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SG HISCOCK & COMPANY

SG Hiscock Property Opportunities Fund — 30 September 2022

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.		
Investment Manager	SG Hiscock & Company Limited		
APIR	HBC0008AU		
Commencement	30 September 1994	**Buy spread**	+0.25%
Management costs[1]	0.85% p.a.	**Sell spread**	-0.25%
Minimum initial investment	$10,000	**Investment pool size**	$24.99 million

Unit Prices 30 September 2022	Application	Withdrawal
	$0.6476	$0.6444

Performance[2] 30 September 2022	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
Distribution Return	0.80	0.87	2.87	4.12	3.18	3.87	7.89
Growth Return	-13.19	-6.35	-23.28	-21.69	-9.92	-4.78	-1.55
Total Net Return	-12.39	-5.49	-20.41	-17.58	-6.74	-0.90	6.34
S&P/ASX 300 A-REIT Accum. Index	-13.56	-6.89	-23.18	-21.13	-4.61	3.07	7.05

Past performance is not a reliable indicator of future performance.

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

Top 5 holdings represent 59.7% of the total Fund.

Distribution Period	Cents per Unit
31-Dec-21	0.93
31-Mar-22	0.33
30-Jun-22	1.91
30-Sep-22	0.59

Asset Allocation	
Australian REITS	98.32%
International	0.00%
Cash	1.68%

Professional Planner | Zenith FUND AWARDS 2018 Finalist

Source: Fidante Partners Limited, 30 September 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.

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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 plummeted 13.6% in September, as investors globally fled the interest rate sensitive sectors on the back of an increasing likelihood of further interest rate rises, along with rising real bond yields. (Only Utilities fared worst). The fund managers, industrial and childcare sub-sectors were the worst performers in the AREITs.

The UK mini budget and its bewildering tax cuts (since withdrawn) in the face of rising inflation, saw markets start to experience contagion from the escalation in UK bond yields via the sell-off, necessitating the intervention of the Bank of England, reinstating Quantitative Easing temporarily. This was after the continued emphasis from The Fed post Jackson Hole that inflation remains high and that further rises in interest rates are required.

Domestically, the ten-year bond yield rose 29 bps, to 3.89%. The Australian Dollar plummeted more than four cents to US$0.64, as the US Dollar was sought as a global refuge from the market upheaval. (The RBA's less than expected 25 bps uplift in official interest rates in October, marking 250 bps in increases since May, brings it only to a neutral setting, as inflation pressures continue to mount and become entrenched).

Real interest rates leapfrogged 53 bps, finishing over 1.74% as at the end of September, whilst implied inflation expectations thus fell 24 bps to 2.14%, an extremely low figure implying a lower inflationary period in comparison to the last decade, which was an extraordinarily low inflationary era. This is counterintuitive to both the domestic and global outlook suggesting a continued and entrenched higher inflationary environment over the medium-term before current inflation figures reach their target levels.

Global REITs were not dissimilar to the AREITs falling 11.8%, with the industrial sub-sector also the worst performing. The general market (via the S&P/ASX 300 Accumulation Index) dropped 6.3%. Energy and Materials were the outperformers for the second-consecutive month.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Goodman Group	-19.8	Given the Group's predominant exposure to active earnings, it was hurt more from the jump in bond yields and general economic uncertainty. FedEx's profit warnings following Amazon's reduced expansion plans also negatively impacted the Group on a sentiment basis. The underweight holding contributed to relative performance.
Peet Limited	-1.3	Was active with their on-market buyback during the month. Peet also announced they used debt to fund the $50 million Bonds maturing in early-October. The off-benchmark holding contributed to relative performance.
Aspen Group	-1.1	Conducted a $36.3 million equity raising to take advantage of the opportunities across the full gamut of affordable housing. The off-benchmark holding contributed to relative performance.

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Negative Contributors to the Portfolio Return:

Month	Return %	Comment
Unibail-Rodamco-Westfield	-19.9	No news-flow for the month. The REIT has an above average gearing level currently, making it more susceptible to volatile movements in the bond markets. The overweight holding detracted from the relative performance.
Dexus Property Group	-11.6	The Group's ongoing Collimate mandate losses continue. The earn out component has reduced by a further $25 million, with the maximum price that could be paid now totaling $275 million, on a maximum $18 billion in assets under management. GPT has successfully attained the AMP Capital Retail Trust, with the AMP Shopping Centre Fund likely to merge with GPT's Wholesale Shopping Centre Fund. The underweight holding detracted from the relative performance.
National Storage	-8.2	No news-flow for the month. The AREIT's self-storage exposure is leading to outperformance, given the favourable and ongoing market dynamics within the sub-sector. The underweight holding detracted from the relative performance.