



## SG Hiscock Property Fund

31 October 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>	\$18.30 million

<b>Unit Prices</b>	<b>Application</b>	<b>Withdrawal</b>
<b>31 October 2022</b>	\$0.7739	\$0.7701

<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>31 October 2022</b>							
Distribution Return	0.00	0.87	2.06	3.40	3.14	3.65	7.70
Growth Return	9.79	-7.03	-14.52	-13.53	-7.77	-3.22	-1.14
Total Net Return	9.79	-6.15	-12.46	-10.13	-4.63	0.43	6.55
S&P/ASX 200 A-REIT Accum. Index	9.91	-8.41	-16.09	-14.06	-2.65	4.11	6.92

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 62.1% 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	99.22%
Cash	0.78%



Source: Fidante Partners Limited 31 October 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 rebounded in October, up 9.9% as investors returned to the interest rate sensitive sectors, given the belief that interest rate increases are nearing their cyclical peaks (both domestically and globally). The RBA’s surprising 25 bps increase in October was followed-up with another 25 bps on Cup Day, despite increasing inflation forecasts for Australia, not falling back to the 2% to 3% band until 2025 at the earliest. All sub-sectors were positive for the month but office barely so, as the cyclical and structural headwinds take hold.

Domestically, the performance was driven by the ten-year bond yield falling 13 bps, to 3.76%. This was only after reaching an intra-month high of 4.20%. Crucially, real interest rates dropped 37 bps, finishing at 1.37%. Implied inflation expectations regained the 24 bps it dropped in September, back to 2.38%. As stated last month, this is a “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”. The Australian Dollar was down slightly, finishing under US\$0.64.

Global REITs underperformed the AREITs, delivering 3.1%, with the retail sub-sector leading the way. The general market (via the S&P/ASX 300 Accumulation Index) rose 6.0%. Financials and Energy were the other outperforming sectors for the month, whilst Materials and Consumer Staples finished down.

## Top Contributors to the Portfolio Return:

Month	Return %	Comment
Dexus Property Group	0.5	Their quarterly update showed little change in office (in what key metrics were provided) from 30 June 2022. Large tenant leasing deals are virtually non-existent. Industrial on the other hand displayed continued strength. The underweight holding contributed to the relative performance.
Unibail-Rodamco-Westfield	19.9	Their quarterly update displayed similar retail trends to what has been witnessed in Australia, across their portfolio in Europe, UK and the USA. The improvement in key metrics across the board led to their 2022 earnings guidance being increased from at least €8.90 per share to at least €9.10 per share. The off-benchmark holding contributed to the relative performance.
Scentre Group	14.2	Ex-Lend Lease and Crown Resorts CEO – Steve McCann - will join the Board. Andrew Harmos is not seeking re-election. The AREIT has also benefitted from its peer Vicinity Centres quarterly update, which articulated the continued rebound and strength in retail. The underweight holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Peet Limited	2.2	At their AGM, Peet stated that whilst their contracts on hand was down slightly over the quarter, the value of the contracts on hand rose. Enquiries have dropped significantly but back to their long-term average. Peet active with their on-market buyback during the month as well. The off-benchmark holding detracted from the relative performance.
Aspen Group	-2.2	Completed their security purchase plan, raising ~\$1 million. Combined with the recent institutional placement, a total of \$37.3 million was raised in order to take advantage of the opportunities across the affordable housing spectrum. The off-benchmark holding detracted from the relative performance.
GDI Property Group	-1.9	No news-flow for the month. Their on-market buy-back remains ongoing. Sentiment towards AREITs with office exposure remains negative, given the structural changes with flexible working, combined with an expected deterioration in economic fundamentals, which would add a further headwind for the office AREITs to contend with. The off-benchmark holding detracted from the relative performance.

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

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