



SG HISCOCK & COMPANY

SG Hiscock Property Opportunities Fund

31 March 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	\$26.28 million

Unit Prices	Application	Withdrawal
31 March 2023	\$0.7125	\$0.7089

Performance²	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
31 March 2023							
Distribution Return	0.79	0.84	2.12	4.87	3.73	3.91	7.85
Growth Return	-6.87	-0.35	11.03	-14.82	12.11	-2.64	-1.16
Total Net Return	-6.08	0.49	13.15	-9.95	15.85	1.27	6.69
S&P/ASX 300 A-REIT Accum. Index	-6.84	0.32	11.92	-14.02	14.21	5.18	7.35

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 60.6% of the total Fund.

Distribution Period	Cents per Unit
30-Jun-22	1.91
30-Sep-22	0.59
31-Dec -22	0.76
31- Mar -23	0.60

Asset Allocation	
Australian REITS	99.39%
International	0.00%
Cash	0.61%



Source: Fidante Partners Limited, 31 March 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 dropped 6.8%, as markets sought liquidity, as fears of a global banking crisis swept through economies. The global banking sector's appetite/ability to lend to commercial property (especially office) was doubted, given the loan books of the US regional banks being skewed towards commercial property.

Unsurprisingly, fund managers and office were the worst performers, as all sub-sectors finished in the red. We note that the residential-exposed names more generally delivered positive returns.

The AREITs underperformed both the Global REITs (-3.9%) and the general market (via the S&P/ASX 300 Accumulation Index) which was relatively flat (-0.2%) driven by the materials, and communication services sectors.

The ten-year bond yield dropped 55 bps, to 3.3%, whilst the ten-year real bond yields fell by 45 bps, to 0.95%. This is in line with our assumed through-the-cycle real interest rate. This resulted in the implied inflation expectations falling from ~2.5% to 2.35%, which remains on the low-side to what we envisage inflation will be longer-term.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Stockland	3.6	No announcements in March. We note that the residential sub-sector outperformed during the month, as there is a growing realisation we are closer to the end of the interest rate rising cycle. This is a positive for the residential exposed stocks, with Stockland, having the largest residential landbank in Australia. The overweight holding contributed to the relative performance.
Peet Limited	2.7	Was active in the market conducting their share buy-back in March. Announced that enquiry levels for January 2023 were up 34% compared to December 2022. The off-benchmark holding contributed to the relative performance.
Dexus Property Group	-10.9	Amended the transaction structure with AMP on the Collimate acquisition. Over two stages, the first stage was completed in March. The negative sentiment associated with REITs (globally) having exposure to office in March saw Dexus suffer from this contagion. The underweight holding contributed to the relative performance.

**Negative Contributors to the Portfolio Return:**

Month	Return %	Comment
Unibail-Rodamco-Westfield	-13.4	Proposed Jacques Richier for the Supervisory Board Member role, at the Annual General Meeting (AGM), which is to be conducted in May 2023. Should he be re-elected, Jacques will become Chairman. The overweight holding detracted from the relative performance.
Goodman Group	-5.4	No ASX announcements in March but the press reported that the AREIT will be building a logistics hub at Tokyo's Narita Airport. Spanning 70-hectares, the long-dated project adds \$4 billion to \$5 billion to its WIP. The underweight holding detracted from the relative performance.
National Storage	-0.4	Conducted a \$300 million institutional placement to replenish both their development and acquisition capacity. The underweight 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.