



SG HISCOCK & COMPANY

SG Hiscock Property Opportunities Fund

31 January 2023

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	\$28.60 million

Unit Prices	Application	Withdrawal
31 January 2023	\$0.7693	\$0.7655

Performance²	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
31 January 2023							
Distribution Return	0.00	1.15	2.02	4.99	3.28	3.94	7.88
Growth Return	7.60	9.19	1.73	-4.73	-5.19	-2.29	-0.90
Total Net Return	7.60	10.34	3.75	0.26	-1.91	1.65	6.98
S&P/ASX 300 A-REIT Accum. Index	8.07	9.73	0.42	-4.59	-0.28	6.11	7.67

Past performance is not a reliable indicator of future performance.

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

Top 5 holdings represent 59.3% of the total Fund.

Distribution Period	Cents per Unit
31-Mar-22	0.33
30-Jun-22	1.91
30-Sep-22	0.59
31-Dec -22	0.76

Asset Allocation	
Australian REITS	97.78%
International	0.00%
Cash	2.22%



Source: Fidante Partners Limited, 31 January 2023

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 started 2023 in a complete contrast to 2022, up 8.1%, as the markets (both domestically and globally) broadly ran with the expectation that interest rate rises to not only cease in the near-term but reverse into cuts over the medium term, given the various economic data releases suggest a peak in inflation has been achieved. Subsequently, this backdrop led to the fund managers being the best performers, a complete contrast to December 2022.

Specifically, the ten-year bond yield declined 50 bps, to 3.55%. Ten-Year Real bond yields dropped by slightly more, down 54 bps, to 1.05%. The implied inflation expectations rose once more, but only 4 bps to 2.50%. This trend is consistent with our expectations about the longer-term inflation outlook.

We note since the start of 2022, as the markets started to account for the increased likelihood of interest rate rises, the AREIT sector's performance has become highly correlated with the movements in the ten-year real bond yield.

As we come closer to the end of the interest rate rising cycle, we expect rates to stabilise at higher levels than has historically been the case than the years immediately prior and during the pandemic. We are comfortable with an investment environment predicated on positive real bond yields ~1%.

Global REITs benefitted from these same dynamics, performing in line with the AREITs, delivering 8.0%. The general market (via the S&P/ASX 300 Accumulation Index) was the laggard but still generated 6.3%. Utilities was the only sector to register a negative month, given recent government initiatives to cap power price rises.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Unibail-Rodamco-Westfield	17.9	As part of their deleveraging program, URW disposed two B+-rated retail assets in Westfield Trumbull, Connecticut and Westfield South Shore, NY , for US\$196 million, reflecting a 9.5% initial yield , in line with its value. The overweight holding contributed to the relative performance.
National Storage	-0.4	No news flow for the month. The underweight holding contributed to the relative performance.
Dexus Property Group	5.0	Has revised the transaction structure with AMP , over the Collimate Capital business. This has been necessitated due to a delay in receiving approval from a Chinese regulator , regarding AMP's interest in China Life AMP Asset Management . The purchase price reduces by \$25 million, with the earnout component falling to zero. The underweight holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Goodman Group	14.9	No news flow for the month. The higher growth/transactional entities , with higher multiples , were the chief beneficiaries from the reduction in interest rate expectations during the month. The underweight holding detracted from the relative performance.
Peet Limited	0.9	There was no news flow for the month but Peet was consistently active in its on-market buy-back . Low home sales figures and rising cancellations in WA due to the jump in build costs is also impacting the securities price. The off-benchmark holding detracted from the relative performance.
Aspen Group	-3.5	No news-flow for the month. Aspen has been active across the whole spectrum of affordable housing , which has seen the Group massively outperform the AREIT sector over the past 12-months. 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.