 A-REIT (AUD) TR Index	11.4%	16.9%	-3.3%	5.9%	3.1%

### PERFORMANCE CHART

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



### TOP HOLDINGS (ALPHABETICALLY)

Arena REIT	Real Estate
Goodman Group	Real Estate
HealthCo REIT	Real Estate
Scentre Group	Real Estate
Stockland	Real Estate

### SECTOR BREAKDOWN

Office REITs	2.1%
Retail REITs	19.2%
Diversified REITs	23%
Specialized REITs	8.6%
Industrial REITs	29.4%
Real Estate Management & Development	2.2%
IT Services	2.7%
Health Care REITs	4.3%
Residential REITs	2.7%
Capital Markets	2.8%
Cash	3.2%

## ENDING 2023 ON A HIGH AND OUTLOOK FOR THE YEAR AHEAD

### COMMENTARY

A-REITs had a strong recovery in the last quarter of 2023 to finish the year up 17.6%. This was driven by optimism on the back of the U.S. Fed commentary that inflation and interest rates have peaked – with potential rate cuts now firmly on the horizon for 2024. Our strategy of investing in high-quality REITs with a strong balance sheet and visibility in earnings growth delivered a return of +18.10%, outperforming the benchmark by +1.20% over the 2023 calendar year.

The divergence in performance within the sector widened throughout the year. Growth stocks (GMG and HMC) and 2022-laggards (SGP and GPT) were amongst the best performers, whilst REITs with office exposure and/or high gearing (CMW, GOZ, CLW) materially underperformed.

Key contributors to the Fund's performance include the overweight positions in **NextDC Limited** (NXT +52.29%) and **Stockland Group** (SGP +29.24%), whilst the Fund's holdings in **Qualitas Limited** (QAL -13.92%) and **HealthCo Healthcare and Wellness REIT** (HCW -8.47%) detracted from performance.

As we head into the New Year, we believe the key focus for 2024 is no longer about fighting inflation but rather balancing between inflation and growth. We anticipate ongoing divergence in performance and volatility to persist with continued geo-political risk, a slowing global economy, and service inflation remaining high. As such, stocks with a clear strategy coupled with superior earnings momentum will likely be supported.

Key themes for 2024 include:

1. **Earnings growth** – As debt costs start to ease, we should see the end of earnings downgrades for the sector and potential for positive earnings revision over the medium term. We forecast average EPS growth of 3-4% over 2024.
2. **Transactions** – We expect transaction markets to remain relatively subdued in 2024, although a shift in rate sentiment should see a gradual pick up towards the latter half of the year. As transaction activity picks up in 2024, asset values will find a base which should help overall sector sentiment.
3. **Strategy and capital management** – 2024 will be a year where REITs have the opportunity to position themselves for the next growth phase. In the past year, REITs have been net sellers of assets as a way to deleverage and recycle capital into developments or to reposition portfolios (down weighting office). Those with access to third party capital (such as Goodman Group (GMG) or Stockland Group (SGP)) will be better placed to take advantage of opportunities to drive future growth. For example, GMG through its strong balance sheet, funds, and capital partners has expanded its data centre development pipeline adding up to \$60bn in value. While SGP's recent acquisition of Lend Lease's 12 communities projects has extended its market share in community developments from 17% to 25%.

As we transition gradually to a more stable, or even declining, rate environment, we believe operating conditions will improve for REITs over the coming year. However, with slowing global growth and expectations of heightened volatility to persist, we remain selective and continue to favour stocks with a clear strategy to grow earnings coupled with a strong track record within the sub-sectors they operate.

## FEATURES

APIR CODE	PCL8246AU
REDEMPTION PRICE	A\$ 1.1346
FEES *	Management Fee: 0.70% Performance Fee: 15%
MINIMUM INITIAL INVESTMENT	A\$10,000
FUM AT MONTH END	A\$ 18.42m
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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