



Investment objective	The Fund invests in a concentrated portfolio of Australian stocks that aims to offer long-term returns in excess of the S&P/ASX 300 Accumulation Index (after fees).		
Investments held	A portfolio of approximately 20 stocks that are listed on the Australian Securities Exchange.		
Investment Manager	SG Hiscock & Company Limited	APIR	ETL0042AU
Commencement	28 October 2004	mFund Product Code	SHF01
Management costs¹	0.90% p.a.	Buy spread	+0.25%
Performance Fee²	15%	Sell spread	-0.25%
Minimum initial investment	\$20,000	Fund size	\$17.97 million

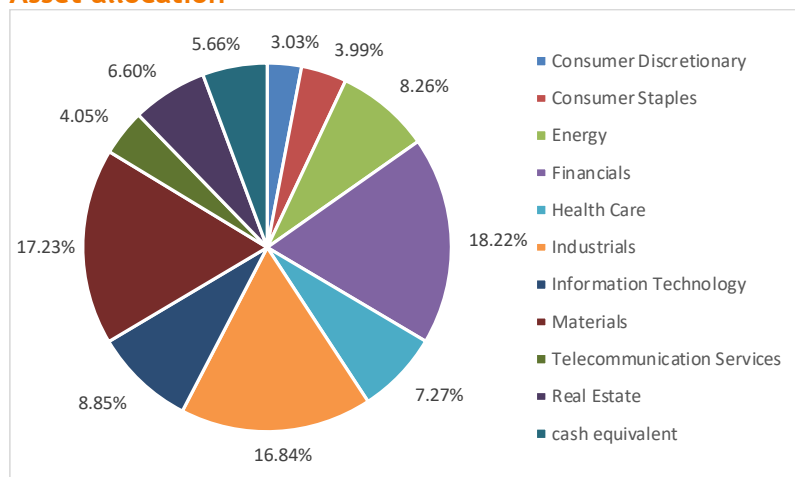
Unit Price	Application	Net Asset Value	Withdrawal
	\$ 1.5133	\$ 1.5095	\$ 1.5057

Performance ³	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
Distribution Return	0.45	0.49	0.50	7.06	10.46	11.51	7.03
Growth Return	-0.07	10.08	11.85	-1.42	-4.46	-2.25	3.10
Total Net Return	0.38	10.57	12.35	5.64	6.00	9.26	10.13
S&P/ASX300 Accumulation Index	1.89	13.79	13.73	1.73	6.87	8.84	7.96
Total Net Return vs. the Index	-0.94	-3.22	-1.38	3.91	-0.87	0.42	2.17

Past performance is not a reliable indicator of future performance.

Distribution Period	30-Jun-19	31-Dec-19	30-Jun-20	31-Dec-20
Distribution rate (cents per unit)	12.0728	2.5463	9.7956	0.7331

Asset allocation



Top 5 holdings

- National Australia Bank Limited
- CSL Limited
- Woodside Petroleum
- Rio Tinto Limited
- Macquarie Group Limited

Top 5 holdings represent 31.58% of the total Fund.

- Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
- Effective 1 December 2018, a performance fee of 15% (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, subject to a highwater mark
- Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.



Quarterly Observations

The COVID recovery in markets continued in the December quarter with the ASX300 Accumulation Index up 13.8% and is now up near 50% from March lows.

The US election result, positive vaccine news, and ongoing accommodative monetary and fiscal policy provided further impetus and investor confidence that economies can continue to recover, and the equity market cycle move from 'hope' to 'growth'.

At a sector and stock level this saw a sharp rotation in market leadership with more cyclical and value orientated sectors and stocks outperforming. Energy (+26.8%) and the banks (+26.0%) led the way whilst Technology (+22.7%) and Resources (+18.6%) also performed strongly.

The fund returned 10.57% for the quarter, underperforming the ASX300 Accumulation benchmark by 3.22%. For the 12 months to 31 December the fund has returned 5.64% outperforming the benchmark by 3.91%.

The top contributors in the quarter were National Australia Bank, Woodside Petroleum and ANZ Bank, whilst The A2 Milk Company, Saracen Minerals and NextDC were the largest detractors.

During the quarter, we added to our quality cyclical holdings including initiating a position in Qube Holdings and exited Amcor. We also lightened our gold position, but still see it as a hedge against rising government debt and rising inflationary expectations.

Our focus remains steadfastly focused on investing in quality companies with sustainable free cashflow growth at a margin of safety. The intent is to construct a high conviction portfolio with sector and lifecycle diversification.

The COVID crisis has seen the sharpest and quickest economic contraction since the great depression, but also elicited the largest global co-ordinated policy response in history.

The magnitude and speed with which this has happened is easy to gloss over, but unprecedented. In Australia alone in excess of \$350bn has been provided in stimulus and relief to bolster household and business cashflow at a time when interest rates and bond yields have declined to historical lows.

The result is household savings has risen, unemployment and business failures have been suppressed and economic activity and stock markets have roared back close to or above pre-COVID levels. All most unusual in a recession.

Equities have seen strong inflows with switching out of bonds in search of higher returns coupled with a surge in retail investor participation on FOMO (fear of missing out).

Excess liquidity and investor confidence monetary and fiscal policy will remain accommodative has helped fuel this rally. Moreover, it is the expectation rates will remain low for a long time (or ever!) and belief that the 'Policy Put' - that central banks and government will intervene if the economy or markets splutter, is alive and well.

For more information visit www.sghiscock.com.au

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