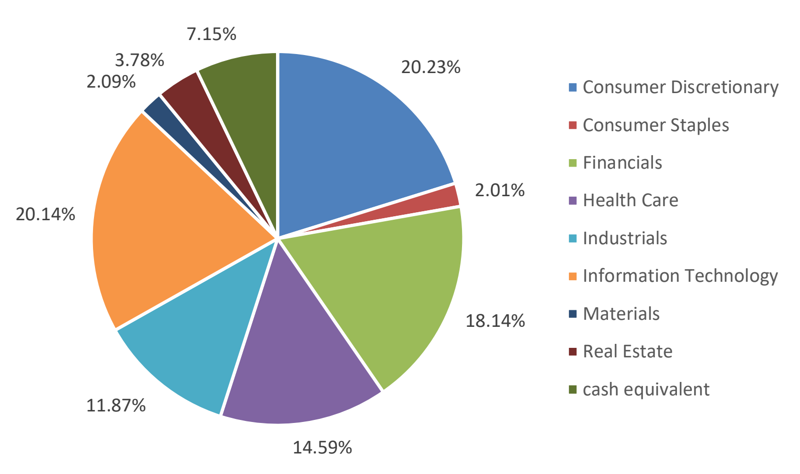
SGH ICE

30 September 2021

Investment Manager	SG Hiscock & Company Limited	**APIR**	ETL0062AU
Sub-Investment Manager	ICE Investors Pty Ltd	**Minimum initial investment**	$20,000
Commencement	13 February 2006	**mFund Product Code**	SHF02
Management costs[1]	1.180% p.a.	**Buy Spread**	+0.35%
Performance Fee[2]	15.375%	**Sell Spread**	-0.35%
Pool size	$774.56 million		

Asset allocation

30 September 2021



Investment Objective

To deliver superior medium to long term returns by investing in listed companies which possess a sustainable competitive edge by owning/operating assets that are difficult to replicate.

Investment Held

A portfolio of approximately 30-50 predominantly ASX listed securities (a minimum of 15 and generally no more than 80); cash and derivatives.

Performance[3] **30 September 2021**	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	Inception % p.a.
Total Net Return	-0.23	8.26	20.04	40.41	13.65	11.49	15.01	12.00
S&P/ASX Smallcap Industrial Index	-1.26	3.79	11.36	29.07	9.55	9.84	11.63	5.79
S&P/ASX Small Ordinaries Accum. Index	-2.14	3.44	12.23	30.41	9.43	10.18	7.69	4.71
S&P/ASX 300 Accum. Industrials Index	-0.77	4.51	13.56	33.80	10.25	9.79	12.79	7.64
S&P/ASX 300 Accumulation Index	-1.89	1.79	10.42	30.86	9.87	10.52	10.77	7.03

Past performance is not a reliable indicator of future performance.

Top 5 Holdings

Steadfast Group Ltd

Carsales.com Ltd

Catapult Group International Limited

PSC Insurance Group Limited

EBOS Group Limited

Top 5 holdings represent 20.63% of total fund

Distributions (cpu)

31-Dec-19	1.2909
30-Jun-20	0.4705
31-Dec-20	0.6399
30-Jun-21	22.4271

Unit Prices 30 September 2021

Application	$ 2.7218
Net asset value	$ 2.7123
Withdrawal	$ 2.7028

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. A performance fee of 15.375% (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 300 Accumulation Index plus 1.20% p.a. calculated on a daily basis) may also be payable.
3. Performance: Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions

Quarterly Performance Commentary

The September quarter was positive for markets and the ICE portfolio in particular. The portfolio returned 8.26% for the quarter and 40.41% for the rolling year.

Reporting season in August was a key driver of companies and stock moves in the quarter. Profit results for the portfolio of ICE franchise investments were on balance very solid and this was of course, positive for returns. Profit results, outlook statements and our discussions with company management further highlighted the industry positioning of our investments. We observed that many of our companies have used the challenges of recent times to further entrench their position and enhance customer stickiness. This should bode well for future prospects of these companies.

For the September quarter, top contributors to the ICE portfolio included: -

- **EBOS Group –** pharmaceutical distribution company, EBOS is the dominant player in both Australia and New Zealand. EBOS delivered a very healthy 14% growth in company profits for the financial year just completed. Each of EBOS' core business segments, being pharmacy channel, medical device & hospital consumables, plus its animal care division delivered solid growth. EBOS' animal care division had a very bright year with market share gains, combined with supportive tailwinds for pet care and supplies. The pandemic has certainly accelerated demand for family pets!

- **Life 360 –** technology company Life 360 operate the leading family security and location sharing 'app' globally. From location sharing amongst family members, young and old, to driver safety monitoring and more sophisticated data and theft protection, 360's offering is unique, broad and differentiated. We have been investors since mid-2020 and believe that 360 has a unique and compelling franchise in this space. Recent company updates have highlighted strong growth in app users, paying members and group revenue.

- **Pinnacle –** essentially doubled the profitability of the business in a stellar year for the investment manager franchise. Inflows into Pinnacle's suite of investment managers were strong and well spread across a range of managers and asset classes. Pinnacle's executive continue to prudently increase their distribution resources to meet demand in each geography. We have highlighted previously their distribution capability offshore as a key asset. We also expect Pinnacle to continue to seek new boutiques via ongoing investment.

- **Australian Clinical Labs [ACL] –** we mentioned ACL during our last quarterly note as a negative contributor to returns, following its IPO in May. Pleasingly, we added to our position in the face of this share price weakness and secondly, the stock has recovered in this quarter. In brief, ACL has established a challenger position in Australian pathology, building a franchise based on three core assets, a solid management team and market leading investment in technology and systems across their national footprint. The current surge in COVID testing is certainly a benefit, and whilst the elevated testing levels provide a boost to short term profits and cash, our reason for owing ACL is of course focused on longer term prospects.

- **Sydney Airport** is of course an irreplaceable asset, marking the gateway to Australia's largest city, located just 8km from the Sydney CBD. Despite COVID and its impact on travel, a consortium of largely superannuation and infrastructure investors have recognised this value and proposed a conditional takeover of the asset. Initially rejected, the latest offer price of $8.75 per share remains conditional, but has seen the board grant non exclusive due diligence to the consortium with a view to advancing their proposal.

Key detractors during the quarter were Bapcor and Marley Spoon.

For the recent financial year, **Bapcor** recorded very strong revenue growth once lockdowns were lifted in FY21 and a 25% plus increase in profits. However, with much of the east coast once more in lockdown and access to automotive services and retail stores restricted in the short term, investors appeared unnerved post the August result. Having seen the strong rebound in services post last year's restrictions being lifted, we remain confident in the Bapcor franchise and as such increased our investment.

A poor quarterly update for global meal kit provider, Marley Spoon led to underperformance for the period. Although revenue growth for this business has remained strong, cost growth has remained high also. Pricing power is a key attribute of a franchise, and on this basis, we weren't comfortable that Marley Spoon were able to pass on inflationary cost pressures to their customers. With this lack of clarity, we elected to exit the stock.

Quarterly Portfolio Activity

ICE participated in the IPO for PEXA Group, Australia's dominant digital property settlement platform, which listed on 1st July. Further buying activity was focussed on our existing holdings as we added to Bapcor, Pacific Smiles, Cleanaway and ACL as highlighted. Given solid momentum in the sales channel for mining services software provider, RPM Global, we also added to this holding.

We exited our long-standing, successful investment in retirement village operator, Lifestyle Communities, together with another long held investment, global medical device and sleep apnoea company, ResMed.

We also took profits in Temple & Webster, Pinnacle Investment Management, Carsales.Com and EBOS Group across the quarter, although retain a solid holding in these names. Finally, we sold our holding in Marley Spoon as described above.

For more information visit www.sghiscock.com.au or www.iceinvestors.com.au