

**SG Hiscock Property Fund**
**30 September 2022**

<b>Investment Objective</b>	The Fund aims to outperform the S&P/ASX 200 A-REIT Accumulation Index over rolling three to five year periods while providing a quarterly income stream.		
<b>Investments held</b>	The Fund will provide exposure primarily to listed property trusts with the aim to provide income and capital growth potential over the long-term.		
<b>Investment Manager</b>	SG Hiscock & Company		
<b>APIR</b>	CRS0007AU	<b>SIV Compliant</b>	Yes
<b>Commencement</b>	31 December 1993	<b>Buy spread</b>	+0.25%
<b>Management costs<sup>1</sup></b>	0.78% p.a.	<b>Sell spread</b>	-0.25%
<b>Minimum initial investment</b>	\$10,000	<b>Investment pool size</b>	\$16.82million

<b>Unit Prices</b>	<b>Application</b>	<b>Withdrawal</b>
<b>30 September 2022</b>	\$0.7116	\$0.7080

<b>Performance<sup>2</sup></b>	<b>1 mth %</b>	<b>Qtr %</b>	<b>6 mths %</b>	<b>1 yr %</b>	<b>3 yrs % p.a.</b>	<b>5 yrs % p.a.</b>	<b>Inception % p.a.</b>
<b>30 September 2022</b>							
Distribution Return	0.82	0.88	1.88	3.12	3.07	3.60	7.69
Growth Return	-13.38	-6.37	-22.08	-20.67	-9.96	-4.55	-1.47
Total Net Return	-12.56	-5.49	-20.20	-17.55	-6.89	-0.94	6.23
S&P/ASX 200 A-REIT Accum. Index	-13.60	-6.72	-23.22	-21.48	-5.28	2.61	6.59

Past performance is not a reliable indicator of future performance.

<b>Top 5 holdings</b>
Scentre Group
Goodman Group
Stockland Stapled
Vicinity Centres
Mirvac Group

Top 5 holdings represent 62.4% of the total Fund.

<b>Distribution Period</b>	<b>Cents per Unit</b>
31-Dec-21	1.01
31-Mar-22	0.38
30-Jun-22	1.09
30-Sep-22	0.66

<b>Asset Allocation</b>	
Australian REITS	99.11%
Cash	0.89%



**Source: Fidante Partners Limited 30 September 2022.**

The Professional Planner | Zenith Fund Awards are determined using proprietary methodologies. Fund Awards were issued October 5, 2018 and are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").

2. 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.

## Commentary

We continue to target Australian Real Estate Investment Trusts (AREITs) that provide solid fundamentals over the medium-to-long-term that are trading attractively relative to other AREITs. Overall we endeavour to invest in entities that offer a combination of:

- A Net Present Value (“NPV”) Discount;
- An Internal Rate of Return (“IRR”) Premium;
- Ideally a (Real, not manufactured) Free Cashflow Yield Premium; and
- A Lower Price to Net Asset Value (“NAV”).

The S&P/ASX 200 AREIT Accumulation Index plummeted 13.6% in September, as investors globally fled the interest rate sensitive sectors on the back of an increasing likelihood of further interest rate rises, along with rising real bond yields. (Only Utilities fared worst). The fund managers, industrial and childcare sub-sectors were the worst performers in the AREITs.

The UK mini budget and its bewildering tax cuts (since withdrawn) in the face of rising inflation, saw markets start to experience contagion from the escalation in UK bond yields via the sell-off, necessitating the intervention of the Bank of England, reinstating Quantitative Easing temporarily. This was after the continued emphasis from The Fed post Jackson Hole that inflation remains high and that further rises in interest rates are required.

Domestically, the ten-year bond yield rose 29 bps, to 3.89%. The Australian Dollar plummeted more than four cents to US\$0.64, as the US Dollar was sought as a global refuge from the market upheaval. (The RBA’s less than expected 25 bps uplift in official interest rates in October, marking 250 bps in increases since May, brings it only to a neutral setting, as inflation pressures continue to mount and become entrenched).

Real interest rates leapfrogged 53 bps, finishing over 1.74% as at the end of September, whilst implied inflation expectations thus fell 24 bps to 2.14%, an extremely low figure implying a lower inflationary period in comparison to the last decade, which was an extraordinarily low inflationary era. This is counterintuitive to both the domestic and global outlook suggesting a continued and entrenched higher inflationary environment over the medium-term before current inflation figures reach their target levels.

Global REITs were not dissimilar to the AREITs falling 11.8%, with the industrial sub-sector also the worst performing. The general market (via the S&P/ASX 300 Accumulation Index) dropped 6.3%. Energy and Materials were the outperformers for the second-consecutive month.

### Top Contributors to the Portfolio Return:

Month	Return %	Comment
Goodman Group	-19.8	Given the Group’s predominant exposure to active earnings, it was hurt more from the jump in bond yields and general economic uncertainty. FedEx’s profit warnings following Amazon’s reduced expansion plans also negatively impacted the Group on a sentiment basis. The underweight holding contributed to relative performance.
Peet Limited	-1.3	Was active with their on-market buyback during the month. Peet also announced they used debt to fund the \$50 million Bonds maturing in early-October. The off-benchmark holding contributed to relative performance.
Aspen Group	-1.1	Conducted a \$36.3 million equity raising to take advantage of the opportunities across the full gamut of affordable housing. The off-benchmark holding contributed to relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Unibail-Rodamco-Westfield	-19.9	No news-flow for the month. The REIT has an above average gearing level currently, making it more susceptible to volatile movements in the bond markets. The overweight holding detracted from the relative performance.
Dexus Property Group	-11.6	The Group's ongoing Collimate mandate losses continue. The earn out component has reduced by a further \$25 million, with the maximum price that could be paid now totalling \$275 million, on a maximum \$18 billion in assets under management. GPT has successfully attained the AMP Capital Retail Trust, with the AMP Shopping Centre Fund likely to merge with GPT's Wholesale Shopping Centre Fund. The underweight holding detracted from the relative performance.
National Storage	-8.2	No news-flow for the month. The AREIT's self-storage exposure is leading to outperformance, given the favourable and ongoing market dynamics within the sub-sector. The underweight holding detracted from the relative performance.

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

This material has been prepared by SG Hiscock & Company Limited (ABN 51 097 263 628, AFSL 240679) SG Hiscock, the investment manager of the SG Hiscock Property Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (**Challenger Group**) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at [www.fidante.com](http://www.fidante.com) should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. SG Hiscock and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, SG Hiscock and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.