



SG Hiscock Property Fund

28 February 2023

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	\$19.29 million

Unit Prices	Application	Withdrawal
28 February 2023	\$0.8415	\$0.8373

Performance²	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
28 February 2023							
Distribution Return	0.00	0.60	1.59	3.24	3.00	3.51	7.65
Growth Return	-0.65	2.84	3.41	-5.74	-3.30	-1.30	-0.85
Total Net Return	-0.65	3.44	4.99	-2.50	-0.30	2.20	6.80
S&P/ASX 200 A-REIT Accum. Index	-0.26	3.43	3.89	-6.52	0.66	6.27	7.17

Past performance is not a reliable indicator of future performance.

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

Top 5 holdings represent 61.8% of the total Fund.

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

Asset Allocation	
Australian REITS	98.14%
Cash	1.86%



Source: Fidante Partners Limited 28 February 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 marginally retreated (-0.3%) following January's stellar start. The markets (domestically and globally) factored that interest rates rises have further to go and that reductions may be moderate. The stronger economic outlook allayed recessionary fears currently, as inflation, whilst most likely having peaked, looks set to remain persistent. The ten-year bond yield jumped 30 bps, to 3.85%, whilst the ten-year real bond yields leapt 35 bps, to 1.40%. The implied inflation expectations remain ~2.5%.

Fund managers were the worst performers, in another stark contrast to the prior month's performance. Office was the best performing sector domestically, as the metrics reported during February's results were not as bad as feared (to date). By contrast, office was the worst performer globally.

The AREITs outperformed both the Global REITs (-3.6%) and the general market (via the S&P/ASX 300 Accumulation Index) which was down 2.6%. This was driven by the miners, who were negatively affected by the broad-based jump in the US dollar (the Australian dollar fell three cents in February to US\$0.67) which negatively impacted commodity pricing generally.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Charter Hall Social Infrastructure	-8.1	Reported their half-year results, where their earnings were negatively impacted via the rising interest costs. The AREIT also purchased a 49.9% stake in the Innovation Quarter for \$66.9 million, on a 4.8% capitalisation rate. The underweight holding contributed to the relative performance.
Cromwell Property Group	-8.3	The current environment is preventing Cromwell from executing the de-stapling of its Australian office assets, along with delaying the sales of its Polish retail assets. This has resulted in a drop in earnings and NTA, with gearing remaining elevated. The underweight holding contributed to the relative performance.
Unibail-Rodamco- Westfield	1.6	Reported their 2022 results, where the adjusted recurring Earnings Per Share (EPS) was up 34.7% on 2021 to €9.31 per share. 2023 is forecast in the range of €9.30 to €9.50 per share. The off-benchmark holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
National Storage	9.1	Their results highlighted the continued strength of self-storage, with rents and RevPAM, offsetting the slight decrease in occupancy. Guidance was upgraded to a minimum of 11.5 cps in underlying earnings, v. 11.1 cps previously. The underweight holding detracted from the relative performance.
Dexus Property Group	3.4	Their half-year results delivered 2.8% Adjusted Funds From Operations (AFFO) growth due to the trading profits more than doubling on pcp. Underlying Funds From Operations (FFO) was down 9.3% stripping-out this impact. Despite reducing their development pipeline by ~\$1 billion, it remains substantial. Guidance was updated to the higher end of their range. The underweight holding detracted from the relative performance.
Ingenia Communities Group	-13.2	Went into a trading halt prior to delivering their half-year results, due to further development delays impacting their ability to deliver and settle their land lease homes forecast for FY23. Earnings Before Interest & Taxes (EBIT) Growth for FY23 is now forecast at 0% to 10%. Wet weather in Victoria, combined with labour access issues in Victoria and Queensland were the culprits, as the time to build has doubled. The overweight holding detracted from the relative performance.

For more information visit www.sghiscock.com.au

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