



SG HISCOCK & COMPANY

## SG Hiscock Property Opportunities Fund

30 November 2022

<b>Investment Objective</b>	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).		
<b>Investments held</b>	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.		
<b>Investment Manager</b>	SG Hiscock & Company Limited		
<b>APIR</b>	HBC0008AU		
<b>Commencement</b>	30 September 1994	<b>Buy spread</b>	+0.25%
<b>Management costs<sup>1</sup></b>	0.85% p.a.	<b>Sell spread</b>	-0.25%
<b>Minimum initial investment</b>	\$10,000	<b>Investment pool size</b>	\$28.01 million

<b>Unit Prices</b>	<b>Application</b>	<b>Withdrawal</b>
<b>30 November 2022</b>	\$0.7375	\$0.7339

<b>Performance<sup>2</sup></b>	<b>1 mth %</b>	<b>Qtr %</b>	<b>6 mths %</b>	<b>1 yr %</b>	<b>3 yrs % p.a.</b>	<b>5 yrs % p.a.</b>	<b>Inception % p.a.</b>
<b>30 November 2022</b>							
Distribution Return	0.00	0.93	3.56	4.63	3.28	3.94	7.88
Growth Return	5.68	0.73	-4.68	-11.86	-6.77	-3.27	-1.02
Total Net Return	5.68	1.67	-1.12	-7.23	-3.49	0.67	6.86
S&P/ASX 300 A-REIT Accum. Index	5.81	0.49	-3.01	-12.32	-0.90	4.67	7.58

Past performance is not a reliable indicator of future performance.

<b>Top 5 holdings</b>
Scentre Group
Goodman Group
Stockland Stapled
Vicinity Centres
Mirvac Group

Top 5 holdings represent 59.9% of the total Fund.

<b>Asset Allocation</b>	
Australian REITS	99.05%
International	0.00%
Cash	0.95%

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



Source: Fidante Partners Limited, 30 November 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 had another strong month, up 5.8%. Once again, investors sensing we are closing in on a top/moderation in the interest rate rising cycle in 2023 increased their positioning into the interest rate sensitive sectors. Data indicating that the inflationary pressures are moderating has seen some even prognosticate a pause by the RBA is imminent. Ex-alternatives, the sub-sectors were positive, led by the fund managers and industrial.

The lower ten-year bond yield was a driver, dropping 23 bps, to 3.53%. Real interest rates dropped 20 bps, finishing at 1.17%. Implied inflation expectations therefore were relatively unchanged at 2.36%, which still seems on the downside. The Australian Dollar rebounded once more, by circa. four cents, finishing just under US\$0.68. The Fed's talk of moderating their interest rate rising cycle drove the rebound in the AUD but commodities were also up, including iron ore.

Global REITs underperformed the AREITs, delivering 5.0%. The general market (via the S&P/ASX 300 Accumulation Index) rose 6.5%. All sectors were positive, driven by utilities and materials.

## Top Contributors to the Portfolio Return:

Month	Return %	Comment
National Storage	-8.4	No news flow for the month. The self-storage landlords have stated that the significant pandemic tailwinds have ceased. The underweight holding contributed to the relative performance.
BGP Holdings	N/a	Final distribution of four cents per share from the liquidation of the unlisted position. The off-benchmark holding contributed to the relative performance.
Dexus Property Group	3.1	Undertook a \$500 million exchangeable note issue. The funds raised are earmarked towards repurchasing \$100 million of existing notes, along with other funding requirements. The pricing was at the low-end of the range. The impact on gearing is not material, with FY23 distribution guidance maintained at 50 to 51.5 cents per security. The underweight holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Goodman Group	12.5	Their quarterly exhibited a reduction in the yield on cost of their development starts, down to 5.8% from 6.3% three-months prior, as construction costs start to bite. Goodman is witnessing cap rates expanding up to 40 bps in some markets in the UK, Europe and North America. The rental growth is more than covering this to date. The underweight holding detracted from the relative performance.
Scentre Group	2.4	Their third-quarter update demonstrated strong sales (Scentre reported sales up 15% on the pre-pandemic period) and footfall (ex-CBDs) at 95% of 2019 levels, with re-leasing spreads continuing to improve. The overweight holding detracted from the relative performance.
GDI Property Group	-1.9	At their Annual General Meeting (AGM), GDI reduced their FY23 distribution guidance from 7.75 cps to 5 cps. A portion of the distribution is still expected to be paid from capital. The overweight holding detracted from the relative performance.

**For more information visit [www.sghiscock.com.au](http://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](http://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.