SG Hiscock Property Fund

31 May 2018

SG HISCOCK & COMPANY

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**	$62.97 million

Unit Prices	Application	Withdrawal
31 May 2018	$0.9374	$0.9328

Performance as at 31 May 2018[2]	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Incept' % p.a.
Distribution Return	0.00	0.95	2.55	4.55	3.90	4.45	8.50
Growth Return	2.09	4.34	-2.01	0.76	3.12	6.55	-0.57
Total Net Return	2.09	5.29	0.54	5.31	7.02	11.00	7.92
S&P/ASX 200 A-REIT Accum. Index	3.07	7.75	1.03	5.29	7.36	11.34	7.60

Top 5 holdings as at 31 May 2018
Scentre Group
Stockland Stapled
Vicinity Centres
Unibail Group Stapled
Mirvac Group

Top 5 holdings represent 72.14% 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 May 2018	
Australian REITS	91.93
Cash	8.07

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.

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Commentary

The **S&P/ASX 200 Property Accumulation Index** jumped 3.1% for the second-consecutive month, outperforming both Global Real Estate Investment Trusts (REITs), which delivered 2.2% and the broader market's (S&P/ASX 300 Accumulation Index) 1.2%.

Domestic Economic Data

The Federal Budget was delivered, with Personal Tax Cuts being promised in the long-term. Official Interest Rates were kept on hold at 1.5%, with the likelihood of a move in 2018 continuing to become less likely, given the expectation of a tightening in Financial Lending Standards. The Australian Dollar finished marginally up, to US$0.7568. The 10-Year Bond Yield reduced by 10 basis points (bps) to 2.67%, having nearly reached 3% intra-month, before the onset of global uncertainties late in the month.

Trade Data surprised on the upside once more, assisted by the buoyant Iron Price. Capital Expenditure rose but the outlook softened. Construction Work rose, with the Public Sector's rise more than offsetting the decrease from the Private sector. The Unemployment Rate rose to 5.6%, as the Participation Rate dropped marginally but Hours Worked jumped. Employment Growth has slowed, with the Leading Indicators suggesting a levelling-out. Wage Growth remains muted coming in lower than expected, at 2.1% annually. Retail Sales were flat, leading to an annualised 3.9% growth rate. The Purchasing Managers Index (PMI) retreated from its record-level but remains ensconced within the Expansionary zone.

Housing Credit growth continues to ease for Owner-Occupiers and Investors (more so). Personal Credit Growth remains negative. Dwelling Approvals highlighted their volatility within the Apartments space, which fell materially, versus the rise in Houses. National Dwelling Prices were down marginally on the latest reading. Residential Construction was up. Consumer Sentiment declined but remains above its long-term average. Business Conditions reached an all-time high, whilst Business Confidence remains elevated and above the long-term average.

Overseas Economic Data

Europe headlined the month, with the political stalemate in Italy threatening the EU once more, as developments in late-May saw a return of the risk-off trade globally. Investor Sentiment continued to fall and the Euro materially declined. Gross Domestic Product (GDP) showed a 2.5% uplift over the year. Consumer Price Index (CPI) fell again, hovering barely above 1%. The PMI fell but remains in the expansionary zone. Germany's PMI fell but Industrial Production grew. In the **UK**, GDP growth was virtually non-existant, growing at its weakest level in five-years. Industrial Production growth was muted.

In the **US**, the 10-Year Bond Yield finished the month down 10 bps to 2.86%, having spent half the month trading above 3%. GDP fell marginally, coming in below estimates. The Unemployment Rate remains at a 17-year low, whilst Lay-Offs are the lowest this century. Underemployment continues to drop. Despite this, annual Wage Growth is only 2.6%. Core CPI came in at 2.1% for the year. The PMI rose, whilst Industrial Production grew better than expectations. Retail Sales were up strongly once more for the latest monthly stats, with the previous data points in 2018 revised upwards. Consumer Sentiment remains at high levels. US Home Sales and Housing Starts fell more than expected.

The **EM** regions struggled, as the rise in US Interest Rates (up until late-May) and US Dollar (on the back of the rise in geopolitical tensions) is leading to major negative consequences across a number of EM economies.

In **Japan**. Core Inflation remains in the Deflationary/sub-1% zone, underwhelming the markets expectation. Notably, the Bank of Japan has removed the timeframe as to when it may hit the 2% Inflation target. The Unemployment Rate remained steady at 2.5%, as Industrial Production rose. The PMI was lower.

In **China**, the Core CPI rose sub-2%, below market expectations, as the PMI was higher. China's heightened Private Debt level continues to be a focus for the global economy. Trade Tensions with the US continue.