SG HISCOCK & COMPANY

SGH Australia Plus Fund

31 October 2021

Investment Objective	To outperform the S&P/ASX300 Accumulation Index by 5% on a rolling 3 year basis		
Investments held	Generally within the largest 300 companies listed on the ASX, plus companies listed in Asia with a focus on Asian domestic consumption.		
Investment Manager	SG Hiscock & Company Limited	**APIR**	ETL0383AU
Commencement	8 October 2013	**mFund Product Code**	SHF01
Management costs[1]	0.70% p.a.	**Buy Spread**	+0.25%
Performance Fee[2]	20% capped at 1.25% in any calendar year, subject to a highwater mark	**Sell Spread**	-0.25%
Minimum initial investment	$20,000	**Fund Size**	$9.16 million

Unit Prices 31 October 2021	Purchase	Net Asset Value	Withdrawal
	$ 1.6616	$ 1.6575	$ 1.6534

Performance[3] 31 October 2021	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a.	Inception % p.a.
Distribution Return	0.00	0.00	5.57	7.07	6.07	4.92	7.31
Growth Return	0.18	2.19	-2.53	9.86	4.85	5.30	6.48
Total Net Return	0.18	2.19	3.04	16.93	10.92	10.22	13.78
S&P/ASX 300 Accumulation Index	0.10	0.77	6.59	28.57	8.81	12.26	8.93
Total Net Return vs. the Index	0.08	1.41	-3.55	-11.63	2.11	-2.04	4.85

Past performance is not a reliable indicator of future performance.

Top 5 Holdings

National Australia Bank Limited
CSL Limited
Uniti Group Ltd
Woodside Petroleum
Australia & New Zealand Banking Group Limited

Top 5 holdings represent 19.63% of total fund

Why Australia Plus

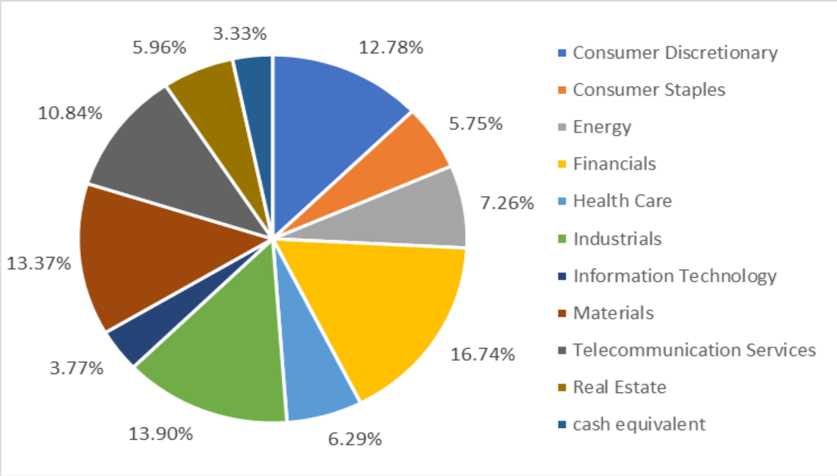
1. We want access to the best quality companies in Asia, at the right price. It is the choice, but not the obligation to invest in emerging companies with strong local franchises
2. The strong rise in both the sheer number of Asians entering the middle class and the growth in disposable income, suggests 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.

SG HISCOCK & COMPANY

SGH Australia Plus Fund — 31 October 2021

Asset allocation



Monthly Observations

The Australian Equity market underperformed global equities in October with the ASX300 accumulation Index returning 0.1%. The focus has shifted from the impact of lockdowns and restrictions to the pace of vaccination, reopening, economic recovery, inflation, and interest rate implications.

The decision by the Reserve Bank of New Zealand to start raising rates during the month has magnified the focus around central bank tightening, and more particularly whether the US Federal Reserve is underestimating the persistence of inflation and will be forced to raise rates more aggressively.

Supply disruption and bottlenecks have been exacerbated by the Delta strain and lockdowns, broadening inflationary pressures out to food, energy and wages. Brent oil finished the month at US$84.38 per barrel, up a further 7.5% while natural gas in Europe continued to squeeze higher based on supply constraints and expectations of a cold winter ahead. How persistent and sticky these increases prove to be remains the question?

Domestically, the Australian September quarter CPI number saw a meaningful increase, coming in at 2.1%. This is the first time the Reserve Bank of Australia (RBA) has met its 2 to 3% objective since late 2015, and it breaks the narrative that this target would not be met until 2023.

The September quarter CPI print caused the bond market to challenge the RBA's resolve to continue with its Yield Curve Control (YCC) policy and transitory inflation thesis, with the three-year Australian bond yield surging to 1.4% at the end of month. This resulted in the ASX300 selling off 1.4% on the last day of the month.

Similar trends played out across several other government bond markets globally with 2-year government yields in Brazil and Italy more than doubling in the month.

While increases in shorter maturity yields typically indicate a stronger economy with the associated prospect of rate hikes brought forward, the ferocity of these moves and shift in expectations intensifies the debate around how transitionary inflation will be and timing around lift off in raising interest rates.

Nominal bond yields and interest rates remain low by historical standards, but it is the change at the margin which drives markets.

SG HISCOCK & COMPANY

Higher interest rates have a range of implications for portfolios. Equity markets are always sensitive to rising rates as long-term bond rates are correlated with market Price-Earnings (PE) ratios. There is scope for a correction in valuations if bond yields rise further, which tends to impact longer duration (companies with longer term growth prospects) more. Higher bond yields also have a major impact on sector and stock performance favouring financial, cyclicals, resources, and commodities.

Portfolio positioning and performance

We continue to position the portfolio for the prospects of reopening, tapering and more persistent inflationary pressures, whilst seeking to live with the ongoing uncertainty of Covid through identifying companies experiencing positive tailwinds and which we believe will merge stronger.

The top contributors during the month were Macquarie Bank, Northern Star and Alibaba while Marley Spoon, Chorus and Carbon Revolution were the main detractors.