



SG HISCOCK &amp; COMPANY

## SGH Australia Plus Fund

**31 May 2021**

<b>Investment Objective</b>	To outperform the S&P/ASX300 Accumulation Index by 5% on a rolling 3 year basis		
<b>Investments held</b>	Generally within the largest 300 companies listed on the ASX, plus companies listed in Asia with a focus on Asian domestic consumption.		
<b>Investment Manager</b>	SG Hiscock & Company Limited	<b>APIR</b>	ETL0383AU
<b>Commencement</b>	8 October 2013	<b>mFund Product Code</b>	SHF01
<b>Management costs<sup>1</sup></b>	0.70% p.a.	<b>Buy Spread</b>	+0.25%
<b>Performance Fee<sup>2</sup></b>	20% capped at 1.25% in any calendar year, subject to a highwater mark	<b>Sell Spread</b>	-0.25%
<b>Minimum initial investment</b>	\$20,000	<b>Fund Size</b>	\$9.18 million

<b>Unit Prices</b>	<b>Purchase</b>	<b>Net Asset Value</b>	<b>Withdrawal</b>
<b>31 May 2021</b>	\$ 1.7091	\$ 1.7048	\$ 1.7005

<b>Performance<sup>3</sup></b>	<b>1 mth %</b>	<b>3 mths %</b>	<b>6 mths %</b>	<b>1 yr %</b>	<b>2 yrs % p.a.</b>	<b>3 yrs % p.a.</b>	<b>Inception % p.a.</b>
<b>31 May 2021</b>							
Distribution Return	0.00	0.00	0.72	5.00	3.56	5.23	6.94
Growth Return	0.24	5.95	5.30	16.35	8.07	1.48	7.24
Total Net Return	0.24	5.95	6.02	21.35	11.62	6.71	14.18
S&P/ASX 300 Accumulation Index	2.31	8.53	11.95	28.72	9.69	10.10	8.86
Total Net Return vs. the Index	-2.07	-2.58	-5.93	-7.37	1.93	-3.39	5.32

Past performance is not a reliable indicator of future performance.

### Top 5 Holdings

National Australia Bank Limited
CSL Limited
Rio Tinto Limited
Unifi Group Ltd
Australia & New Zealand Banking Group Limited

Top 5 holdings represent 21.34% of total fund

### Why Australia Plus

1. We want access to the best quality companies in Asia, at the right price. It is the choice, but not the obligation to invest in emerging companies with strong local franchises
2. The strong rise in both the sheer number of Asians entering the middle class and the growth in disposable income, suggests that this is a multi year trend that is very hard to access by restricting the investible universe to Australian listed stocks.
3. Investors appropriately diversify their portfolio by enhancing returns with a focus on the domestic demand thematic within Asia.
4. It offers Australian investors a wider opportunity set without the requirement to have money invested in Asia through a pooled vehicle.
5. By focussing purely on the domestic demand thematic in Asia, our investible universe grows by 40-50 stocks outside the ASX300. This is a very narrow subset of Asian stocks that meet our basic quality filters and would consider owning at the right price.

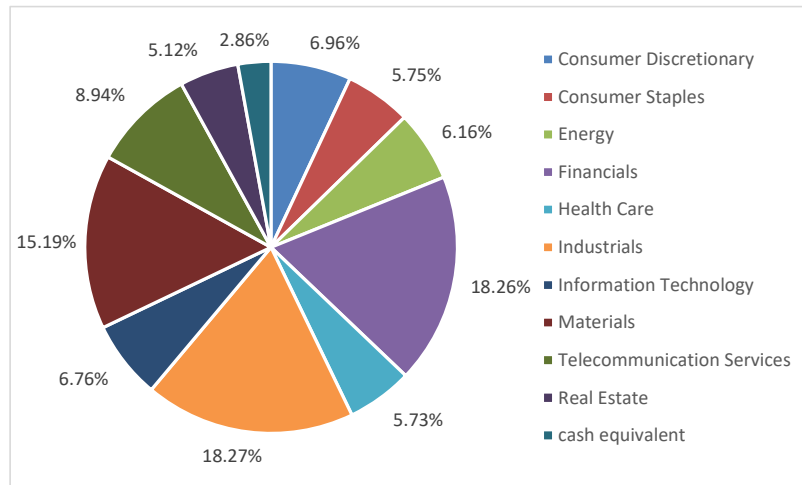
1. Includes estimated GST payable, after taking into account reduced input tax credits (RITC).

2. A performance fee of 20% (net GST and an estimate of RITC) of any investment return above the fund's benchmark may also be payable as an expense of the fund, capped at 1.25% in any year, subject to a highwater mark

3. Performance: Total Net Return is the Fund return after the deduction of ongoing fees and expenses assuming the reinvestment of all distributions.



### Asset allocation



### Monthly Observations

Inflationary pressures and economic recovery remained the core narratives across markets in May with equity markets rising across the board. The Australian equity market rose 2.3% taking the year to date gain to 10.4%.

At the sector level in Australia Banks (+7.3%) were the best performer in May led by CBA (+12%) and WBC (+5.8%) along with Consumer Discretionary (+3.5%) and Healthcare (+3.5%). Technology was the laggard (-9.8%), led by Afterpay (-21%)

The broader Australian market continues to be supported by very accommodative fiscal and monetary policy settings and a strong recovery in earnings. Trailing earnings have risen more than 20% since September while consensus forward EPS growth is currently 15%. With a heavy weighting to banks and materials, two of the best performing sectors globally (up 72.9% and 55.9%, respectively), the Australian market has benefitted from the global rotation to value and cyclical stocks.

After such a strong recovery, given the low starting point, it is to be expected that growth momentum will start to slow at some point. This raises the question whether we have passed 'peak' growth this cycle. We note forecast revisions for global growth have plateaued of late and this has coincided with economic data continuing to rebound but underwhelm versus expectations. In May the US data "surprise" index was at its lowest level since late 2018 with payrolls growing "only" 266,000 compared with expectations of close to 950,000 while retail sales, consumer confidence, housing starts, and sales and durable goods orders all came in below expectations. Chinese growth has also disappointed of late as policy makers grapple to calibrate policy normalisation.

It would seem premature to assume the cycle is going to be cut short. Business confidence and conditions are at or close to all-time highs in most developed countries, including Australia, and labour markets are still recovering, with central banks, including the RBA, adopting a broader measure of full employment before considering policy normalisation. Further government fiscal policies are unlikely to be a pre-emptively withdrawal. If anything as shown in the Australian Federal Budget, the politics of the day is leaning to extending existing programs and new initiatives targeted at infrastructure and low-middle income groups.

Whilst the rate of change in many economic indicators is likely to slow as they come down from elevated levels in the second half of year, economic growth should continue above trend. This remains generally constructive for earning and equities.

### Portfolio positioning and performance

For the month the portfolio returned 0.24%, underperforming the ASX300 Accumulation Index by -2.07%.

Uniti Group (UWL) was top contributor during the month. The company is currently benefiting from difficulties NBN is experiencing in transitioning its work force to a new management system which is impacting their connections and service works. The near-term benefits for UWL are likely limited, but it opens the door to helping Uniti secure longer term contracts with larger developers (like Stockland and Mirvac) and increase market share and network penetration.

Carbon Revolution (CBR) was the main detractor from performance for the month. Following raising capital for the expansion of its factory expansion in April, the company announced in May that one of its customers had requested to suspend production of contracted wheels in FY21 (c.10-15% of revenue) because of ongoing shortage in semi-conductor chips limiting car production. It is expected production of these wheels will recommence in July.



SG HISCOCK & COMPANY

**For more information visit [www.sghiscock.com.au](http://www.sghiscock.com.au)**

Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615) a publicly listed company on the Australian Securities Exchange (ASX:EQT), is the Responsible Entity of the Fund. SG Hiscock & Company (ABN 51 097 263 628 AFSL 240679) is the Investment Manager of the Fund and has prepared this document for general information purposes only. It does not contain investment recommendations nor provide investment advice. Neither Equity Trustees Limited nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in the Fund. Past performance is not necessarily indicative of future performance. Professional investment advice can help you determine your tolerance to risk as well as your need to attain a particular return on your investment. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should not act in reliance on the information contained in this document. We strongly encourage you to obtain detailed professional advice and to read the relevant product disclosure statement (PDS) in full before making an investment decision. Equity Trustees Limited does not express any view about the accuracy or completeness of information that is not prepared by Equity Trustees Limited and no liability is accepted for any errors it may contain. Investors can acquire units by completing the application form accompanying a current PDS or, where available by making an application through the mFund settlement service (mFund) by placing a buy order for units with your licensed broker. A current PDS can be obtained by contacting SG Hiscock & Company Limited on 1300 555 511.