



SG HISCOCK & COMPANY

SGH Australia Plus Fund

31 May 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	ETLo383AU
Commencement	8 October 2013	mFund Product Code	SHFo1
Management costs¹	0.70% p.a.	Buy Spread	+0.25%
Performance Fee²	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	\$8.78 million

Unit Prices	Purchase	Net Asset Value	Withdrawal
31 May 2022	\$ 1.6257	\$ 1.6216	\$ 1.6175

Performance³	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a.	Inception % p.a.
31 May 2022							
Distribution Return	0.00	0.00	1.85	7.35	6.31	4.92	7.00
Growth Return	-3.93	1.61	-2.76	-4.88	5.20	3.57	5.76
Total Net Return	-3.93	1.61	-0.91	2.47	11.51	8.49	12.76
S&P/ASX 300 Accumulation Index	-2.76	3.08	1.05	4.71	16.10	8.01	8.37
Total Net Return vs. the Index	-1.17	-1.46	-1.96	-2.24	-4.59	0.48	4.39

Past performance is not a reliable indicator of future performance.

Top 5 Holdings

National Australia Bank Limited
CSL Limited
BHP Billiton Limited
Woodside Energy Group Ltd
Unifi Group Ltd

Top 5 holdings represent 22.21% 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.

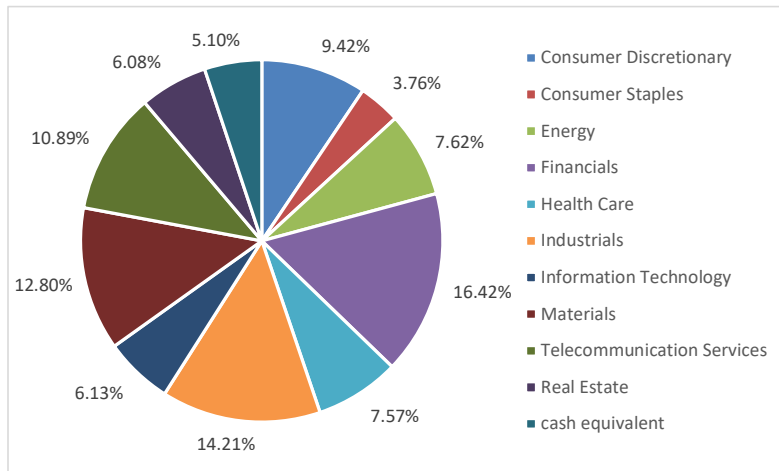
1. Includes estimated GST payable, after taking into account reduced input tax credits (RITC).

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

In May the ASX300 declined -2.76%, underperforming most global indices with the S&P500 broadly flat (-0.2%) and MSCI Global Equity Index (unhedged) -0.8%. Sector performance continued to favour the materials, financials, and energy sectors. Real estate (-8.9%) was the worst performing sector driven by Goodman Group (-14.3%) after Amazon reported slowing e-commerce growth and suggested it was looking to sublease warehouse space. Softer sales reports from US retailers Target and Walmart and suggestion inflation is starting to eat into consumer purchasing also added to concerns around growth expectations and added to the debate around potential for stagflation (higher inflation and rates and slowing economic growth), or worse recession.

In Australia, the decision by the Reserve Bank in May to kick off a new tightening cycle, with a 25bp hike in the cash rate to 35bps, was a contributing factor to the markets relative underperformance. This is the RBA's first hike since 2010. On the back of this the futures market is now assuming the cash rate is nearly 3.5% in a year.

Acknowledgement by Central Banks that they are now behind the curve and need to move off emergency settings and tighten financial conditions is adding to concerns growth will slow. At the end of the day by tightening rates central banks are seeking to tighten financial conditions and take some heat out of the economy. Tighten too much and economic growth suffers and it raises the spectre of recession. Tighten not enough and inflation becomes entrenched. It is a delicate balance, and the challenge of trying to orchestrate a soft-landing a herculean task given the uncertainty and structural challenges presented by the pandemic, rising geopolitical realignment and climate change.

Domestically, many of these challenges were laid bare in the Federal election contest, which saw the Labour party win enough seats to form a majority government. Rising energy prices, food

costs and general cost of living pressures are seeing calls for higher wages, which in an already tight labour market, are adding to inflationary pressures. The reality is monetary policy cannot fill pipelines with gas, clear backlogs at ports, train more lorry drivers or plant more crops, and is a relatively blunt tool for solving the real economic issues we currently face.

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. The risk as we see it, is until there is clearer signs central banks are getting on top of inflation equity market sector returns dispersion is likely to remain high given the valuation dispersion that's still exists between growth and value/ cyclical stocks.



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Portfolio positioning and performance

For the month the portfolio returned -3.93% outperforming the S&P/ASX300 Accumulation Index by 1.17%.

While the energy sector strength continued, Woodside Petroleum underperformed following approval of its merger with BHP Petroleum and concerns around a stock overhang from BHP shareholders looking to sell Woodside shares inherited through the deal. Once this liquidity event passes, we expect the stock fundamentals to reassert themselves and stock rerate. The bank sector was also in the news reporting their six monthly results, including National Australia Bank and ANZ Bank. The results were generally well received. In absolute terms the sector is closer to fully valued but stands to be a beneficiary of short-term changes in official interest rates in the months ahead. This needs to be weighed up against the long-term risk posed by central banks tightening too aggressively.

For more information visit www.sghiscock.com.au

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