SGH Australia Plus Fund

31 May 2018

SG HISCOCK & COMPANY

Fact Sheet

Investment objective	To outperform the S&P/ASX300 Accumulation Index by 5% on a rolling 3 year basis		
Investments held	Generally within the largest 300 companies listed on the ASX, plus companies listed in Asia with a focus on Asian domestic consumption.		
Investment Manager	SG Hiscock & Company		
APIR	ETL0383AU	**Buy spread**	+ 0.25%
Commencement	8 October 2013	**Sell spread**	- 0.25%
Management costs[1]	0.70% p.a.	**Performance Fee**[2]	20% capped at 1.25% in any calendar year, subject to a highwater mark
Minimum initial investment	$20,000	**Fund size**	$8.61 million

Unit Prices as at 31 May 2018	**Purchase**	**Net Asset Value**	**Withdrawal**
	1.6354	1.6313	1.6272

Performance as at 31 May 2018[3]	**1 mth %**	**3 mths %**	**6 mths %**	**1 yr %**	**2 yrs % p.a.**	**3 yrs % p.a.**	**Incept' % p.a.**
Distribution Return	0.00	0.00	1.39	6.87	6.17	9.84	8.15
Growth Return	1.91	2.92	6.41	15.22	11.56	6.11	11.13
Total Net Return	1.91	2.92	7.80	22.08	17.73	15.96	19.28
S&P/ASX 300 Accumulation Index	1.19	1.10	2.93	9.99	10.39	6.06	8.06
Total Net Return vs. the Index	0.72	1.82	4.87	12.10	7.34	9.90	11.22

Top 5 holdings as at 31 May 2018
CSL Limited
Macquarie Group Limited
NextDC Ltd
National Australia Bank Limited
Saracen Mineral Holdings Ltd

Top 5 holdings represent 27.04% of the total Fund.

Why Australia Plus?

1. We want access to the best quality companies in Asia, at the right price. It is the choice, but not the obligation to invest in emerging companies with strong local franchises
2. The strong rise in both the sheer number of Asians entering the middle class and the growth in disposable income, suggests that this is a multi year trend that is very hard to access by restricting the investible universe to Australian listed stocks.
3. Investors appropriately diversify their portfolio by enhancing returns with a focus on the domestic demand thematic within Asia.
4. It offers Australian investors a wider opportunity set without the requirement to have money invested in Asia through a pooled vehicle.
5. By focussing purely on the domestic demand thematic in Asia, our investible universe grows by 40-50 stocks outside the ASX300. This is a very narrow subset of Asian stocks that meet our basic quality filters and would consider owning at the right price.

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1. Includes estimated GST payable, after taking into account reduced input tax credits (RITC).
2. A performance fee of 20% (net GST and an estimate of RITC) of any investment return above the fund's benchmark may also be payable as expense of the fund, capped at 1.25% in any year, subject to a highwater mark
3. Performance: Total Net Return is the Fund return after the deduction of ongoing fees and expenses assuming the reinvestment of all distributions.

For more information visit www.sghiscock.com.au

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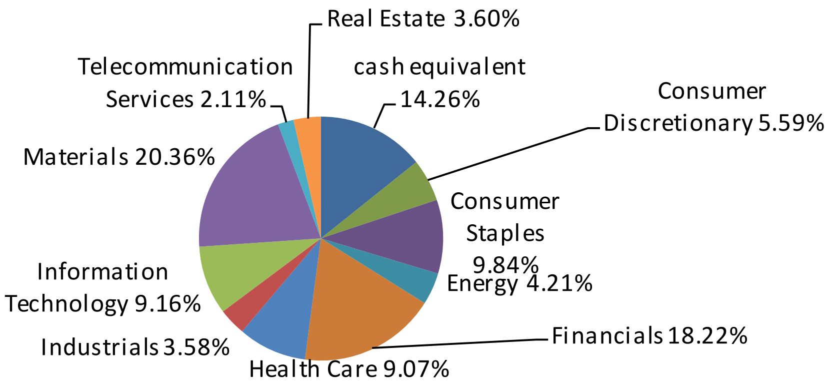
Asset allocation as at 31 May 2018



Commentary

If one acted on the well-known adage, "sell in May and go away", they would have missed out this month. Equity markets saw continuing positive momentum. Following a strong start to the month the ASX300 faded to finish the month up 1.19% (TR). A spike in bond yields was followed by a flare-up in Eurozone politics and ongoing trade policy tensions. For the month Healthcare (+5.6%) & Discretionary (+5.1%) were the best performing sectors.

Domestically, the Royal Commission continued to dominate news, with the topic extending to SME lending. In broader economic news, the Australian economy appears to be growing at around trend or 2.75%. Cash rates have been steady at 1.5% for the past 20 RBA meetings and the RBA has continued to state the next move will be up, however, any prospect of near term tightening appears unlikely given ongoing weak wages, inflation data and cooling house prices.

May also saw the Federal Government hand down its Budget with a target of returning to surplus in 2019/20. From an equity market perspective the main focus was on infrastructure spending which was ramped up by $20bn to $75bn over the next ten years and should be supportive for the engineering and construction sectors.

Global growth momentum, which turned down in February showed signs of picking-up in May with US Industrial production rising above expectations by 0.7%. The industrial sector is supported by a still weak US dollar and a stronger global and domestic economy. On the flip side, wage growth disappointed in the US in May, as average earnings in the private sector earnings were up only 2.7% year on year.

A key risk to global growth continues to be whether the current tit-for-tat tariff moves between the US and China turns into a fully blown trade war. These fears again flared during the month and we are alive to the risk if this is left unchecked it could lead to a short circuiting of the global recovery. However, our working assumption continues to be that the US's objective is to reduce the US trade deficit with China and deliver a better deal through a negotiated outcome, rather start an all-out war.

During the month the Federal Reserve left rates unchanged and tweaked the post-meeting statement language in observing they are now close to their 2% inflation objective, whilst the minutes indicated a temporary, modest inflation overshoot would be "helpful" in anchoring inflation expectations. It appears this view was held by only a "few" on the Committee, with most on the FOMC believing another hike in the Fed rate was warranted "soon".

Portfolio Performance & positioning

In May the SGH Australia Plus portfolio returned 1.91% after fees, outperforming the ASX300 Accumulation Index by 0.72%. In the month CSL, Alibaba Group and Saracen Minerals all contributed strongly. Treasury Wine Sates was notably weaker on concerns around distribution and inventory problems in China, and changes to Chinese import requirements on the back of Australia-China political tensions.

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The takeover proposal by Unibail-Rodamco for Australia's largest shopping centre owner and development company, Westfield Corporation (WFD) was approved by WFD shareholders on 24th May with the transaction effective on 31st May. We received approximately one third cash and two thirds Unibail (URW) scrip which is listed on the ASX in the form of a Chess Depositary Interest (CDI). In addition, shareholders also received a small interest in retail technology network stock OneMarket (OMN). We see initial value in URW stock post the demerger but expect initial trading to be volatile as managers adjust their portfolios in line with mandate requirements and index weighting adjustments.