



SG HISCOCK & COMPANY

SG Hiscock Property Opportunities Fund

28 February 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	\$28.37 million

Unit Prices	Application	Withdrawal
28 February 2023	\$0.7650	\$0.7612

Performance²	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
28 February 2023							
Distribution Return	0.00	1.08	2.06	4.86	3.35	3.97	7.86
Growth Return	-0.56	2.74	3.49	-7.20	-3.18	-1.61	-0.92
Total Net Return	-0.56	3.82	5.55	-2.35	0.17	2.37	6.94
S&P/ASX 300 A-REIT Accum. Index	-0.36	3.34	3.84	-6.38	1.20	6.71	7.64

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 58.9% 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	98.38%
International	0.00%
Cash	1.62%



Source: Fidante Partners Limited, 28 February 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 marginally retreated (-0.4%) following January's stellar start. The markets (domestically and globally) factored that interest rates rises have further to go and that reductions may be moderate. The stronger economic outlook allayed recessionary fears currently, as inflation, whilst most likely having peaked, looks set to remain persistent.

The ten-year bond yield jumped 30 bps, to 3.85%, whilst the ten-year real bond yields leapt 35 bps, to 1.40%. The implied inflation expectations remain ~2.5%.

Fund managers were the worst performers, in another stark contrast to the prior month's performance. Office was the best performing sector domestically, as the metrics reported during February's results were not as bad as feared (to date). By contrast, office was the worst performer globally.

The AREITs outperformed both the Global REITs (-3.6%) and the general market (via the S&P/ASX 300 Accumulation Index) which was down 2.6%. This was driven by the miners, who were negatively affected by the broad-based jump in the US dollar (the Australian dollar fell three cents in February to US\$0.67) which negatively impacted commodity pricing generally.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Rural Funds Group	-13.5	1H23 Adjusted Funds From Operations (AFFO) was lower due to higher interest costs, as the development pipeline of macadamia, cropping and cattle properties escalates to a cumulative \$330 million by FY29, from a forecast \$176.4 million as at FY23. The underweight holding contributed to the relative performance.
Unibail-Rodamco-Westfield	1.5	Reported their 2022 results, where the adjusted recurring Earnings Per Share (EPS) was up 34.7% on 2021 to €9.31 per share. 2023 is forecast in the range of €9.30 to €9.50 per share. The overweight holding contributed to the relative performance.
Charter Hall Social Infrastructure	-8.1	Reported their half-year results, where their earnings were negatively impacted via the rising interest costs. The AREIT also purchased a 49.9% stake in the Innovation Quarter for \$66.9 million, on a 4.8% capitalisation rate. The underweight holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
National Storage	9.1	Their results highlighted the continued strength of self-storage, with rents and RevPAM, offsetting the slight decrease in occupancy. Guidance was upgraded to a minimum of 11.5 cps in underlying earnings, v. 11.1 cps previously. The underweight holding detracted from the relative performance.
Dexus Property Group	3.4	Their half-year results delivered 2.8% AFFO growth due to the trading profits more than doubling on pcp. Underlying Funds From Operations (FFO) was down 9.3% stripping-out this impact. Despite reducing their development pipeline by ~\$1 billion, it remains substantial. Guidance was updated to the higher end of their range. The underweight holding detracted from the relative performance.
Ingenia Communities Group	-13.2	Went into a trading halt prior to delivering their half-year results, due to further development delays impacting their ability to deliver and settle their land lease homes forecast for FY23. Earnings Before Interest & Tax (EBIT) Growth for FY23 is now forecast at 0% to 10%. Wet weather in Victoria, combined with labour access issues in Victoria and Queensland were the culprits, as the time to build has doubled. The overweight 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.