

## SGH Property Income Fund

31 January 2021

<b>Investment Manager</b>	SG Hiscock & Company Limited	<b>APIR</b>	ETL0119AU
<b>Commencement</b>	30 November 2005	<b>mFund Product Code</b>	SHF03
<b>Management costs<sup>1</sup></b>	0.95% p.a.	<b>Minimum initial investment</b>	\$20,000
<b>Buy Spread</b>	+0.25%	<b>Pool size</b>	\$194.96 million
<b>Sell Spread</b>	-0.25%		

## Investment Objective

A dividend yield (before fees) which is higher than the S&P/ASX300 A-REIT Accumulation Index and a total return in excess of the CPI + 3% over rolling five year periods (before fees).

## Investment Held

The Fund primarily invests in A-REITs and may also invest in real estate management, development and infrastructure securities. An A-REIT is a collective investment vehicle, which owns a portfolio of real property, thus providing for a wider form of ownership. A-REITs are listed on the ASX, and their prices fluctuate with supply and demand, as with equity instruments. As a rule A-REITs derive the bulk of their income from rental property income.

The Fund generally seeks to invest in A-REITs that exhibit an above average proportion of their income sourced from rents rather than more volatile income streams such as third party construction or development. As a result of this strategy, the Fund's investment portfolio has very different weights to that of the S&P/ASX300 A-REIT Index.

The S&P/ASX300 A-REIT Index has changed so much that there is now a significant concentration of the largest stocks in this index. The Investment Manager believes that the investment strategy for the Fund is likely to provide superior portfolio diversification (by setting a maximum portfolio weight for any individual security in the portfolio at 15%), and the potential for a higher income yield than the S&P/ASX300 A-REIT Index.

<b>Performance<sup>2</sup></b> <b>31 January 2021</b>	<b>1 mth %</b>	<b>3 mths %</b>	<b>6 mths %</b>	<b>1 yr %</b>	<b>3 yrs % p.a.</b>	<b>5 yrs % p.a.</b>	<b>7 yrs % p.a.</b>	<b>10 yrs % p.a.</b>
Distribution Return	0.00	1.16	1.82	3.53	7.05	10.23	11.26	9.82
Growth Return	-1.65	15.11	20.20	-21.49	-7.09	-6.98	-4.02	-0.32
Total Net Return	-1.65	16.27	22.02	-17.96	-0.04	3.25	7.24	9.50
CPI + 3% pa	0.37	1.13	2.25	4.50	4.60	4.60	4.74	4.98
S&P/ASX 300 A-REIT Accum. Index	-4.07	8.93	15.92	-13.33	5.55	6.30	10.24	10.53

Past performance is not a reliable indicator of future performance.

## Top 5 Holdings

Scentre Group
Vicinity Centres
Stockland Property Trust
GPT Group Property Trust
Charter Hall Retail REIT

Top 5 holdings represent 54.66% of total fund

## Distributions (cpu)

31-Dec-19	0.4919
31-Mar-20	0.0939
30-Jun-20	0.5824
30-Sep-20	0.1200
31-Dec-20	0.2824

## Unit Prices 31 January 2021

Application	\$ 0.2757
Net asset value	\$ 0.2750
Withdrawal	\$ 0.2743

## Asset Allocation

Australian REITS	98.12%
Cash	1.88%



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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### Strategy

We continue to target 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 S&P/ASX 300 AREIT Accumulation Index was weaker to start the year, negatively impacted by the rise in the long end of the Yield Curve, which saw the 10-Year Bond Yield consolidate its move north of 1%, finishing near its intra-month highs at 1.13%. The Index finish down 4.1%, as investors factor in the prospect of higher interest rates, which saw a move out of the more growth-orientated names, which presently comprise a large portion of the Index. Global REITs fared much better, finishing 0.5% lower in January. The broader market in Australia (S&P/ASX 300 Accumulation Index) rose 0.3%, driven by the Consumer Discretionary sector.

### Top Contributors to the Portfolio Return:

Month	Stock Return %	Comment
Stockland	6.5	Declared a 3.875 cents per security distribution for the half, in line with forecasts. The Group is continuing to benefit from the relatively better performing Perth Office market, where over 80% of its Office assets are located.
Unibail-Rodamco-Westfield	6.1	Provided an update, confirming the 3.75 cents per unit distribution for the quarter, with the Distribution Reinvestment Plan in operation. New was the divestment of its remaining 20 NZ-based Childcare assets for NZ\$40.1 million (representing a 6% Yield) coupled with the disposal of the AREIT's 15% interest in the unlisted Charter Hall CIB Fund for \$18.4 million.
Irongate Group	3.1	Declared a 4.2 cents per security distribution for the quarter, with the Distribution Reinvestment Plan operating, at a 2% discount.



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### Negative Contributors to the Portfolio Return:

Month	Stock Return %	Comment
Vicinity Centres	-4.4	Released revaluations as at December 2020, a 4% decline for the six-months. Cap Rates only expanded by two bps, implying most of the decline was due to lower Income assumptions being applied by the Valuers. Certain categories (namely CBD Centres and Regional) were responsible for the bulk of the decline. These have been the two categories most impacted by the social distancing measures. Conversely, Neighbourhoods experienced a compression in Cap Rates, as Transactions in 2020 continually pointed to firmer pricing.
GPT Group	-4.0	There was no news flow for the month. The Group's large CBD Office portfolio, with some pending Lease Expiries, coupled with their Melbourne Central Retail asset are perceived to be facing headwinds from the longer-term Work From Home trend.
Mirvac Group	-9.8	No news-flow for the month. The Group's asset mix of predominantly CBD Office, coupled with half of their Residential land-bank being in Built-Form product, is considered less than ideal given the longer-term Work From Home trend, coupled with eligibility to the HomeBuilder scheme.

\*The *Professional Planner* | Zenith Fund Awards are determined using proprietary methodologies. Fund Awards were issued October 5, 2018 and are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.

### For more information visit [www.sghiscock.com.au](http://www.sghiscock.com.au)

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