Pengana High Conviction Property Securities Fund

ARSN 639 011 180

Annual report
For the period 10 February 2020 to 30 June 2021

Pengana High Conviction Property Securities Fund

ARSN 639 011 180

Annual report
For the period 10 February 2020 to 30 June 2021

Contents

This annual report covers Pengana High Conviction Property Securities Fund (ABN 91 656 703 916) as an individual entity.

The Responsible Entity of Pengana High Conviction Property Securities Fund is Pengana Capital Limited (ABN 30 103 800 568). The Responsible Entity's registered office is: Level 1, 2 and 3, 60 Martin Place, Sydney, NSW 2000.

Directors' report

The directors of Pengana Capital Limited, the Responsible Entity of Pengana High Conviction Property Securities Fund (the "Fund"), present their report together with the financial statements of the Fund, for the period 10 February 2020 to 30 June 2021.

Trust overview and principal activities

The Fund was incorporated on 10 February 2020 and commenced operations on 11 March 2020.

The Fund invests primarily in listed Australian property securities in accordance with the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's activities during the period.

The various service providers for the Fund are detailed below:

Service	**Provider**
Responsible Entity	Pengana Capital Limited
Investment Manager	Pengana Capital Limited
Custodian and Administrator	BNP Paribas Securities Services
Statutory Auditor	PricewaterhouseCoopers

Directors

The following persons held office as directors of Pengana Capital Limited during the whole of the period and up to the date of this report:

Russel Pillemer
Katrina Glendinning
Nick Griffiths

Review and results of operations

	For the period 10 February 2020 to 30 June 2021
Operating profit before finance costs attributable to unitholders	**1,438,476**
Distributions	**(172,414)**
Distributions (cents per unit)	**3.57**

Coronavirus impact (COVID-19)

COVID- 19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID- 19 and measures to slow the spread of the virus, have since had a significant impact on global economies and equity and financial markets.

Whilst the pandemic resulted in increased volatility in global market conditions since March 2020, it is not practicable to quantify the impact the pandemic had on the Fund's underlying equity investments. No asset impairments have been recorded as the Fund's equity investments are classified as level 1 in the fair value hierarchy (as defined in Note 4) and marked-to-market with reference to quoted prices on stock exchanges. In addition, expected credit losses have remained unchanged on the Fund's receivables, which comprise interest on cash balances and trust distributions, as they have since been collected or the counterparties have been assessed to have strong credit ratings.

Financial risks as they relate to the Fund have been included in Note 3.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of the affairs of the Fund that occurred during the financial period ended 30 June 2021.

Directors' report (continued)

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

(i) the operations of the Fund in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of the affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Pengana Capital Limited or the auditors of the Fund. So long as the officers of Pengana Capital Limited act in accordance with the Fund's Constitution and the Law, the officers remain fully indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in Note 13 to the financial statements.

No fees were paid out of Fund property to the directors of Pengana Capital Limited during the period.

The number of interests in the Fund held by Pengana Capital Limited or its associates as at the end of the financial period are disclosed in Note 13 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Rounding of amounts to the nearest dollar

Amounts in the directors' report have been rounded to the nearest dollar in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of Pengana Capital Limited.

K E Glendinning

Katrina Glendinning
Director

Pengana Capital Limited
17 September 2021

Auditor's Independence Declaration

As lead auditor for the audit of Pengana High Conviction Property Securities Fund for the period 10 February 2020 to 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Buckman

Bianca Buckman
Partner
PricewaterhouseCoopers

Sydney
17 September 2021

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

	Note	For the period 10 February 2020 to 30 June 2021 $
Investment income		
Dividend income		**16,310**
Trust distribution income		**194,729**
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	**1,289,100**
Total net investment income/(loss)		**1,500,139**
Expenses		
Management fees	13	**30,610**
Performance fees	13	**8,997**
Transaction costs		**22,056**
Total operating expenses		**61,663**
Profit/(loss) for the period		**1,438,476**
Other comprehensive income		-
TOTAL COMPREHENSIVE INCOME		**1,438,476**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**As at 30 June 2021 $**
Assets		
Cash and cash equivalents	9	**385,375**
Receivables	11	**86,207**
Financial assets at fair value through profit or loss	10	**7,573,723**
Total assets		**8,045,305**
Liabilities		
Distribution payable		**133,504**
Payables	12	**13,399**
Total liabilities (excluding net assets attributable to unitholders)		**146,903**
Net assets attributable to unitholders - Equity	7	**7,898,402**

The above statement of financial position should be read in conjunction with the accompanying notes.

	For the period 10 February 2020 to 30 June 2021
	$
Total equity at the beginning of the period	-
Comprehensive income for the period	
Profit/(loss) for the period	1,438,476
Other comprehensive income	-
Total comprehensive income for the period	1,438,476
Transactions with unitholders	
Applications	6,619,606
Reinvested distributions	17,734
Redemptions	(5,000)
Distributions paid and payable	(172,414)
Total transactions with unitholders	6,459,926
Total equity at the end of the period	7,898,402

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	For the period 10 February 2020 to 30 June 2021 $
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss		1,552,642
Purchase of financial instruments at fair value through profit or loss		(7,836,557)
Dividends received		13,310
Trust distributions received		112,010
Interest received		(15)
GST received/(paid)		(981)
Management fees paid		(26,208)
Transaction costs paid		(22,056)
Net cash inflow/(outflow) from operating activities	14(a)	(6,207,855)
Cash flows from financing activities		
Proceeds from applications by unitholders		6,619,406
Payments for redemptions by unitholders		(5,000)
Distributions paid		(21,176)
Net cash inflow/(outflow) from financing activities		6,593,230
Net increase/(decrease) in cash and cash equivalents		385,375
Cash and cash equivalents at the end of the period	9	385,375
Non-cash financing and operating activities	14(b)	18,442
		18,442

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 General information

These financial statements cover Pengana High Conviction Property Securities Fund ("the Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was incorporated on 10 February 2020 and will terminate in accordance with the Fund's Constitution or by law.

The Responsible Entity of the Fund is Pengana Capital Limited (ABN 30 103 800 568) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 2 and 3, 60 Martin Place, Sydney, NSW 2000.

The financial statements are presented in the Australian currency.

The Fund's investment objective is to obtain returns greater than the S&P/ASX 300 A-REIT (AUD) TR Index ("Index") over rolling 3 year periods after fees. The investment process identifies mispriced securities through a high conviction and Environment, Social and Governance ('ESG') focused approach. The concentrated portfolio enables investment in the best positioned assets and sectors at any point in time.

The financial statements were authorised for issue by the directors on 17 September 2021. The directors of the Responsible Entity have the power to amend and reissue the financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001* in Australia. Pengana High Conviction Property Securities Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

Compliance with International Financial Reporting Standards (IFRS)

The financial report of the Fund also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New and amended standards adopted by the Fund

There are no standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(b) Financial instruments

(i) Classification

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Equity securities are measured at fair value through profit or loss.

The Fund holds equity securities which are mandatorily been designated at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains / (losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Further details on how the fair values of financial instruments are determined are disclosed in Note 4.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at reporting date if the holder exercises the right to put the units back to the Fund.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation:*

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2021, net assets attributable to unitholders are classified as equity as they satisfy all the above criteria.

(d) Cash and cash equivalents

For the statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

2 Summary of significant accounting policies (continued)

(e) Investment income

Interest income on cash and cash equivalents and term deposits is recognised in the statement of comprehensive income using the accruals method.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions are recognised on an entitlements basis.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

(h) Distributions

Distributions are payable as set out in the Fund's product disclosure statement. Such distributions are determined by the responsible entity of the Fund. Distributable income includes capital gains arising from the disposal of financial assets and liabilities held for trading. Unrealised gains and losses on financial assets and liabilities held for trading that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund’s financial statements are measured using the currency of the primary economic environment in which it operates (the “functional currency”). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for capital and is regulated. The Australian dollar is also the Fund’s presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation of differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

(j) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the period. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

2 Summary of significant accounting policies (continued)

(k) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2 (e) above. Amounts are generally received within 30 days of being recorded as receivables.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

(m) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(n) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund.

The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%, hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

(p) Accounting period

The Fund commenced operations on 10 February 2020, as such the accounting period covers a 16 month period commencing 10 February 2020 to 30 June 2021. The Responsible Entity decided to extend the accounting period to a 16 month period, as such an extension will result in a much fairer presentation of the operating results and the state of affairs of the Fund. As this is the Fund's first reporting period there is no comparative information for the Fund.

(q) Comparative figures

No comparative figures have been presented since this is the first set of financial statements prepared for the Fund.

2 Summary of significant accounting policies (continued)

(r) Rounding of amounts

The Fund is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest dollar unless otherwise indicated.

3 Financial risk management

The Fund is exposed to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Responsible Entity is responsible for managing these risks and does so through a process of ongoing identification, measurement and monitoring.

Risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably foreseeable changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

This information is prepared and regularly reported to relevant parties within the Responsible Entity.

As part of its risk management strategy, the Fund may use derivatives to manage certain risk exposures.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(a) Market risk

AASB 7 defines market risk as the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Fund's investment activities are undertaken in accordance with established mandate limits and investment strategies.

(i) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of the changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. These investments are classified on the statement of financial position at fair value through profit or loss. The fair value of the investments represents the Fund's maximum price risk. The Fund mitigates price risk by diversifying exposure across a range of investments. The Responsible Entity monitors risk guidelines and position sizes.

The highest concentration of an individual equity position in the fund is 19.01% of the total investment in equity securities at 30 June 2021.

The table below is a summary of the significant sector concentrations within the equity portfolio.

	30 June 2021	
	%	$
Real Estate	**97.18**	**7,360,243**
Information technology	**2.82**	**213,480**

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange risks. None of the Fund's direct investments are denominated in foreign currencies. The Fund does not have material exposure to foreign exchange risk.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Fund does not own interest bearing financial assets that will expose it to material risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. The impact of interest rate risk on net assets attributable to unitholders and operating profit is considered immaterial to the Fund.

The impact of interest rate risk on net assets attributable to unitholders and operating profit is outlined in the table below.

30 June 2021	Floating interest rate	Fixed interest rate				Non interest bearing	Total
		3 months or less	4 to 12 months	1 to 5 years	Over 5 years		
	$	$	$	$	$	$	$
Assets							
Cash and cash equivalents	385,375	-	-	-	-	-	385,375
Receivables	-	-	-	-	-	86,207	86,207
Financial assets at fair value through profit or loss	-	-	-	-	-	7,573,723	7,573,723
Total assets	385,375	-	-	-	-	7,659,930	8,045,305
Liabilities							
Distribution payable	-	-	-	-	-	133,504	133,504
Payables	-	-	-	-	-	13,399	13,399
Total liabilities (excluding net assets attributable to unit holders)	-	-	-	-	-	146,903	146,903
Net exposure	385,375	-	-	-	-	7,513,027	7,898,402

An analysis of financial liabilities by maturity is provided in paragraph 3(d).

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Impact on operating profit/Net assets attributable to unitholders	
	Price risk	
30 June 2021	-15.00%	+10.00%
	$	$
	(1,136,058)	757,372

3 Financial risk management (continued)

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The Fund is exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivables.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2021, trade and other receivables, receivables on forward foreign exchange contracts and cash are held with counterparties with a credit rating of A-1 or higher (2020: A-1). Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As such, no loss allowance is deemed to be necessary based on 12-month expected credit losses.

The Fund is exposed to counterparty credit risk on cash and cash equivalents, amounts due for securities sold and other receivables.

Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a minimum rating of A+ (as determined by Standard and Poor's) or higher.

Other

The Fund is not materially exposed to credit risk on other financial assets.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely BNP Paribas Securities Services. BNP Paribas Securities Services is a wholly owned subsidiary of BNP Paribas S.A. who is a member of a major securities exchange, and at 30 June 2021 had a credit rating of A+. At 30 June 2021, substantially all cash and cash equivalents and balances due from brokers are held in custody by BNP Paribas Securities Services.

Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired, nor past due but not impaired.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund is exposed to daily cash redemptions of its units. Its policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed and the fund maintains sufficient cash and cash equivalents to meet normal redemption volumes.

The investment manager monitors liquidity on a daily basis. In order to manage the Fund's overall liquidity, the responsible entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemptions during 2021.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unitholder's option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

	Less than 1 month	1-6 months	6-12 months	Over 12 months
	$	$	$	$
At 30 June 2021				
Payables	13,399	-	-	-
Distributions payable	133,504	-	-	-
	146,903	-	-	-

4 Fair value measurements

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities designated at fair value through profit or loss

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(a) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
(b) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets and liabilities held by the Fund is the last traded price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2021.

30 June 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Listed equity securities	1,155,710	-	-	1,155,710
Listed investment trusts	6,418,013	-	-	6,418,013
Total	7,573,723	-	-	7,573,723

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Transfers between levels

There were no transfers between levels in the fair value hierarchy during the period 11March 2020 to 30 June 2021.

Fair value measurements using significant unobservable inputs (level 3)

4 Fair value measurements (continued)

There were no investments classified as Level 3 within the Fund as at 30 June 2021.

(i) Movement in Level 3 instruments

There were no investments classified as Level 3 within the Fund as at 30 June 2021.

Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values. Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior period.

The carrying value of financial instruments not measured at fair value approximate their fair values.

5 Auditor's remuneration

The following fees were paid or payable for services provided by the auditor of the Fund:

	For the period 10 February 2020 to 30 June 2021 $
(a) Audit services	
Audit and other assurance services	
PricewaterhouseCoopers	
Audit and review of the Financial Statements of the Fund	16,824
Audit of the compliance plan	3,750
Total remuneration for audit and other assurance services	20,574
(b) Taxation services	
Taxation services	
PricewaterhouseCoopers	
Tax compliance services	7,022
Total remuneration for taxation services	7,022

The auditor's remuneration in 2021 was borne by the Investment Manager.

6 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	For the period 10 February 2020 to 30 June 2021 $
Financial instruments	
Net gain/(loss) on financial instruments at fair value through profit or loss	1,289,100
Total net gains/(losses) on financial instruments at fair value through profit or loss	1,289,100

7 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Fund classifies the net assets attributable to unit holders as equity as they satisfy the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	For the period 10 February 2020 to 30 June 2021	
	No.	**$**
Applications	**6,286,852**	**6,619,606**
Redemptions	**(4,862)**	**(5,000)**
Units issued upon reinvestment of distributions	**15,149**	**17,734**
Distributions to unitholders	**-**	**(172,414)**
Profit/(loss) for the period	**-**	**1,438,476**
Closing balance	**6,297,139**	**7,898,402**

As stipulated in the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets in the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Net assets attributable to unitholders are representative of the expected cash outflows on redemption.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

8 Distributions to unitholders

The distributions were as follows:

	For the period 10 February 2020 to 30 June 2021	
	$	**CPU**
Distributions		
Distribution paid - 30 June 2020	**25,482**	**1.23**
Distribution payable - 30 June 2021	**146,932**	**2.34**
Total distributions	**172,414**	**3.57**

9 Cash and cash equivalents

	As at 30 June 2021 $
Cash at bank	385,375
	385,375

10 Financial assets at fair value through profit or loss

	As at 30 June 2021 Fair value $
Financial assets at fair value through profit or loss	
Listed equity securities	1,155,710
Listed investment trusts	6,418,013
Total financial assets at fair value through profit or loss	7,573,723

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 3.

11 Receivables

	As at 30 June 2021 $
Dividends receivable	3,000
Distributions receivable	82,011
Interest receivable	15
Reduced Input Tax Credit receivable	981
Applications receivable	200
	86,207

12 Payables

	As at 30 June 2021 $
Management fees payable	4,402
Performance fees payable	8,997
	13,399

13 Related party transactions

Responsible Entity

The Responsible Entity of Pengana High Conviction Property Securities Fund is Pengana Capital Limited (ABN 30 103 800 568). Accordingly, transactions with entities related to Pengana Capital Limited are disclosed below.

Key management personnel

Directors

Key management personnel includes persons who were directors of Pengana Capital Limited at any time during the financial period or since the end of the period end and up to the date of this report:

Russel Pillemer	Director
Katrina Glendinning	Director
Nick Griffiths	Director

Key management personnel unitholdings

At 30 June 2021, no key management personnel held units in the Fund.

Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving key management personnel's interests existing at period end.

13 Related party transactions (continued)

Responsible Entity's fees and other transactions

Under the terms of the Fund's Constitution and the current Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive fees monthly.

The management fee disclosed in the Product Disclosure Statement ("PDS") is 0.70% per annum of the Net Asset Value ("NAV") of the Fund (including GST net of reduced input tax credits). It is calculated and accrued daily and payable monthly in arrears by the Fund. The fee is paid directly from the Fund and reflected in the unit price.

All fees and expenses of the Fund (excluding transaction costs which are covered by the Buy Sell spread, performance fees and abnormal expenses such as the cost of holding an investor meeting) are paid from the management fee.

The performance fee of 15% is payable half yearly as at 30 June and 31 December each year. The fee is paid directly from the Fund and reflected in the unit price. Depending on the return of the Fund in relation to the Index, the daily accrual may be a positive or negative amount. The performance fee is not payable unless the return of the Fund is positive for that half year period. If no performance fee is payable to Pengana at the end of a half year period, then the accrued performance fee, positive or negative, will be carried forward into the next half year period and form part of the performance fee for that half year. This means that negative performance by the Fund must be made up before a performance fee is payable.

Transactions with related parties have taken place at arm's length and in the ordinary course of business. The transactions during the period and amounts at period end between the Fund and the Responsible Entity and the Investment Manager were as follows:

	For the period 10 February 2020 to 30 June 2021 $
Investment Management fees	**30,610**
Performance fees	**8,997**
Aggregate amounts payable to the Investment Manager at the reporting date	**13,399**

Investments
The Fund did not hold any investments in Pengana Capital Limited or its related parties during the period.

Related party schemes' unitholdings

Parties related to the Fund, including the Responsible Entity, its associates and other schemes managed by Pengana Capital Limited, held the following units in the Fund at the end of the period:

30 June 2021	Number of units held	Interest held %	Number of units acquired during period	Number of units disposed of during period	Distributions paid or payable during period $
Pengana Capital Limited	**200,000**	**3.18**	**200,000**	**-**	**2,465**

14 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	For the period 10 February 2020 to 30 June 2021 $
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	**1,438,476**
Proceeds from sale of financial instruments at fair value through profit or loss	**1,552,642**
Purchase of financial instruments at fair value through profit or loss	**(7,836,557)**
Net gains on financial instruments at fair value through profit or loss	**(1,289,100)**
Investment income reinvested	**(708)**
Net change in receivables	**(86,007)**
Net change in payables	**13,399**
Net cash inflow/(outflow) from operating activities	**(6,207,855)**

(b) Non-cash financing and operating activities

During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**17,734**
During the period, the following acquisitions were satisfied by participation in dividend reinvestment plans	**708**
	18,442

15 Accounting impacts of COVID-19

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19 and measures to slow the spread of the virus, have since had a significant impact on global economies and equity and financial markets.

Whilst the pandemic resulted in increased volatility in global market conditions since March 2020, it is not practicable to quantify the impact the pandemic had on the Fund's underlying equity investments. No asset impairments have been recorded as the Fund's equity investments are classified as level 1 in the fair value hierarchy (as defined in Note 4) and marked-to-market with reference to quoted prices on stock exchanges. In addition, expected credit losses have remained unchanged on the Fund's receivables, which comprise interest on cash balances and trust distributions, as they have since been collected or the counterparties have been assessed to have strong credit ratings.

Financial risks as they relate to the Fund have been included in Note 3(a).

16 Events occurring after the reporting date

No significant events have occurred since the reporting date which would have an impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the period ended on that date.

17 Contingent assets and liabilities or commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2021.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The financial statements and notes set out on pages 5 - 23 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

   (ii) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the financial period ended on that date,

(b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

(c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

K E Glendinning

Katrina Glendinning
Director

Pengana Capital Limited
17 September 2021

Independent auditor's report

To the unitholders of Pengana High Conviction Property Securities Fund

Our opinion

In our opinion:

The accompanying financial report of Pengana High Conviction Property Securities Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2021 and of its financial performance for the period 10 February 2020 to 30 June 2021

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2021
- the statement of comprehensive income for the period 10 February 2020 to 30 June 2021
- the statement of changes in equity for the period 10 February 2020 to 30 June 2021
- the statement of cash flows for the period 10 February 2020 to 30 June 2021
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors of the Responsible Entity's declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the period 10 February 2020 to 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Buckman

Bianca Buckman
Partner

Sydney
17 September 2021