SGH ICE

31 January 2018

SG HISCOCK & COMPANY

Fact Sheet

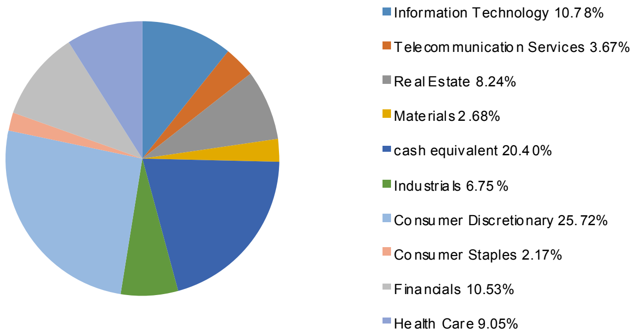
Investment objective	Aims to deliver superior medium to long term returns by investing in listed companies which possess a sustainable competitive edge. Companies can create that by owning/operating assets that are difficult to replicate. The Investment Manager believes that key intangible assets (such 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.		
Investments held	A portfolio of approximately 30-50 predominantly ASX listed securities (a minimum of 15 and generally no more than 80); cash and derivatives.		
Investment Manager	SG Hiscock & Company		
Commencement	13 February 2006		
APIR	ETL0062AU	**mFund Product Code**	SHF02
Minimum initial investment	$20,000	**Buy Spread**	+0.35%
Management costs[1]	1.180% p.a.	**Sell Spread**	-0.35%
Performance Fee[2]	15.375%	**Pool size**	$718.55 million

Unit Prices	Application	Net Asset Value	Withdrawal
31 January 2018	$ 2.1435	$ 2.1360	$ 2.1285

Performance as at 31 January 2018[3]	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
Total Net Return	0.30	4.26	11.42	19.02	11.20	12.71	11.61
S&P/ASX Smallcap Industrial Index	-0.43	3.95	13.12	19.79	11.94	9.99	4.49
S&P/ASX 300 Accum. Industrials Index	-0.67	1.42	5.48	10.60	6.63	10.88	6.98
S&P/ASX 300 Accumulation Index	-0.39	3.18	8.16	12.37	7.47	8.99	6.19

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 January 2018



Top 5 holdings as at 31 January 2018
Bapcor Limited
Ooh! Media Ltd
Speedcast International Limited
Mantra Group Ltd
Star Entertainment

Top 5 holdings represent 16.77% 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 positive return of +0.3% in January, a month where the various market indices ended down slightly after some intra-month volatility.

With January typically light on stock specific newsflow, investors were more focused on top down drivers during the month. Most notable was the circa 30-40bp sell off in 5-10 year US Treasuries, as the market prices in the prospect of Fed Funds Rate rises. This is a dynamic we are watching closely given the tailwind high PE and yield stocks (areas where we have largely passed on valuation grounds) have had in prior years from record low interest rates. The rise in bond yields through January was also correlated with a rise in equity market volatility, with the US CBOE Volatility Index (VIX) hitting a multi year high post month end. While this increased volatility is coming off historically low levels in 2017, it is interesting timing as we enter reporting season as we are likely to see exacerbated share price reactions to results that beat or miss consensus earnings expectations.

From a stock specific perspective, a notable contributor for the month was Resmed, which released its Q2 FY18 result. Resmed continues to demonstrate customer/distributor stickiness following 3.5 years of above market growth in flow generator sales through its focus on connected devices. Where the company's product offering had been lacking was on the mask front, which has now clearly been addressed with this result showing a 2nd consecutive quarter of double digit % growth in mask sales post new product launch. Most pleasing in the result was the profit leverage that is now coming through (+15% underlying earnings growth on +13% revenue growth), with guidance commentary suggesting this is likely to continue through the financial year. It is worth noting the stock has rallied strongly post result and we have reduced our position.

We now look forward to the main event, the H1 2018 financial year reporting season, where we expect our investments to continue the trend of delivering 'more certain earnings growth'. We will be analysing portfolio companies on both quality of earnings and business progression against our franchise criteria. At the same time, we will take the opportunity to meet with and assess new companies for addition to the portfolio or the ICE universe, and look for any share price volatility to present entry opportunities in stocks on our watchlist.

MORNINGSTAR Awards 2015

MORNINGSTAR Awards 2016

MONEYMANAGEMENT FUND MANAGER OF THE YEAR 2015 WINNER Australian Equities (Small Cap)

For more information visit www.sghiscock.com.au