SG HISCOCK & COMPANY

SG Hiscock Property Fund

31 May 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 costs[1]	0.78% p.a.	**Sell spread**	-0.25%
Minimum initial investment	$10,000	**Investment pool size**	$17.28 million

Unit Prices 31 May 2023	**Application**	**Withdrawal**
	$0.8032	$0.7992

Performance[2] 31 May 2023	**1 mth %**	**Qtr %**	**6 mths %**	**1 yr %**	**3 yrs % p.a.**	**5 yrs % p.a.**	**Inception % p.a.**
Distribution Return	0.00	0.74	1.35	3.63	3.00	3.42	7.60
Growth Return	-3.23	-4.55	-1.84	-4.91	5.28	-3.04	-1.00
Total Net Return	-3.23	-3.81	-0.50	-1.29	8.28	0.37	6.60
S&P/ASX 200 A-REIT Accum. Index	-1.75	-3.57	-0.26	-3.01	7.61	3.94	6.97

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 64.1% of the total Fund.

Distribution Period	**Cents per Unit**
30-Jun-22	1.09
30-Sep-22	0.66
31-Dec-22	0.46
31-Mar-23	0.61

Asset Allocation	
Australian REITS	99.56%
Cash	0.44%

Professional | Zenith FUND AWARDS 2018 Finalist

Source: Fidante Partners Limited 31 May 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 fell 1.8%, as the markets increasingly started to factor in further interest rate rises/higher for longer, given the ongoing, robust inflation data.

Consumer discretionary and staples were the worst performing sectors on the ASX in May, given a slowing in retail sales, trading-down/value-conscious shopper coming to the fore. Retail AREITs, especially those exposed to discretionary retail fell in sympathy (unfairly in our view) given the fact that these sales figures have come-off relatively high levels and their rents are not determined upon a retailer's sales turnover.

The AREITs (again) outperformed both the Global REITs (down 3.8%) and the general market (via the S&P/ASX 300 Accumulation Index) which was down 2.5%, driven by the underperformance in consumer sectors and financials. Information Technology delivered ~12%, benefitting from the AI thematic permeating the globe.

The ten-year bond yield rose 27 bps, to 3.61%. The ten-year real bond yields only rose 20 bps, to 1.17%. This has resulted in the implied inflation expectations for the next 10 years rising to 2.44%, edging closer to what we forecast longer-term inflation to be. The correlation between the AREIT sector's performance and real bond yield movements was therefore reestablished, given the enhanced risk of further interest rate rises.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Peet Limited	4.4	Remains active in their on-market buy-back, participating at current pricing levels. The residential developer has strong earnings and cash-flow momentum, driven from its long-dated, high-margin Flagstone development. Still trading below NTA, delivering a sustainable distribution yield. The off-benchmark holding contributed the relative performance.
GPT Group	-5.0	In a quarterly operational update, GPT registered 4% retail leasing spreads (versus -2.8% in December 2022) 32% industrial leasing spreads (versus 15% in December 2022) and is on target for 90% office occupancy (currently 88%) by the end of 2023. Guidance of 31.3 cps in Fund From Operations (FFO) and 25 cps distribution for 2023 was reaffirmed. The underweight holding contributed to the relative performance.
Centuria Capital	4.4	Provided a market update, where their assets under management remained despite $500 million of unlisted inflows was achieved. The Group's operating gearing fell from 17.3% to 14.6%. The overweight holding contributed to the relative performance.

Negative Contributors to the Portfolio Return:

Month	Return %	Comment
Unibail-Rodamco-Westfield	-13.4	Disposed of the Westfield Brandon Shopping Centre in Florida, USA, for US$220 million. This was a 4.4% discount to its valuation and a 10% net initial yield. Also, the "V" office asset in Versailles, France, was sold for €95 million, in line with its valuations, reflecting a net initial yield of 5.7%. The off-benchmark holding detracted from the relative performance.
Goodman Group	1.6	Took the opportunity in their third-quarter update, to upgrade their operating earnings per share growth for FY23 from 13.5% to 15%. Rent growth is covering the jump in costs to develop, which now sees 30% of their work in progress in developing data centres. Cap rates expanded 10 bps for the quarter to 4.3%. The underweight holding detracted from the relative performance.
Vicinity Centres	-11.7	Released a quarterly update, where re-leasing spreads turned positive, as sales growth remained strong. This as visitations were relatively flat on the December 2022 figures, being 88% of 2019 levels (93% excluding the CBDs). The overweight holding detracted from the relative performance.