SG HISCOCK & COMPANY

SGH Australia Plus Fund

31 March 2022

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**	$9.22 million

Unit Prices 31 March 2022	Purchase	Net Asset Value	Withdrawal
	$ 1.7068	$ 1.7025	$ 1.6982

Performance[3] 31 March 2022	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	1.96	8.09	6.90	5.02	7.19
Growth Return	6.68	2.56	2.90	4.70	14.96	5.67	6.49
Total Net Return	6.68	2.56	4.85	12.79	21.86	10.69	13.68
S&P/ASX 300 Accumulation Index	6.90	2.08	4.34	15.21	26.24	10.85	9.01
Total Net Return vs. the Index	-0.21	0.48	0.52	-2.42	-4.38	-0.16	4.67

Past performance is not a reliable indicator of future performance.

Top 5 Holdings

National Australia Bank Limited
BHP Billiton Limited
CSL Limited
Woodside Petroleum
Uniti Group Ltd

Top 5 holdings represent 21.92% 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.

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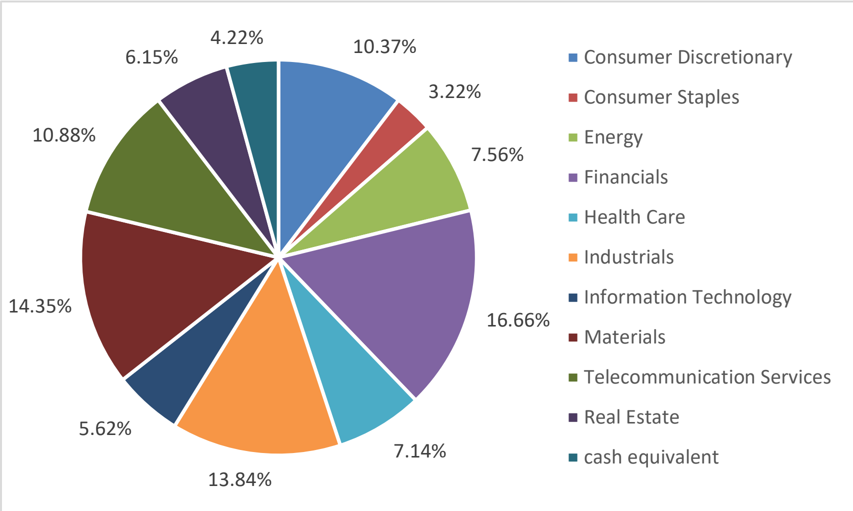
Asset allocation



Monthly Observations

Equity markets continued their volatile start to the year in March. The invasion of Ukraine dominated the headlines adding to concerns around rising commodity prices and inflation and interest rate expectations. Despite this the S&P/ASX300 Accumulation Index proved buoyant, closing up 6.9%, outperforming the MSCI Global Index (-0.9%) and major global indices. The Energy sector (+9.8%) and Materials (+8.9%) were strong performers during the month on the back of higher commodity prices, as was technology (+13.2%), recouping some of the underperformance of the last few months.

A key consideration in whether inflation will prove structurally higher and more persistent going forward depends on how central banks engage in real monetary tightening. During the month the US Federal Reserve announced it will increase the Fed funds rate by 0.25% after confirming it has achieved its objectives of maximum employment and inflation.

When rates move, they rarely are one-off. We think the Fed can continue to raise once per meeting, likely by 50b basis points, until they get back to neutral. Credit markets are suggesting as much by now discounting a further 200bps of Fed tightening over the balance of the year to 2.25-2.5% by end of 2022.

Inflation and monetary tightening are not just an American affair, and increasingly an issue being faced by most advanced economies including Australia. In March, the market also priced in earlier commencement of the RBA rate hikes following Governor Lowe saying "it is plausible that the cash rate will be increased later this year". Until recently the official line from Lowe had been that there could be no rate increase until at least late 2023. This saw Australian 10-year bond yields spike to 2.97% (up from 2.15% before ending the month at 2.9%.

The spectre of ongoing monetary tightening clearly raises the risk of an economic slowdown. The lesson from previous tightening cycles is they have led to recessions. However, it raises the question whether politically this will be tolerated, and central backs will look to back off if either the economy or markets dramatically correct.

More immediately, the issue facing investors is how to position for rising rates and central banks that increasingly look to be "behind the curve" and need to tighten in the face of higher inflation and risk of it becoming more entrenched. In our view this continues to favour a higher weighting to quality cyclical stocks including commodities and energy, and those benefiting from higher rates. More broadly, we see Australia as well positioned given the recent confluence of macro and geopolitical events. Australia's 'safe-haven' status, political stability, geographic remoteness, well capitalised banking sector and rich resource base provide a positive backdrop.

Portfolio positioning and performance

For the month the portfolio returned 6.68% underperforming the S&P/ASX300 Accumulation Index by -0.21%.

During the month we added Netwealth Limited (NWL) to the portfolio. NWL is a specialty platform provider with strong growth in Funds Under Advice driven by a superior technology stack that is resulting in market share gains from the incumbent platforms including ANZ, IOOF, MLC and BT Panorama.

Uniti Group (UWL) was the beneficiary of a takeover bid from two independent parties; the Morrison - Brookfield Infrastructure Group consortium, and secondly, a rival bid from Macquarie Infrastructure and Real Assets (MIRA). The competing bids highlight the reason we were attracted to UWL initially - long duration social infrastructure type assets with stable and recurring revenue streams.