



SG HISCOCK & COMPANY

SGH Australia Plus Fund

30 June 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	\$8.23 million

Unit Prices	Purchase	Net Asset Value	Withdrawal
30 June 2022	\$ 1.5236	\$ 1.5198	\$ 1.5160

Performance³	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a.	Inception % p.a.
30 June 2022							
Distribution Return	10.95	10.43	10.69	12.66	10.42	8.62	8.36
Growth Return	-17.25	-21.18	-19.16	-17.69	-3.69	-3.06	3.44
Total Net Return	-6.30	-10.76	-8.47	-5.03	6.73	5.56	11.80
S&P/ASX 300 Accumulation Index	-8.97	-12.22	-10.39	-6.78	9.45	3.44	7.13
Total Net Return vs. the Index	2.66	1.46	1.92	1.74	-2.71	2.13	4.67

Past performance is not a reliable indicator of future performance.

Top 5 Holdings

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

Top 5 holdings represent 20.57% 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.

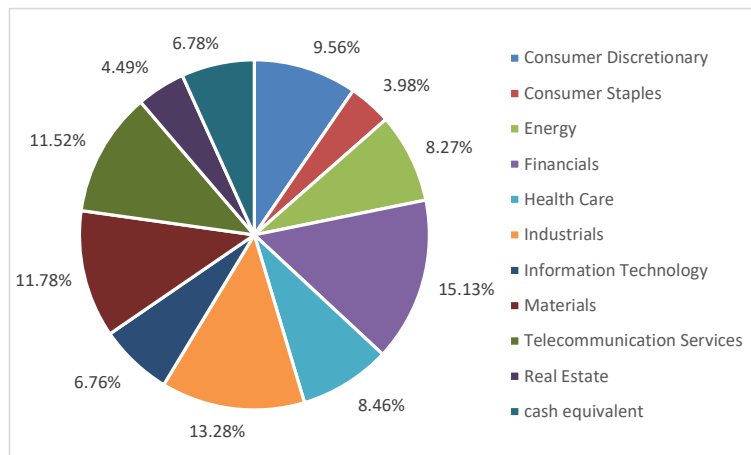
1. Includes estimated GST payable, after taking into account reduced input tax credits (RITC).

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

Recent outperformance in Australian equity markets reversed against developed market in June. The S&P/ASX300 Accumulation Index finished the month down 8.9%. This saw the FY22 year return -6.8%, the third such negative return in the past decade. In the month, consumer staples were the only sector that posted a positive return (+0.23%), albeit marginal. The market remained consumed by concerns of higher interest rates, driven by a 50bp hike by the RBA in early June. Compounding this, consumer and business confidence is dropping around the world as the reality of inflation and higher living costs bites. As a forecasting machine, the market is looking ahead to the next phase of the cycle and potential deterioration in company earnings.

With US equities now in a bear market, having corrected by more than 20%, bad news is becoming good news. That is, rising recession risk may still need to be priced into earnings, but it's reflected in lower bond yields and valuations. Some predict the Fed may pause and even start to ease policy by the end of 2023, but for this to happen greater evidence that the structural drivers of inflation are abating is required. That said, the current reality is real yields are rising, which remain a headwind for equity markets and valuations. At the very least, it is safe to say that the neutral policy rate for central banks is now higher than it was pre-pandemic. The main reason is the shift in geopolitics and structural trade and energy and food prices, largely driven by the Russia-Ukraine conflict.

Central banks face the vexed issue, to what extent they are prepared to damage the real economy to snuff out inflation? Over the last six weeks we have seen a capitulation in central bank messaging: The Fed Put (implicit central bank support of equity markets) is now a Fed call.

At the end of the day, monetary policy is far from a precise tool, and there is significant uncertainty around the impact on the real economy as rates rise, and how aggressive central banks will need to be. This has been reflected in the volatility in forward interest rate expectations. In mid-June, markets were pricing the official RBA cash rate to be 4.25% in early 2023, but by month end this had been revised to a peak of 3.5%.

In Australia, a more hawkish Reserve Bank has seen a rise in mortgage rates, with expectations now they will be around 200 basis points higher by the end of calendar 2022. It follows that as financial conditions tighten, and discretionary and business investment spending contracts forecast GDP growth will slow.

Given the level of household debt in Australia, we are particularly susceptible to a slowdown. Many will cite the high levels of household savings as a saving grace. However, the fact is the average level of household savings does not reflect the average Australian. The average is dragged up significantly by wealthier individuals. As such, mortgage stress is a real risk, and we would expect the RBA may pause the hiking cycle later this year to better understand the effect on the real economy.

From an overall context, we continue to see Australia as relatively well positioned from a global perspective. As a resource rich nation and exporter of both hard and soft commodities, Australia's economic growth stands to benefit versus most other developed countries, and particularly those heavily reliant on commodity and energy imports. Apart from the obvious GDP uplift Australia stands to benefit from, its geographic remoteness and political stability also make it an attractive partner to do business with, and also a place in which to invest.



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For more information visit www.sghiscock.com.au

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