



SG HISCOCK & COMPANY

SG Hiscock Property Opportunities Fund

31 October 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 costs¹	0.85% p.a.	Sell spread	-0.25%
Minimum initial investment	\$10,000	Investment pool size	\$26.78 million

Unit Prices	Application	Withdrawal
31 October 2022	\$0.7047	\$0.7011

Performance²	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
31 October 2022							
Distribution Return	0.00	0.86	3.14	4.48	3.25	3.93	7.89
Growth Return	9.80	-6.83	-15.84	-14.71	-7.72	-3.45	-1.22
Total Net Return	9.80	-5.97	-12.70	-10.22	-4.47	0.47	6.68
S&P/ASX 300 A-REIT Accum. Index	9.87	-8.48	-16.17	-13.86	-2.02	4.57	7.39

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 60.3% of the total Fund.

Asset Allocation	
Australian REITS	99.66%
International	0.00%
Cash	0.34%

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

**Source: Fidante Partners Limited, 31 October 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 300 AREIT Accumulation Index rebounded in October, up 9.9% as investors returned to the interest rate sensitive sectors, given the belief that interest rate increases are nearing their cyclical peaks (both domestically and globally). The RBA’s surprising 25 bps increase in October was followed-up with another 25 bps on Cup Day, despite increasing inflation forecasts for Australia, not falling back to the 2% to 3% band until 2025 at the earliest. All sub-sectors were positive for the month but office barely so, as the cyclical and structural headwinds take hold.

Domestically, the performance was driven by the ten-year bond yield falling 13 bps, to 3.76%. This was only after reaching an intra-month high of 4.20%. Crucially, real interest rates dropped 37 bps, finishing at 1.37%. Implied inflation expectations regained the 24 bps it dropped in September, back to 2.38%. As stated last month, this is a “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”. The Australian Dollar was down slightly, finishing under US\$0.64.

Global REITs underperformed the AREITs, delivering 3.1%, with the retail sub-sector leading the way. The general market (via the S&P/ASX 300 Accumulation Index) rose 6.0%. Financials and Energy were the other outperforming sectors for the month, whilst Materials and Consumer Staples finished down.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Dexus Property Group	0.5	Their quarterly update showed little change in office (in what key metrics were provided) from 30 June 2022. Large tenant leasing deals are virtually non-existent. Industrial on the other hand displayed continued strength. The underweight holding contributed to the relative performance.
Unibail-Rodamco-Westfield	19.9	Their quarterly update displayed similar retail trends to what has been witnessed in Australia, across their portfolio in Europe, UK and the USA. The improvement in key metrics across the board led to their 2022 earnings guidance being increased from at least €8.90 per share to at least €9.10 per share. The overweight holding contributed to the relative performance.
Scentre Group	14.2	Ex-Lend Lease and Crown Resorts CEO – Steve McCann - will join the Board. Andrew Harnos is not seeking re-election. The AREIT has also benefitted from its peer Vicinity Centres quarterly update, which articulated the continued rebound and strength in retail. The underweight holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Peet Limited	2.2	At their AGM, Peet stated that whilst their contracts on hand was down slightly over the quarter, the value of the contracts on hand rose. Enquiries have dropped significantly but back to their long-term average. Peet active with their on-market buyback during the month as well. The off-benchmark holding detracted from the relative performance.
GDI Property Group	-1.9	No news-flow for the month. Their on-market buy-back remains ongoing. Sentiment towards AREITs with office exposure remains negative, given the structural changes with flexible working, combined with an expected deterioration in economic fundamentals, which would add a further headwind for the office AREITs to contend with. The overweight holding detracted from the relative performance.
Aspen Group	-2.2	Completed their security purchase plan, raising ~\$1 million. Combined with the recent institutional placement, a total of \$37.3 million was raised in order to take advantage of the opportunities across the affordable housing spectrum. The off-benchmark holding detracted from the 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 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.