

31 January 2018

SG HISCOCK & COMPANY

## Fact Sheet

<b>Investment objective</b>	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.		
<b>Investments held</b>	The Fund will provide exposure primarily to listed property trusts with the aim to provide income and capital growth potential over the long-term.		
<b>Investment Manager</b>	SG Hiscock & Company		
<b>APIR</b>	CRS0007AU		
<b>Commencement</b>	31 December 1993	<b>Buy spread</b>	+0.25%
<b>Management costs<sup>1</sup></b>	0.78% p.a.	<b>Sell spread</b>	-0.25%
<b>Minimum initial investment</b>	\$10,000	<b>Investment pool size</b>	\$67.57 million

Unit Prices	Application	Withdrawal
31 January 2018	\$0.9319	\$0.9273

Performance as at 31 January 2018 <sup>2</sup>	1 mth %	Qtr %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Incept' % p.a.
Distribution Return	0.00	1.71	2.65	4.24	3.61	4.28	8.57
Growth Return	-3.13	2.23	5.92	4.36	3.97	7.27	-0.61
Total Net Return	-3.13	3.94	8.56	8.60	7.58	11.56	7.97
S&P/ASX 200 A-REIT Accum. Index	-3.28	2.06	6.22	7.46	7.08	11.51	7.52

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

Distribution Period	Cents per Unit
31-Mar-17	0.44
30-Jun-17	0.92
30-Sep-17	0.72
31-Dec-17	1.60

Top 5 holdings represent 81.42% of the total Fund.

Asset Allocation as at 31 January 2018	
Australian REITS	98.55
Cash	1.45

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** fell 3.3% in January, as the rising Bond Yields globally had a material negative impact on the more defensive sectors. The Australian Real Estate Investment Trusts (AREIT) underperformed the broader market (S&P/ASX 300 Accumulation Index) which fell 0.4%. Global REITs were down 1.3%.

### Domestic Economic Data

The Australian Dollar broke through the US\$0.80 level in January, finishing-up at US\$0.8058, a 2.5 cents appreciation. Commodities in general were up, with Iron Ore adding a further 4.8% in January. Consequently, the 10-Year Bond Yield rose nearly 20 basis points for the month to 2.81%. Inflation was lower than forecast, reducing the likelihood of a lift in Official Interest Rates. This is despite the continued strength in the Official Employment statistics, even though the Unemployment Rate rose, given the rise in the Participation Rate.

Retail Sales continued to surpass expectations. The Christmas period was also expected to have delivered outperformance. The strength was attributed by many to Black Friday Sales and the release of the latest iteration of the iPhone. The Purchasing Managers Index (PMI) rose materially to start the year, as Australia recorded a Trade Deficit worse than expected. Business Conditions improved further from already elevated levels.

### Overseas Economic Data

Just what impact the **US** Government shutdown will have on the economy remains to be seen. The 10-Year Bond Yield jumped over 30 basis points to 2.71%, as the market extrapolates the Inflationary impact from an increased supply in Government Debt in the markets (to fund the Tax Cuts announced in late-2017) in due course. All this whilst The US Federal Reserve (Fed) intends to continue to tighten further in 2018, along with reports that China plans to stop purchasing US Treasuries. The US Dollar was subsequently weaker against most of the major currencies once more.

The current Core Inflation reading is 1.5%, with The Fed expecting it to reach its 2% target over the medium-term. The PMI's remain strong and elevated, as economic activity across the board picked-up, except for a softer Retail Sales reading (but slightly off its cyclical highs). Home Sales took a breather but pricing continues to rise. The Unemployment Rate continues to consolidate at its lowest level since 2000 at 4.1%. The Real Gross Domestic Product (GDP) was softer than forecast, coming in at 2.6% (annualised).

The European Central Bank (ECB) once more articulated its expectations of a continuation of the present Interest Rate settings in **Europe**, as the PMIs rose stronger than forecast, surpassing pre-GFC highs but Industrial Production was softer across the continent (ex-Germany). The Core Consumer Price Index (CPI) improved to over 1% but is not providing the ECB with any pressure to act, as its focus is now on the strengthening Euro. The Unemployment Rate continues to consolidate at sub-9%. In the **UK**, GDP is accelerating, better than forecast, as concerns continue to grow on the negative impacts that are forecast to arise economically from the BREXIT negotiations. Despite this, the Pound rose.

In **Japan**, the Bank of Japan articulated that it will purchase less Long-Dated Bonds going forward, leading to speculation of the beginning of the tapering program. The 10-Year Bond Yield consolidated its position, barely remaining above zero. Still the Core CPI remains well-below 1%, making tapering less likely at present, as general economic activity and Leading Indicators point to further improvements. The Unemployment Rate at 2.8% indicates full-employment. The Housing sector overall was softer but the Tokyo Office market Vacancy Rate dropped to a 12-month low of 3.1%.

The PMI data in **China** continues to consolidate its position in the expansionary zone. GDP was stronger than expected at 6.8%, as the Leading Indicator points to further strength. This despite the financial curbs being implemented by the Government. Subsequently, the Housing market has flat-lined. The Core CPI is higher than the headline figure, which remains below 2%.

In the **Emerging Markets**, data was mixed but the respective equities markets outperformed globally, as the fall in the US Dollar assists their Debt, Exports and Foreign Investments. Emerging Markets have been a clear beneficiary in the present environment.