

SG Hiscock Property Fund

30 November 2022

Investment Objective	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.		
Investments held	The Fund will provide exposure primarily to listed property trusts with the aim to provide income and capital growth potential over the long-term.		
Investment Manager	SG Hiscock & Company		
APIR	CRS0007AU	SIV Compliant	Yes
Commencement	31 December 1993	Buy spread	+0.25%
Management costs¹	0.78% p.a.	Sell spread	-0.25%
Minimum initial investment	\$10,000	Investment pool size	\$19.24 million

Unit Prices	Application	Withdrawal
30 November 2022	\$0.8182	\$0.8142

Performance²	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
30 November 2022							
Distribution Return	0.00	0.95	2.33	3.50	3.17	3.66	7.69
Growth Return	5.73	0.56	-3.13	-10.86	-6.94	-3.08	-0.95
Total Net Return	5.73	1.50	-0.79	-7.36	-3.77	0.58	6.74
S&P/ASX 200 A-REIT Accum. Index	5.78	0.45	-2.76	-13.02	-1.56	4.21	7.10

Past performance is not a reliable indicator of future performance.

Top 5 holdings
Scentre Group
Goodman Group
Stockland Stapled
Vicinity Centres
Mirvac Group

Top 5 holdings represent 61.5% of the total Fund.

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

Asset Allocation	
Australian REITS	99.19%
Cash	0.81%



Source: Fidante Partners Limited 30 November 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 had another strong month, up 5.7%. Once again, investors sensing we are closing in on a top/moderation in the interest rate rising cycle in 2023 increased their positioning into the interest rate sensitive sectors. Data indicating that the inflationary pressures are moderating has seen some even prognosticate a pause by the RBA is imminent. Ex-alternatives, the sub-sectors were positive, led by the fund managers and industrial.

The lower ten-year bond yield was a driver, dropping 23 bps, to 3.53%. Real interest rates dropped 20 bps, finishing at 1.17%. Implied inflation expectations therefore were relatively unchanged at 2.36%, which still seems on the downside. The Australian Dollar rebounded once more, by circa. four cents, finishing just under US\$0.68. The Fed's talk of moderating their interest rate rising cycle drove the rebound in the AUD but commodities were also up, including iron ore.

Global REITs underperformed the AREITs, delivering 5.0%. The general market (via the S&P/ASX 300 Accumulation Index) rose 6.5%. All sectors were positive, driven by utilities and materials.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
National Storage	-8.4	No news flow for the month. The self-storage landlords have stated that the pandemic tailwinds have ceased. The underweight holding contributed to the relative performance.
Dexus Property Group	3.1	Undertook a \$500 million exchangeable note issue. The funds raised are earmarked towards repurchasing \$100 million of existing notes, along with other funding requirements. The pricing was at the low-end of the range. The impact on gearing is not material, with FY23 distribution guidance maintained at 50 to 51.5 cents per security. The underweight holding contributed to the relative performance.
Unibail-Rodamco-Westfield	9.5	Updated their green financing framework, with assets and developments to at least be "excellent" in meeting the BREEAM certification. The off-benchmark holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Goodman Group	12.5	Their quarterly exhibited a reduction in the yield on cost of their development starts, down to 5.8% from 6.3% three-months prior, as construction costs start to bite. Goodman is witnessing cap rates expanding up to 40 bps in some markets in the UK, Europe and North America. The rental growth is more than covering this to date. The underweight holding detracted from the relative performance.
Scentre Group	2.4	Their third-quarter update demonstrated strong sales (Scentre reported sales up 15% on the pre-pandemic period) and footfall (ex-CBDs) at 95% of 2019 levels, with re-leasing spreads continuing to improve. The overweight holding detracted from the relative performance.
GDI Property Group	-2.2	At their Annual General Meeting (AGM), GDI reduced their FY23 distribution guidance from 7.75 cps to 5 cps. A portion of the distribution is still expected to be paid from capital. The off-benchmark holding detracted from the relative performance.

For more information visit www.sghiscock.com.au

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