SG Hiscock Property Fund

SG HISCOCK & COMPANY

31 March 2018

Fact Sheet

Investment objective	The Fund aims to outperform the S&P/ASX 200 A-REIT Accumulation Index over rolling three to five year periods while providing a quarterly income stream.		
Investments held	The Fund will provide exposure primarily to listed property trusts with the aim to provide income and capital growth potential over the long-term.		
Investment Manager	SG Hiscock & Company		
APIR	CRS0007AU	**SIV Compliant**	Yes
Commencement	31 December 1993	**Buy spread**	+0.25%
Management costs[1]	0.78% p.a.	**Sell spread**	-0.25%
Minimum initial investment	$10,000	**Investment pool size**	$62.02 million

Unit Prices	**Application**	**Withdrawal**
31 March 2018	$0.8895	$0.8851

Performance as at 31 March 2018[2]	**1 mth %**	**Qtr %**	**6 mths %**	**1 yr %**	**3 yrs % p.a.**	**5 yrs % p.a.**	**Incept' % p.a.**
Distribution Return	0.89	0.84	2.57	4.28	3.85	4.42	8.54
Growth Return	-1.89	-8.38	-0.92	-5.18	1.47	5.91	-0.83
Total Net Return	-1.00	-7.54	1.66	-0.90	5.32	10.33	7.71
S&P/ASX 200 A-REIT Accum. Index	0.07	-6.40	0.99	-0.77	5.40	10.61	7.33

Top 5 holdings as at 31 March 2018
Scentre Group
Westfield Corporation
Stockland Stapled
Vicinity Centres
Peet Ltd

Top 5 holdings represent 80.84% of the total Fund.

Distribution Period	**Cents per Unit**
30-Jun-17	0.92
30-Sep-17	0.72
31-Dec-17	1.60
31-Mar-18	0.80

Asset Allocation as at 31 March 2018	
Australian REITS	99.13
Cash	0.87

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits (“RITC”).
2. 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.

Commentary

The **S&P/ASX 200 Property Accumulation Index** rose marginally by 0.1% its first positive return month in 2018, as the threat of a global trade war saw the markets move to a risk-off footing in late-March. Global Real Estate Investment Trusts (REITs) delivered returns of 2.4% in March. The broader market (S&P/ASX 300 Accumulation Index) subsequently fell 3.7%.

Domestic Economic Data

The Reserve Bank of Australia continues to keep Official Interest Rates on hold at 1.5%, noting that a rise in Inflation (currently below-2%) and a further reduction in the Unemployment Rate as crucial indicators to be met to generate a rise in Official Interest Rates in future. (The Unemployment Rate rose to 5.6% on the back of a lift in Participation Rate). The Australian Dollar was down once more, this time off nearly a cent, to US$0.7679, as Iron Ore and Coal prices declined, given the lower demand from China, coupled with the potential ramifications of a global trade war between China and the US. The 10-Year Bond Yield finished down by 20 basis points (bps) to 2.60% and remains below the US 10-Year Rate.

Key data for the month saw the latest Gross Domestic Product (GDP) growth figure come in below expectations, providing a 2.4% year-on-year figure. (Employees Compensation displayed the highest growth, which should augur well for sustained Wage Growth going forward). The latest Purchasing Managers Index (PMI's) pointed to an expanding Manufacturing sector, despite a drop in the growth rate. Dwelling Approvals came in better than expected, displaying double-digit growth over the rolling 12-months. Residential Finance Approvals only rose marginally, driven by New Builds. Credit Growth rose as a result. The latest Retail Sales Growth was an improvement but still below expectations. A positive was the continued improvement in Consumer Sentiment. Business Conditions reached a record-high, with Construction, Mining (and surprisingly Manufacturing) leading the way. The Capex Survey point to a marginal drop in within Construction.

Overseas Economic Data

The Federal Reserve in the **US** lifted Official Interest Rates by 25 bps, taking it to 1.75%, with a further 50 bps in Rate Rises expected for the remainder of 2018 (as well as lifting their more longer-dated forecasts). The respective Consumer Price Index measures all remain below 2% (except the Headline figure) with estimates for GDP Growth revised down to ~2.5%. Employment surprised on the upside, with the Unemployment Rate remaining steady at 4.1%. Despite this, Wages Growth was subdued. The 10-Year Bond Yield fell by 13 bps finishing at 2.74%. The ISM remain strong and elevated, reaching a post-Global Financial Crisis high, with Manufacturing outperforming Non-Manufacturing. Industrial Production also rose. For the third consecutive month, Retail Sales fell but the 12-month growth remains above 4%. This is despite the rise in Consumer Sentiment. Home Sales were down for the second month in a row, whilst Permits declined.

In **Europe**, the European Central Bank announced it will look to commence phasing out monthly asset purchases by the end of the year. While the GDP came in at 2.3% for 2017. Despite a marginal dip once more, the PMIs remain elevated for both Europe and Germany.

In **Japan** (like Europe) the Bank of Japan is stating it is considering a reduction in stimulus, but from 2019. The PMI fell (but remains in expansionary territory) as the appreciating Yen impacts New Orders.

The PMI data in **China** increased slightly, consolidating in the expansionary zone, as authorities continue to impose restrictions on Property and Heavy Industry. Exports are up nearly 50% from 12-months earlier, leading to a rising Trade Surplus.