

30 June 2017

## Fact Sheet

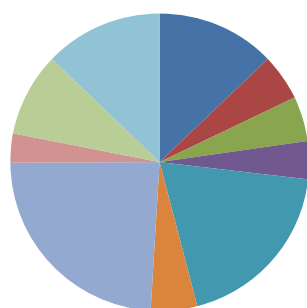
<b>Investment objective</b>	Aims to deliver superior medium to long term returns by investing in listed companies which possess a sustainable competitive edge. Companies can create that by owning/operating assets that are difficult to replicate. The Investment Manager believes that key intangible assets (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>	\$645.01 million

Unit Prices	Application	Net Asset Value	Withdrawal
30 June 2017	\$ 1.9767	\$ 1.9698	\$ 1.9629

Performance as at 30 June 2017 <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	2.08	4.07	5.16	3.58	11.36	16.24	11.32
S&P/ASX Smallcap Industrial Index	2.44	0.10	2.07	7.86	9.24	11.44	3.62
S&P/ASX 300 Accum. Industrials Index	0.67	-1.37	3.76	12.54	8.83	14.91	6.94
S&P/ASX 300 Accumulation Index	0.22	-1.57	3.07	13.82	6.64	11.63	5.79

Distribution Period	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17
Distribution rate (cents per unit)	0.6485	11.0518	0.7943	1.3505

## Asset allocation as at 30 June 2017



- Information Technology 12.80%
- Telecommunication Services 5.05%
- Real Estate 4.86%
- Materials 4.15%
- cash equivalent 19.08%
- Industrials 5.06%
- Consumer Discretionary 23.90%
- Consumer Staples 3.19%
- Financials 9.10%
- Health Care 12.79%

## Top 5 holdings as at 31 May 2017

Trade Me Group Ltd
Iress Market Technology
Henderson Gp PLC - CDI
Speedcast International Limited
MYOB Group Limited

Top 5 holdings represent 15.94% of total fund.

- Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
- 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.
- 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 return of 2.08% for the month and 4.07% for the quarter. The 1 year return was 3.58%, with the 3 and 5 year annualised returns coming in at 9.24% pa and 16.24% pa respectively. After a year where for a significant period the market's attention had been on lower quality cyclical companies (leaving our quality franchises in the shade), it was pleasing to see this phenomena reverse in the June quarter with SGH ICE performing strongly, consistent with what has been achieved over the medium to long term.

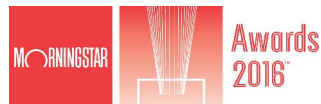
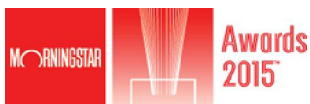
Performance for the quarter was well spread, with 27 positive absolute contributors, and as always, contributors were diversified by industry. Key contributors for the quarter were Trademe, IDP Education, A2 Milk, Janus Henderson and Hub24. In some cases key contributors were driven by the renewed market interest in quality franchises, whereas others were driven by stock specific news.

Trademe was one example of the turn in investor interest. The shares presented very attractive value at the beginning of the quarter, which attracted investor attention despite limited newsflow. We still see the prospect for attractive double digit IRR's from current share price levels, assuming our long term earnings growth forecasts are achieved. As such, this entrenched online classifieds franchise remains a key holding.

While IDP Education did make a small investment in an online English language test preparation business in China, the move was immaterial in a financial sense. The investment did however serve as a reminder of IDP's strategy of targeting prospective students earlier in their journey via digital channels. The strategy complements its already strong position in traditional channels of international student placement into Australia, where IDP has a 15-20% market share, and growing position in placements to "multi-destination" (including UK, Canada and US). IDP's other key division is high stakes English language testing, where it is a co-owner and distributor of IELTS tests, the preeminent test worldwide. Through risk management discipline, we have limited our weighting in the stock at circa 2% until IDP's earnings become more diversified by geography, as the pace of earnings growth (+18% in H1 FY17) can always be shaped by changes in government policy (eg visa rules).

Stock specific factors were clear drivers of the remaining contributors. Having been through a period of undersupply, A2 Milk was able to scale up infant formula supply late in the period and upgraded FY17 revenue guidance. The synergistic Janus Henderson merger was completed which gives the combined business a global distribution footprint. Hub24 turned profitable at the H1 FY17 result, passed \$5 billion in FUA during the quarter and growth is being sustained with the platform winning circa 10% share of market flows.

Portfolio activity during the month involved increasing our weightings in Bapcor and Carsales, and reducing in A2 Milk, Iress and Sydney Airport.



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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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