SGH Australia Plus Fund

30 June 2017

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**	$8.34 million

Unit Prices as at 30 June 2017	**Purchase**	**Net Asset Value**	**Withdrawal**
	1.4533	1.4497	1.4461

Performance as at 30 June 2017[3]	**1 mth %**	**3 mths %**	**6 mths %**	**1 yr %**	**2 yrs % p.a.**	**3 yrs % p.a.**	**Incept' % p.a.**
Distribution Return	4.50	4.60	4.90	6.52	5.76	10.05	9.66
Growth Return	-2.12	0.02	6.60	10.42	11.44	9.52	9.18
Total Net Return	2.38	4.62	11.50	16.93	17.19	19.57	18.83
S&P/ASX 300 Accumulation Index	0.22	-1.57	3.07	13.82	7.15	6.64	7.43
Total Net Return vs. the Index	2.16	6.19	8.43	3.11	10.04	12.93	11.40

Top 5 holdings as at 30 June 2017
CSL Limited
National Australia Bank Limited
Australia & New Zealand Banking Group Limited
Janus Henderson Group- GDI
Treasury Wine Estate Ltd

Top 5 holdings represent 29.74% of the total Fund.

Why Australia Plus?

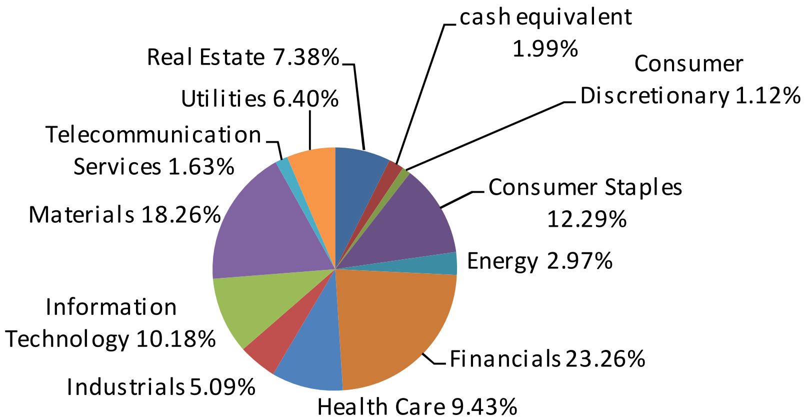
1. We want access to the best quality companies in Asia, at the right price. It is the choice, but not the obligation to invest in emerging companies with strong local franchises
2. The strong rise in both the sheer number of Asians entering the middle class and the growth in disposable income, suggests 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.

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

Fact Sheet

Asset allocation as at 30 June 2017



Commentary

Globally equity markets continued to break new highs in June before a sharp sell off late in the month on central bank commentary indicating the possibility of withdrawal of stimulus measures. The ASX300 was little changed for the month, but was volatile with no fewer than seven +/- 1% daily moves as it gyrated on sentiment shifts around global reflation and macro news.

Continued lack of any real progress on US tax reform, and comments the Fed "expects to begin implementing a balance sheet normalisation program this year" saw the 10-year US Treasury bond yield decline to 2.13% in mid June (down from 2.64% in mid Dec-16), and US dollar weaken. Against this the US 3 month T-Bill rose to it highest level since October 2008 on the Fed raising rates a further 25bps to 1.25%, resulting in a flattening of the yield curve.

Resources rallied on reflation talk and a stronger iron ore price (+14% after reaching a one year low mid month), on better than expected Chinese PMI for June (51.7 vs consensus 51.0) and industrial production for May. Near term cyclical risks in China remain something to watch. Tightening in financial conditions to mitigate shadow banking and property sector risks are resulting in declines in property sales in major cities (down c.30% yoy in the first four weeks of June) and slowing credit growth. However, stronger export markets and supply-side reform are helping drive a recovery in private investment capex (+6.6% yoy in the first 5 months of 2017), while growth in infrastructure spending remains robust.

In a watershed moment for China's equity market, MSCI finally announced it would include China A-Shares in its Emerging market index starting in May 2018.

European news was dominated by the UK election which saw the ruling conservatives lose their majority and potentially weakens the Government's hand in the Brexit negotiations. European growth continues to recover. The closely watched German Ifo Business Climate Index rose to a record high in June.

Domestically the major data releases surprised to the upside and pointed to the economy improving against the commonly held concerns around low wage growth and rising mortgage and utility costs. The labour force report in May was particularly robust, with strength spanning full-time employment and hours worked, and headline unemployment falling from 5.9% to 5.5% in just two months. Retail sales data is a volatile series, but surprised with growth reported across most categories in May, providing some relief for the consumer discretionary names (+0.5%) following their recent sell-off.

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Australian banks performed better in the month returning 1.96%. They continue to respond to the tighter new macro prudential requirements and Federal Government bank levy by increasing rates out of cycle on investor and interest only mortgage loans. In the last 6 months the Banks have increased their investor interest only rate by up to 6obps. Whilst positive for earnings near term it provides a growing headwind to longer term lending and consumption growth.

Portfolio Performance & Positioning

In the past 12 months, the US 10-year bond yield is up almost 100 basis points, and global equity market cap increased US$10tn. Rising interest rates should in theory be negative for equity valuations, but equities offer better relative growth prospects in a structurally lower growth environment, and valuations have been pushed to record levels. The risk is we are at a point in the market where interest rates are taking over from growth as the key systematic risk for investors. This risk is compounded by the weight of passive money now in ETF's. Credit markets are the canary in the coal mine we are watching closely. It reinforces the need to maintain a rigorous focus on valuation and the margin of safety we pay for companies.

The SGH Australia Plus portfolio returned +2.38% in June outperforming the ASX300 Accumulation Index by +2.23%. Woodside Petroleum was added to the portfolio in June. The fund owned 5 companies in Asia at the end of the month representing 12% of the portfolio.