



SG HISCOCK & COMPANY

## SGH Australia Plus Fund

31 January 2022

<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>	ETLo383AU
<b>Commencement</b>	8 October 2013	<b>mFund Product Code</b>	SHFo1
<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>	\$8.56 million

Unit Prices	Purchase	Net Asset Value	Withdrawal
31 January 2022	\$ 1.5845	\$ 1.5805	\$ 1.5765

Performance <sup>3</sup>	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a.	Inception % p.a.
31 January 2022							
Distribution Return	0.00	1.81	1.85	7.64	5.95	4.95	7.28
Growth Return	-4.79	-4.65	-2.56	-1.10	-0.89	4.32	5.67
Total Net Return	-4.79	-2.84	-0.71	6.54	5.05	9.27	12.95
S&P/ASX 300 Accumulation Index	-6.45	-4.49	-3.75	9.59	3.27	10.05	8.05
Total Net Return vs. the Index	1.67	1.65	3.03	-3.05	1.78	-0.78	4.90

Past performance is not a reliable indicator of future performance.

### Top 5 Holdings

CSL Limited
Woodside Petroleum
BHP Billiton Limited
National Australia Bank Limited
Chorus Ltd

Top 5 holdings represent 21.95% 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.

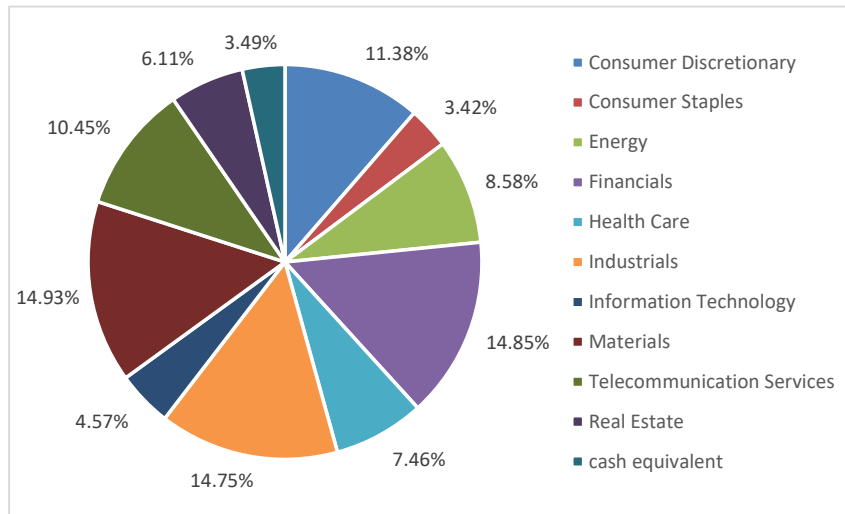
1. Includes estimated GST payable, after taking into account reduced input tax credits (RITC).

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

The Australian market was down 6.5% in January after rising 2.8% in December. Volatility was again a centrepiece of equity markets during January driven by concerns the Omicron strain has exacerbated supply chain issues and amplified cost pressures adding to inflationary concerns. Recent economic data has also done little to offer any respite that The Federal Reserve and RBA are behind the curve and need to be seen to be doing something about inflation.

Discussion during Jerome Powell's January Congressional Testimony that the Federal Reserve may start shrinking its balance this year further added to market nervousness. The last time we had rate hikes plus QT in late 2018 the S&P500 fell around 20%!

The Australian market was not immune to the more aggressive Fed language, and a higher-than-expected domestic CPI result coupled with a lower unemployment rate have led to increased pressure on the RBA for policy tightening.

In keeping with the shift in market sentiment and rising inflationary and rate expectations cyclical and value sectors outperformed in January. Energy (+7.9%) was the top performing sector with Utilities (+2.6%) and Materials (+0.8%) the only other positive sectors. More long duration and growth sector fell the most with Info Tech (-18.4%) and Health Care (-12.1%). This also saw large caps preferred over mid and small caps, while Resources outperformed Industrials across all size bias indices. MSCI Value outperformed MSCI Growth by 8.5% in the month.

Energy stocks also benefited from the continued upward trajectory in oil and gas prices during the month driven by tighter supply expectations on the back of Russian-Ukrainian geopolitical tensions, colder Northern hemisphere weather conditions and tight supply. Brent closed the month at US\$91/bbl.

The BHP vote for the collapse of the DLC structure was passed by shareholders late in the month, resulting in the company delisting in the UK and being upweighted in the ASX200 Index from 6.6% to 10.9%. This brings back memories of NewsCorp when it dominated the Australian Index in the early 2000's and market concentration risk.

The February reporting season will provide a take on the impact and effects of the Omicron variant on corporate Australia. Cost pressures and supply disruptions will be a key focus, but we remain constructive on Australia's medium-term set-up given the current strength of household balance sheets and fact the broad reopening pulse is yet to be fully felt

### Portfolio positioning and performance

Drawing on all this, we continue to favour selective reopening trades and higher cyclical exposure which not only stand to benefit as demand recovers from the pandemic but also as rates tighten.



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We continue to be focused on:

- Ensuring companies in the portfolio have pricing power and able to pass on costs.
- Adding quality cycles leveraged to economic recovery and higher rates where its supported by fundamentals.
- Avoiding/ reducing longer duration assets without an adequate margin of safety or clear catalyst for a re-rating.

The top contributors during the month were Woodside Petroleum, BHP and Cooper Energy while Northern Star, Macquarie Bank and NextDC were the main detractors.

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

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