SGH Emerging Companies Fund

31 January 2018

SG HISCOCK & COMPANY

Fact Sheet

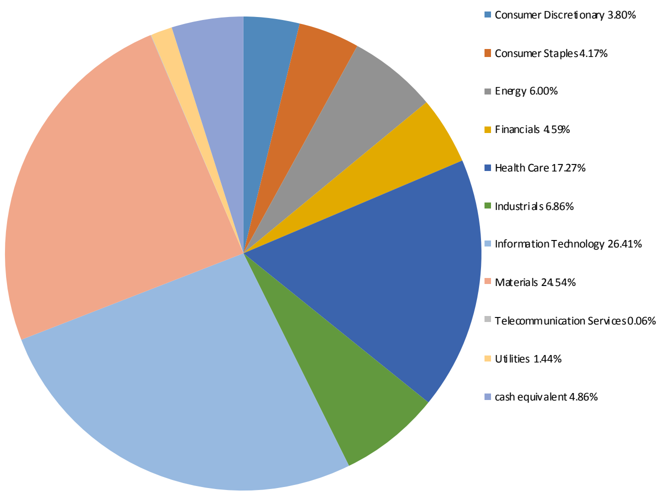
Investment objective	To provide medium to long-term capital growth potential and seeks to outperform the S&P/ASX Emerging Companies Accumulation Index over rolling three to five year periods after taking into account fund fees and expenses.		
Investments held	The Fund will primarily invest in companies that have a market capitalization of less than $500m at the time of first purchase and cash.		
Investment Manager	SG Hiscock & Company		
APIR	ETL0118AU	**mFund Product Code**	SHF04
Commencement	9 October 2001	**Buy spread**	+0.35%
Management costs[1]	1.03% p.a.	**Sell spread**	-0.35%
Performance Fee[2]	20.50%	**Investment pool size**	$63.43 million
Minimum Initial Investment	$20,000	**SIV Compliant**	Yes (1 July 2015)

Unit Prices	**Application**	**Net Asset Value**	**Withdrawal**
31 January 2018	$ 4.6410	$ 4.6248	$ 4.6086

Performance as at 31 January 2018[3]	**1 mth %**	**3 mths %**	**6 mths %**	**1 yr %**	**3 yrs % p.a.**	**5 yrs % p.a.**	**Since Inception % p.a.**
Distribution Return	0.00	0.00	0.00	0.00	0.12	0.22	4.53
Growth Return	5.27	21.65	33.58	33.46	36.02	20.40	9.83
Total Net Return	5.27	21.65	33.58	33.46	36.14	20.62	14.36
Index Return[4]	2.07	12.80	24.33	16.74	15.42	7.28	7.59
Total Net Return vs. the Index	3.20	8.85	9.25	16.72	20.72	13.34	6.77

Distribution Period	**30-Jun-16**	**31-Dec-16**	**30-Jun-17**
Distribution rate (cents per unit)	NIL	NIL	NIL

Asset allocation as at 31 January 2018



Top 10 holdings as at 31 January 2018
Triton Minerals Limited
Redflex Holdings Limited
Global Geoscience Ltd
Zip Co Ltd
Auscann Group Holdings Ltd
Zenitas Healthcare Limited
Livehire Limited
Cooper Energy Limited
Dubber Corp Ltd
Austock Group Ltd

Top 10 holdings represent 32.44% of the total Fund.

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. Effective 1 October 2015, a performance fee of 20.50% (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 Emerging Companies Accumulation Index 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.
4. Index = S&P/ASX Emerging Companies Accumulation Index effective 1 October 2015, previously S&P/ASX Small Ordinaries Accumulation Index.

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Commentary

- The Fund increased by 5.27%, out-performing its benchmark which gained 2.07%.
- Our better performing stocks include Auscann Group (up 103.7%), Zip Co Ltd (up 72.8%), Oliver's Real Food (up 50.0%), Matrix Composites & Engineering (up 31.2%), Austock Group (up 28.7%), Hotcopper Holdings (up 22.5%) and Dubber Corporation (up 18.0%).
- The major stock declines for the month were Linius Technologies (down 29.4%), Ixup Limited (down 28.4%), Buddy Platform (down 28.3%) and Tech Mpire Limited (down 17.4%)

Our Fund performed very strongly in January increasing by 5.27% and outperforming its benchmark the S&P/ASX Emerging Companies Index which gained 2.07%. For the rolling twelve months, the Fund is up 33.46%, compared to the S&P/ASX Emerging Companies Index which has gained 16.74%. Unfortunately, with the share market sell-off in the United States, and the pull-back here, we have given back some of these gains in February - month to date. However, this isn't unsurprising. We have been expecting a market correction for some time, with volatility at record lows and inflationary pressures rising. Further, stock markets don't go up in straight lines. Although there is now a fear that interest rates will spike higher, with a return to global growth and higher inflation, we don't think that central banks will rush to tighten monetary policy. Excessive debt, the pace of technological change and excess industrial capacity in most industries is likely to continue to exert strong deflationary forces, with Japan as the roadmap. Moreover the Reserve Bank of Australia have indicated they are unlikely to increase the cash rate anytime soon. Therefore, we don't see a re-run of 1994 bond market crash. We expect rate rises to be gradual and limited in scope. It's just that we have now returned to a normal period for investors returns - with the ending of low-interest rate policy in the United States. Notwithstanding the pull-back, we are still positive on both the market and our Fund. But obviously with increased volatility. Overall, we still expect 2018 to be a positive year. We continue to see plenty of opportunities. And with the market correction, valuations are now cheaper.