

31 May 2018

## Fact Sheet

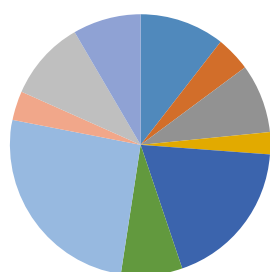
<b>Investment objective</b>	Aims to deliver superior medium to long term returns by investing in listed companies which possess a sustainable competitive edge. Companies can create that by owning/operating assets that are difficult to replicate. The Investment Manager believes that key intangible assets (such as Brands, Licenses, Patents, Logistical capability, a Captive client base) are the most difficult to replicate and that these key assets enable companies to entrench their products/services in the marketplace.		
<b>Investments held</b>	A portfolio of approximately 30-50 predominantly ASX listed securities (a minimum of 15 and generally no more than 80); cash and derivatives.		
<b>Investment Manager</b>	SG Hiscock & Company		
<b>Commencement</b>	13 February 2006		
<b>APIR</b>	ETL0062AU	<b>mFund Product Code</b>	SHF02
<b>Minimum initial investment</b>	\$20,000	<b>Buy Spread</b>	+0.35%
<b>Management costs<sup>1</sup></b>	1.180% p.a.	<b>Sell Spread</b>	-0.35%
<b>Performance Fee<sup>2</sup></b>	15.375%	<b>Pool size</b>	\$755.57 million

Unit Prices	Application	Net Asset Value	Withdrawal
31 May 2018	\$ 2.2143	\$ 2.2066	\$ 2.1989

Performance as at 31 May 2018 <sup>3</sup>	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
Total Net Return	2.61	4.09	5.67	15.90	8.00	12.74	11.57
S&P/ASX Smallcap Industrial Index	3.84	3.54	4.61	19.61	9.69	10.58	4.66
S&P/ASX 300 Accum. Industrials Index	0.84	-0.40	0.24	5.43	5.04	9.54	6.80
S&P/ASX 300 Accumulation Index	1.19	1.10	2.93	9.99	6.06	8.78	6.15

Distribution Period	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17
Distribution rate (cents per unit)	11.0518	0.7943	1.3505	1.3919

## Asset allocation as at 31 May 2018



- Information Technology 10.54%
- Tele communication Services 4.34%
- Real Estate 8.56%
- Materials 2.74%
- cash equivalent 18.57%
- Industrials 7.62%
- Consumer Discretionary 25.72%
- Consumer Staples 3.57%
- Financials 9.93%
- Health Care 8.40%

## Top 5 holdings as at 31 May 2018

Bapcor Limited
Ooh! Media Ltd
GTN Limited
Speedcast International Limited
Carsales.com Ltd

Top 5 holdings represent 18.12% of total fund.

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. A performance fee of 15.375 (inclusive of GST and an estimate of RITC) of any performance in excess of the performance hurdle (the daily percentage movement in the S&P/ASX 300 Accumulation Index plus 1.20 p.a. calculated on a daily basis) may also be payable.
3. 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.

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### Commentary

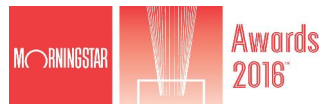
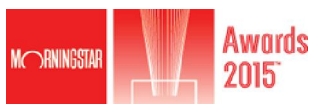
SGH ICE delivered a 2.61% return in May. During the month our research activities included attending the Macquarie Australia Conference, a three day event with over 100 presenting companies. We predominately use the conference to track business model progress of our existing holdings and broadly assess potential new investments. As a marquee event, it is also a key source of company trading updates.

Two of the key contributors for the month were on the back of updates provided at Macquarie Conference:

- GTN – provided further detail on its US exit and highlighted its existing business remains materially profitable. The company continues to grow in Australia with the addition of new ad spots inventory and the attractiveness of its national audience reach (an asset that is difficult to replicate). Canada and Brazil are also profitable markets and offer strong growth potential as the company seeks to replicate its dominant Australian position offshore.
- Bapcor – provided a trading update showing 4% LFL sales growth in its core trade business and reiterated FY18 earnings guidance. The company also took the opportunity to address recent investor queries which had been keeping a lid on the share price.
- IDP Education – the share price was more so driven by investor attraction to the quality of the business and strong earnings growth trend. We have reduced our weighting in the stock with the share price rise reducing our forecast internal rate of return (IRR).

It was largely a positive month with 28 individual positive absolute contributors (including 16 stocks adding 10bp or more to performance) versus 15 negative contributors (with 6 detracting at least 10bp). The most topical detractor for the month was:

- A2 Milk – issued guidance c5% below consensus expectations on the one-off impact of transitioning to a new product label. This had a disproportionate impact on the share price given the incredibly strong run over the preceding 12 months. We had been consistently taking profits and now own 1/8<sup>th</sup> the number of shares compared with a year ago. We are currently monitoring market sales data to ensure the issue is indeed temporary before determining our next course of action.



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Morningstar Awards 2015©. Morningstar, Inc. All Rights Reserved. Awarded to SGH ICE for Fund Manager of the Year 2015 - Small Companies Category, Australia.

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