SGH20

31 July 2017

SG HISCOCK & COMPANY

Fact Sheet

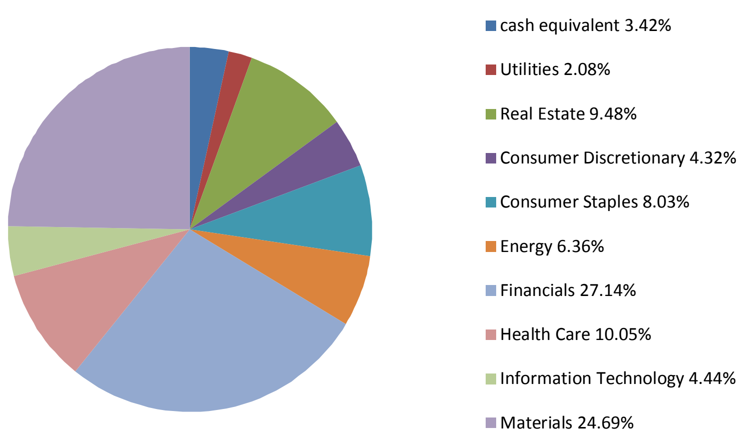
Investment objective	Aims to offer long term returns in excess of the following measures over a rolling five year period, although returns are not guaranteed: • S&P/ASX 300 Accumulation Index plus 5.00% p.a. (before fees and tax); and • Cash Rate (as measured by the Bloomberg AusBond Bank Bill Index) plus 5.00% p.a. (before fees and tax).		
Investments held	A portfolio of approximately 20 stocks that are listed on the Australian Securities Exchange.		
Investment Manager	SG Hiscock & Company		
APIR	ETL0042AU	**mFund Product Code**	SHF01
Commencement	28 October 2004	**Buy spread**	+0.25%
Management costs[1]	1.23% p.a.	**Sell spread**	-0.25%
Minimum initial investment	$20,000	**Fund size**	$24.02 million

Unit Prices	**Application**	**Net Asset Value**	**Withdrawal**
31 July 2017	$ 1.6588	$ 1.6547	$ 1.6506

Performance as at 31 July 2017[2]	**1 mth %**	**3 mths %**	**6 mths %**	**1 yr %**	**3 yrs % p.a.**	**5 yrs % p.a.**	**Since Inception % p.a.**
Distribution Return	0.00	3.97	4.21	5.86	13.40	9.46	6.22
Growth Return	-1.30	-4.87	0.95	-2.84	-4.55	-0.55	4.03
Total Net Return	-1.30	-0.90	5.16	3.02	8.85	8.91	10.25
S&P/ASX300 Accumulation Index	0.01	-2.51	3.89	7.03	5.12	10.71	7.79
Total Net Return vs. the Index	-1.31	1.61	1.27	-4.01	3.73	-1.80	2.45

Distribution Period	**31-Dec-15**	**30-Jun-16**	**31-Dec-16**	**30-Jun-17**
Distribution rate (cents per unit)	3.1058	30.0717	2.9299	6.8688

Asset allocation as at 31 July 2017



Top 5 holdings as at 31 July 2017
National Australia Bank Limited
Australia & New Zealand Banking Group
Lendlease Group
CSL Limited
Macquarie Group Limited

Top 5 holdings represent 34.92% of the total Fund.

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 majority of equity investors today don't buy or sell stocks based on stock fundamentals ... passive and quantitative investing accounts for about 60% (of trading volume); this share has more than doubled over the last decade".
JP Morgan, Global Head of Quantitative & Derivatives Research

The Australian equity market finished flat in July, for the second consecutive month. After outperforming the global market in the early part of the year, the Australian market has struggled to participate with the rally in global markets. In the last 12 months the ASX300 has returned just 2.6 vs S&P500 13.7% and MSCI World ex Aust. 8.6% (in AUD).

The recent underperformance is largely a reflection of the compositional differences in the Australian index which has little exposure to the IT sector, and now represents 22% of the US market. Australia's weaker performance also reflects the increased risks attached to the domestic economic outlook as a result of high and rising household debt against a backdrop of very modest wages growth.

The sharp rise in the AUD in July (+4.6% vs USD) was the story of the month, and saw ASX listed companies with offshore earning stocks sold off heavily. Perception the RBA will join central banks in normalising monetary policy, higher commodity prices and USD weakness were the main drivers. Lack of any real progress on Trump's reform agenda and, a Fed that continues to emphasise a gradual tightening and normalisation in interest rates, saw the US dollar hit a 13 month low on a trade weighted basis.

The US dollar was down 3.7% against the Euro in July, and is now down +12.5% this year. European growth continues to surprise to the upside and political risk has declined post Macron's French election victory. There is increasing talk of the ECB slowing or reversing elements of its quantitative easing program over the next 12 months, but lack of any serious near term inflation threat likely means any change in policy will be slow and gradual.

For now, the Chinese economy appears to be on a firm footing with growth now expected to be on the higher side of expectations for the second half of the year. Housing has come off the highs of 2016, but it has not moved into negative territory with the Government maintaining stability The regular monthly data points including PMI's, retails sales, industrial production and fixed investment remain largely buoyant which is underpinning commodity prices. Iron ore jumped 15% to US$73/t, whilst copper (+7.4%) and nickel (+10.3%) also finished higher. Oil (WTI +8.3%) posted its biggest monthly gain since early 2016 on renewed OPEC production cuts and lower US inventories.

Bonds were steady in July although they did manage a modest rally following Fed Chair Janet Yellen's July 12 testimony to Congress. Australian bond yields traded in a tight range ending the month at 2.68%. Whilst markets are now factoring in the possibility of tightening within the next 12 months, the weakness in wages and low inflation expectations appears to carry substantial weight with the RBA at present and suggests interest rates remain on hold

During the month only four ASX sectors delivered a positive return. Materials (+3.6%) performed well on the back of solid China data, whilst the Banks (+2.3%) saw relief on clarification by APRA of its 'unquestionably strong' capital objective. Of the seven sectors that slid into the red, Healthcare (-7.5%) and Utilities (-5.3%) suffered the sharpest sell-off.

Portfolio Performance & Positioning

The SGH20 portfolio returned -1.30% in July underperforming the S&P/ASX300 Accumulation Index by +1.31%. With around 58% of the portfolio exposed to companies with offshore revenues the stronger Australian dollar was a headwind. Longer term, we continue to see these companies offering exposure to faster growing markets, share gains and attractive growth options, and short term mark-to-market moves as overdone. During the month we exited Nufarm, AGL Energy and BT Investment Management and added Westfield.

For more information visit www.sghiscock.com.au