SGH SG HISCOCK & COMPANY

SG Hiscock Property Opportunities Fund

29 February 2024

Performance[1]	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

[1]Income 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%

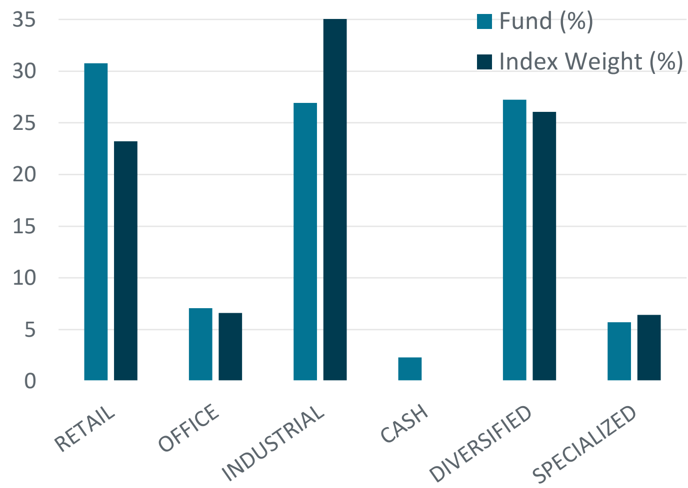
Key Facts

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	Top 5 Contributors	Top 5 Detractors
Goodman Group	GPT Group	Goodman Group
Scentre Group	DEXUS Property Group	Stockland Stapled
Stockland Stapled	National Storage REIT	Peet Ltd
Vicinity Centres	Waypoint REIT Ltd	Vicinity Centres
Mirvac Group	HomeCo Daily Needs REIT	GDI Property Group Ltd

Top 5 holdings represent 66.30% of the total Fund.

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.

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