

SG Hiscock Property Fund

31 July 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	\$20.06million

Unit Prices	Application	Withdrawal
31 July 2022	\$0.8325	\$0.8283

Performance²	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
31 July 2022							
Distribution Return	0.00	1.34	1.78	3.33	3.18	3.71	7.75
Growth Return	10.57	-8.06	-4.81	-2.80	-5.12	-1.10	-0.90
Total Net Return	10.57	-6.72	-3.03	0.52	-1.93	2.61	6.85
S&P/ASX 200 A-REIT Accum. Index	11.93	-8.39	-5.40	-2.06	0.12	6.81	7.31

Past performance is not a reliable indicator of future performance.

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

Top 5 holdings represent 61.6% of the total Fund.

Distribution Period	Cents per Unit
30-Sep-21	0.40
31-Dec-21	1.01
31-Mar-22	0.38
30-Jun-22	1.09

Asset Allocation	
Australian REITS	97.66%
Cash	2.34%



Source: Fidante Partners Limited 31 July 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 11.9% in July. The ten-year bond yield falling 60 bps to 3.06%, having exceeded 4% mid-June, drove the rally, as the market prices in interest rate cuts to commence in the medium-term, looking through the forecast increases still expected in 2022. The US Fed's controversial pronouncement of being closer to neutral drove the yield compression in late-July. Yield curves flattened in Australia and inverted elsewhere, most notably in the USA, signifying a slowdown. Real interest rates fell 55 bps, finishing at 86 bps. Implied inflation expectations declined marginally to 2.2%. This remains on the low side, given the data and expectations in the market surrounding inflation going forward, moving to an environment that we believe should see higher inflation and interest rates than witnessed in post-GFC, which was driven by some easing on globalisation and the associated, predominantly deflationary impacts.

Entities reliant upon lower return hurdles, with a larger portion of active earnings streams (ex-Residential) drove the AREIT index up, led by the fund managers. Industrial rebounded, lower yields assisted in maintaining the sub-sectors tight cap rates. Global REITs also benefitted from these tailwinds, rebounding 7.7%. The general market (via the S&P/ASX 300 Accumulation Index) rose 6.0%. Materials was the sole sector to fall, as the global growth concerns rise. Only IT domestically outperformed the AREITs, benefitting from the dive in yields.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Dexus Property Group	6.8	During the month it lost the battle to attain the management of the \$7.7 billion AMP Wholesale Office Fund to Mirvac. The potential earn-out payment component paid to Collimate for the business is now \$75 million. (Was \$300 million). The underweight holding contributed to relative performance.
Charter Hall Long WALE REIT	6.6	No news-flow for the month. The AREIT's elevated gearing, modest hedging and low cost of debt make its earnings susceptible in a rising interest rate environment. Offsetting this to a degree is nearly half of its leases are linked to CPI. The underweight holding contributed to relative performance.
GPT Group	7.6	No news flow for the month. The Group will trade on an ex-distribution basis for the half in August. Their relatively low hedging and cost of debt make it susceptible to rising interest costs. The underweight holding contributed to relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Goodman Group	15.9	Entered into another joint venture with Brickworks, on a Manufacturing Trust, comprising 15 Brickworks assets, 16-year Weighted Average Lease Expiry (WALE), covering 496 hectares, valued at \$416 million, representing a 4.2% cap rate. Several assets provide redevelopment opportunities over time. The underweight holding detracted from relative performance.
Australian Unity Office	-17.1	Aliro Group, having succeeded in obtaining due diligence extensions for AOF, pulled their bid, citing deteriorating market conditions as the reason it did not proceed at the indicative \$2.45 per unit all-cash bid. This was announced concurrently with further revaluations seeing the Net Tangible Assets (NTA) drop to \$2.26 per unit. The off-benchmark holding detracted from relative performance.
Stockland	6.4	Settled the sale of their retirement living business to EQT Infrastructure. FY22 Funds From Operations (FFO) is expected to be at the top of the 35.1 to 34.6 cents per security guidance range. Going forward, Stockland will also be in a tax paying position, with the tax payable anticipated to comprise 5% to 10% of its FFO. The overweight holding detracted from relative performance.

For more information visit www.sghiscock.com.au

This material has been prepared by SG Hiscock & Company Limited (ABN 51 097 263 628, AFSL 240679) SG Hiscock, the investment manager of the SG Hiscock Property Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (**Challenger Group**) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. SG Hiscock and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, SG Hiscock and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.