

SG Hiscock Property Opportunities Fund

29 February 2024

Performance¹	Net Return	Distribution	Growth Return	ASX 300 A-REIT Accum.
1 month (%)	3.24	0.00	3.24	4.75
3 month (%)	15.80	1.02	14.78	18.11
6 month (%)	12.44	1.80	10.64	12.83
1 year (%)	13.78	4.40	9.38	15.10
3 years (% p.a.)	9.76	4.22	5.55	10.37
5 years (% p.a.)	4.34	3.96	0.38	6.02
Inception (% p.a.)	7.17	7.75	-0.58	7.88

¹Income 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.

Past performance is not a reliable indicator of future performance.
Source Fidante Partners Limited.

Investment objective

To outperform its benchmark, the S&P/ASX 300 A-REIT Accumulation Index, over rolling three-year periods, while providing investors with a quarterly income stream and some capital growth over the medium term (at least three years).

Investments held

The Fund invests in a diversified portfolio of listed property and property-related securities. The fund can invest up to 20% in global property securities.

Asset Allocation

AREITs	97.42%
GREITs	0.00%
Cash	2.58%

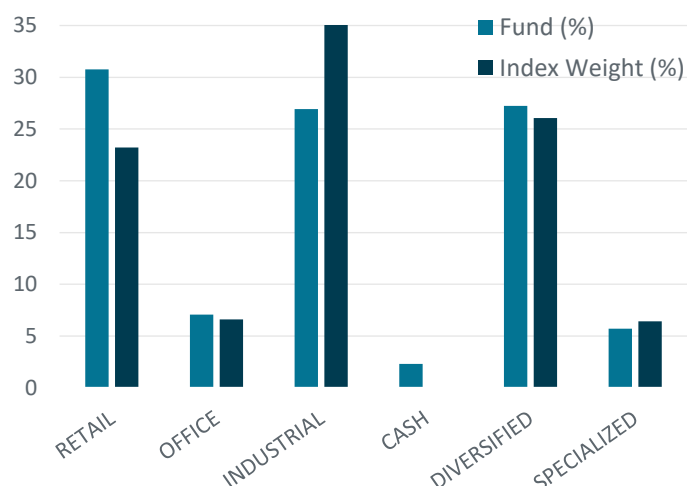
Key Facts

Investment manager	SG Hiscock & Company Ltd.
Inception date	30 Sept 1994
Benchmark	S&P/ASX 300 A-REIT Accum. Index
Management fees ²	0.85%
Fund size	\$27.4M
Number of holdings	22
Distributions	Quarterly
Buy/sell spread	+0.25/ -0.25%
Minimum initial investment	\$10,000
Base currency	AUD
APIR	HBC0008AU
mFund code	n/a
Domicile	Australia
Unit price	
Application	\$0.8368
Withdrawal	\$0.8326
Distribution cpu	
31-Dec-22	0.76
31-Mar-23	0.60
30-Jun-23	1.07
30-Sept-23	0.50
31-Dec-23	0.71

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

Asset Allocation


End of month	Fund (%)	Index Weight (%)
RETAIL	30.75	23.22
OFFICE	7.08	6.60
INDUSTRIAL	26.91	37.70
CASH	2.31	0.00
DIVERSIFIED	27.24	26.05
SPECIALIZED	5.70	6.44
Total	100	100



Source: SG Hiscock & Company Limited

Top 5 Holdings
Goodman Group
Scentre Group
Stockland Stapled
Vicinity Centres
Mirvac Group

Top 5 holdings represent 66.30% of the total Fund.

Top 5 Contributors 
GPT Group
DEXUS Property Group
National Storage REIT
Waypoint REIT Ltd
HomeCo Daily Needs REIT

Top 5 Detractors 
Goodman Group
Stockland Stapled
Peet Ltd
Vicinity Centres
GDI Property Group Ltd

Commentary

We continue to target Australian Real Estate Investment Trusts (AREITs) that provide solid fundamentals over the medium-to-long-term that are trading attractively relative to other AREITs. Overall, we endeavour to invest in entities that offer a combination of:

- A Net Present Value ("NPV") Discount;
 - An Internal Rate of Return ("IRR") Premium;
 - Ideally a (Real, not manufactured) Free Cashflow Yield Premium; and
 - A Lower Price to Net Asset Value ("NAV").
- The month of February represented a solid month for the AREIT Sector, with the S&P/ASX 300 AREIT Accumulation Index delivering a 4.75% return. However, this was not representative of the performance across the breadth of the sector, with only four AREITs outperforming being Goodman Group, HMC Capital, Abacus Storage King and Ingenia Communities Group.
 - Goodman Group, representing over 30% of the Index, did the heavy lifting, delivering a solid 16.8% return (Global Real Estate Index Inclusion and positive updates on its data centre pipeline assisted this). While delivering strong capital returns, it is worth reflecting that the distribution yield is ~1%, which is not meeting the criteria for income investing, along with index concentration consideration.

- The broader equity market as represented by the S&P/ASX 300 Accumulation Index delivered a more modest return of 1%, while Global REITs were very marginally down 0.2%.
- Pleasingly, annual inflation continues to come in below expectations 3.4% y/y as at the end of January 24, providing a more conducive barometer for interest rate settings.
- While wages came in a touch stronger than expected in 4Q23, rising 0.9% q/q and 4.2% y/y (Bloomberg market consensus 0.9% and 4.1%, respectively), the largest y/y increase since 2009 (source Jarden).
- As at month end Australian 10-year nominal bonds were relatively benign moving up from 4.01% to 4.14%. While 10-year Inflation Linked (real) bond yields slightly softened from 1.48% to 1.62%, with implied inflation remained steady at 2.50%. While views may vary on the pace and magnitude of rate cuts abroad and locally, it now appears highly likely that we have passed the peak in rates providing a more supportive backdrop generally.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
GPT Group	-6.4	GPT announced FY23 Funds From Operations (FFO) earnings of 31.4c, slightly ahead of guidance. The security price fell during the month, we note the Dividend Per Share (DPS) guidance for CY24 of 24cps is 4% lower than prior year. This is a result of higher expected incentive payments and a reduction in the GPT Wholesale Office Fund (GWOF) payout ratio to 60%. Operationally, retail had releasing spreads of +5.3% and occupancy at 99.8%. Office occupancy has lifted to 92.3% and industrial had +39% releasing spreads. The portfolio's underweight holding contributed to relative performance.
Dexus	-5.5	Dexus reported FFO for 1H24 of 33.9cps with guidance maintained for DPS of 48c. The skew in earnings was the result of the bulk of the expected trading profits being recognised in the first half. Operationally, occupancy softened to 94.5%, notwithstanding the flight to quality. The portfolio's underweight holding contributed to relative performance.
National Storage	-2.2	National Storage announced 1H24 Earnings Per Share (EPS) of 5.6cps with guidance for the full year reaffirmed at 11.3cps. The average rate increased to \$321 psm (from \$319), however occupancy slipped to 84.1%. The group announced a \$70m portfolio acquisition from Maas group with the potential of additional capital partnerships in the future to further the development pipeline. The portfolio's underweight holding detracted from relative performance.

Negative Contributors to the Portfolio Return:

Month	Return %	Comment
Goodman Group	16.7	Had a very strong month on the back of its result. Commentary from management on data centre demand and the potential pipeline has seen Goodman become a play on the AI theme. Operationally, occupancy was stable and Work In Progress has slowed in the logistics sector. Performance fees contribution of \$136m vs \$42m pcp drove operating profit. The portfolio's underweight holding detracted from relative performance.
Stockland	-1.5	Stockland announced 1H24 FFO of 11.2cps with guidance maintained at 34.5-35.5cps. This represents a significant second half skew due to the timing of residential settlements. Although sales were broadly stable, enquiries have lifted considerably. The commercial portfolio continued to show strong operational metrics with releasing spreads of +3.5% in retail and +39.6% in logistics. The portfolio's overweight holding detracted from relative performance.
Peet Limited	-4.1	Peet announced Operating EPS for 1H24 of 3.28cps and DPS of 1.5cps. Increased activity in WA, SA and QLD saw higher lot sales and settlements. Management commentary that VIC may be reaching the trough of their market cycle gives confidence for future sales/settlements. The portfolio's off-benchmark holding detracted from relative performance.

Distribution team



Anthony Cochran

Head of Distribution

acochran@sghiscock.com.au

0410 332 870



Rebecca Collins

Head of Research & Consultants

rcollins@sghiscock.com.au

0423 561 879



Matthew Potter

Senior Investment Specialist

mpotter@sghiscock.com.au

0404 884 399



Nick Simpson

Research & Platform Manager

nsimpson@sghiscock.com.au

0448 336 317

Disclaimer: This material has been prepared by SG Hiscock & Company Limited (ABN 51 097 263 628, AFSL 240679) SG Hiscock, the investment manager of the SG Hiscock Property Opportunities Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. SG Hiscock and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, SG Hiscock and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.

SG Hiscock & Company

ABN 51 097 263 628

AFSL 240679

Level 23, 360 Collins Street
Melbourne 3000

Level 4, 95 Pitt Street
Australia Square Plaza
Sydney 2000

1300 555 511

www.sghiscock.com.au

