

## SG Hiscock Property Fund

## 31 January 2023

<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>	\$19.61 million

<b>Unit Prices</b>	<b>Application</b>	<b>Withdrawal</b>
<b>31 January 2023</b>	\$0.8514	\$0.8472

<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 January 2023</b>							
Distribution Return	0.00	0.64	1.56	3.33	2.94	3.49	7.67
Growth Return	7.58	9.44	1.75	-3.15	-5.14	-1.89	-0.83
Total Net Return	7.58	10.08	3.31	0.18	-2.20	1.59	6.85
S&P/ASX 200 A-REIT Accum. Index	8.12	9.69	0.47	-4.95	-0.91	5.62	7.19

Past performance is not a reliable indicator of future performance.

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

Top 5 holdings represent 61.3% of the total Fund.

<b>Distribution Period</b>	<b>Cents per Unit</b>
31-Mar-22	0.38
30-Jun-22	1.09
30-Sep-22	0.66
31-Dec-22	0.46

<b>Asset Allocation</b>	
Australian REITS	97.99%
Cash	2.01%



**Source: Fidante Partners Limited 31 January 2023.**

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 started 2023 in a complete contrast to 2022, up 8.1%, as the markets (both domestically and globally) broadly ran with the expectation that interest rate rises to not only cease in the near-term but reverse into cuts over the medium term, given the various economic data releases suggest a peak in inflation has been achieved. Subsequently, this backdrop led to the fund managers being the best performers, a complete contrast to December 2022.

Specifically, the ten-year bond yield declined 50 bps, to 3.55%. Ten-Year Real bond yields dropped by slightly more, down 54 bps, to 1.05%. The implied inflation expectations rose once more, but only 4 bps to 2.50%. This trend is consistent with our expectations about the longer-term inflation outlook.

We note since the start of 2022, as the markets started to account for the increased likelihood of interest rate rises, the AREIT sector's performance has become highly correlated with the movements in the ten-year real bond yield.

As we come closer to the end of the interest rate rising cycle, we expect rates to stabilise at higher levels than has historically been the case than the years immediately prior and during the pandemic. We are comfortable with an investment environment predicated on positive real bond yields ~1%.

Global REITs benefitted from these same dynamics, performing in line with the AREITs, delivering 8.0%. The general market (via the S&P/ASX 300 Accumulation Index) was the laggard but still generated 6.3%. Utilities was the only sector to register a negative month, given recent government initiatives to cap power price rises.

## Top Contributors to the Portfolio Return:

Month	Return %	Comment
Unibail-Rodamco-Westfield	17.9	As part of their deleveraging program, URW disposed two B+-rated retail assets in <b>Westfield Trumbull</b> , Connecticut and <b>Westfield South Shore</b> , NY, for US\$196 million, reflecting a 9.5% initial yield, in line with its value. The off-benchmark holding contributed to the relative performance.
National Storage	-0.4	No news flow for the month. The underweight holding contributed to the relative performance.
Dexus Property Group	5.0	Has revised the transaction structure with AMP, over the Collimate Capital business. This has been necessitated due to a delay in receiving approval from a Chinese regulator, regarding AMP's interest in China Life AMP Asset Management. The purchase price reduces by \$25 million, with the earnout component falling to zero. The underweight holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Goodman Group	14.9	No news flow for the month. The <b>higher growth/transactional entities</b> , with <b>higher multiples</b> , were the chief beneficiaries from the <b>reduction in interest rate expectations</b> during the month. The underweight holding detracted from the relative performance.
Peet Limited	0.9	There was no news flow for the month but Peet was consistently active in its <b>on-market buy-back</b> . <b>Low home sales figures</b> and <b>rising cancellations</b> in <b>WA</b> due to the <b>jump in build costs</b> is also impacting the securities price. The off-benchmark holding detracted from the relative performance.
Aspen Group	-3.5	No news-flow for the month. Aspen has been active across the whole spectrum of <b>affordable housing</b> , which has seen the Group massively outperform the AREIT sector over the past 12-months. 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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