

SG Hiscock Property Opportunities Fund

31 August 2023

Performance ¹	Net Return	Distribution	Growth Return	ASX 300 A-REIT Accum.
1 month (%)	1.16%	0.00%	1.16%	2.18%
3 month (%)	5.55%	1.56%	3.99%	6.05%
6 month (%)	1.19%	2.33%	-1.14%	2.01%
1 year (%)	6.81%	4.49%	2.31%	5.93%
3 years (% p.a.)	8.71%	4.03%	4.68%	7.69%
5 years (% p.a.)	1.07%	3.91%	-2.84%	4.39%
Inception (% p.a.)	6.86%	7.80%	-0.94%	7.57%

¹Income 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.

Past performance is not a reliable indicator of future performance
Source Fidante Partners Limited.

Investment objective

To outperform its benchmark, the S&P/ASX 300 A-REIT Accumulation Index, over rolling three-year periods, while providing investors with a quarterly income stream and some capital growth over the medium term (at least three years).

Investments held

The Fund invests in a diversified portfolio of listed property and property-related securities. The fund can invest up to 20% in global property securities.

Asset Allocation

AREITs	97.25%
GREITs	0.00%
Cash	2.75%

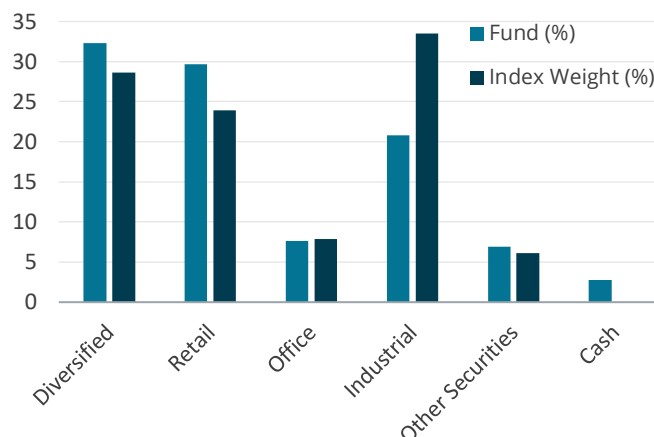
Key Facts

Investment manager	SG Hiscock & Company Ltd.
Inception date	30 Sept 1994
Benchmark	S&P/ASX 300 A-REIT Accum. Index
Management fees ²	0.85%
Fund size	\$26.4M
Number of holdings	21
Distributions	Quarterly
Buy/sell spread	+0.25/ -0.25%
Minimum initial investment	\$10,000
Base currency	AUD
APIR	HBC0008AU
mFund code	n/a
Domicile	Australia
Unit price	
Application	\$0.7563
Withdrawal	\$0.7525
Distribution cpu	
30-Sept-22	0.59
31-Dec-22	0.76
31-Mar-23	0.60
30-Jun-23	1.07

² Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").

Asset Allocation

End of month	Fund (%)	Index Weight (%)
Diversified	32.3	28.6
Retail	29.7	23.9
Office	7.6	7.9
Industrial	20.8	33.5
Other Securities	6.9	6.1
Cash	2.8	
Total	100	100



Source: SG Hiscock & Company Limited

Top 5 Holdings	Top 5 Contributors ^	Top 5 Detractors v
Goodman Group	Charter Hall Long Wale REIT	Goodman Group
Scentre Group	DEXUS Property Group	Peet Ltd
Stockland Stapled	Region Group	Centuria Office REIT
Vicinity Centres	GPT Group	Centuria Capital Group
Mirvac Group	Waypoint REIT Ltd	Vicinity Centres

Top 5 holdings represent 63.02% of the total

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 300 AREIT Accumulation Index** rose 2.2%. This was driven by **Goodman Group** and the potential opportunities and scale of **developing data centres** in its portfolio, as they theorise how best to take advantage of this long-dated opportunity. The **industrial** subsector was the outperformer both domestically and globally.
 - The AREITs once more outperformed both the **Global REITs** (down 2.7%) and the general market (via the **S&P/ASX 300 Accumulation Index**) which was down 0.8%. Only the **discretionary retail** subsector outperformed AREITs. **Utilities** and **staples** were the laggards.

- Both the **ten-year bond yield** (4.03%) and **ten-year real bond yields** (1.54%) were little changed, but this was after the ten-year bond yield was north of 4.2% intra-month. It finished at its lows. This has resulted in the **implied inflation expectations** for the next 10-years remaining relatively stable at ~2.5% pa.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Charter Hall Long WALE	-13.9	Gearing surpassing 40% stole the headlines in their FY23 results. The AREIT has commenced selling assets, targeting those that are yielding below their rising cost of debt, in order to make them accretive to earnings. The underweight holding contributed to the relative performance.
Dexus Property Group	-5.7	Delivering a relatively benign result given the majority office exposure. The difficulty in transacting is also seeing trading profits forecast to drop in FY24. Sold 1 Margaret St, Sydney, but had to invest \$50 million into the purchaser's fund, in order to secure the deal. Dexus's industrial portfolio has operating metrics have been inferior to peers in terms of like for like rental growth, which is a bit surprising given the apparent portfolio under-renting. The underweight holding contributed to the relative performance.
Region Group	-10.7	The strong performance of their non-discretionary retail assets was superseded by the jump in costs associated with both capital management and operations. A higher proportion of gross leases has negatively impacted Region more imminently. The underweight holding contributed to the relative performance.

Negative Contributors to the Portfolio Return:

Month	Return %	Comment
Goodman Group	13.7	Data centres is a subsector experiencing elevated demand. Goodman Group reiterated that 30% of their work in progress is in data centres. Combined with secured and potential > 3GW of energy, which could have a \$30 billion end value. Consideration is also given to being exposed to the operating/infrastructure side of data centres. The market's enthusiasm for this pivot was profound. Overall development volume for Goodman Group moderated down 4% vs prior year and development starts were \$6bn in FY23 down 24% and below completions. Guidance for operating EPS growth of 9% was below consensus of 11% (source: JP Morgan). The underweight holding detracted from the relative performance.

Peet Limited	-3.6	Earnings were up 37% on pcp, as the developer looks to have over 80% of its landbank in production by FY25. Peet recommenced their on-market share buy-back in August. The off-benchmark holding detracted from the relative performance.
Centuria Office	-11.4	Present and forecast conditions are not conducive to office landlord with Centuria Office more elevated gearing. This despite conducting asset sales during FY23 to lower gearing, with further sales planned. The overweight holding detracted from the relative performance.

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Disclaimer: 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 Opportunities 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.

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