SG HISCOCK & COMPANY

SGH Property Income Fund

30 September 2021

Investment Manager	SG Hiscock & Company Limited	**APIR**	ETL0119AU
Commencement	30 November 2005	**mFund Product Code**	SHF03
Management costs[1]	0.95% p.a.	**Minimum initial investment**	$20,000
Buy Spread	+0.25%	**Pool size**	$189.88 million
Sell Spread	-0.25%		

Investment Objective

The Fund aims to: produce an annual dividend yield (before fees) higher than the underlying index (S&P/ASX 300 A-REIT Index); and provide a total return p.a. in excess of the Consumer Price Index ("CPI") + 3% (before fees) over rolling 5 year periods.

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.

Performance[2] **30 September 2021**	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.
Distribution Return	0.61	0.64	2.28	5.31	6.17	8.78	10.25	10.00
Growth Return	-0.94	3.97	8.08	27.77	-2.84	-5.39	-2.64	1.05
Total Net Return	-0.33	4.61	10.36	33.08	3.33	3.39	7.61	11.05
CPI + 3% pa	0.51	1.53	3.05	6.10	4.66	4.66	4.70	4.91
S&P/ASX 300 A-REIT Accum. Index	-1.94	4.80	16.06	30.69	9.21	7.66	11.17	13.46

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 61.71% of total fund

Distributions (cpu)

30-Sep-20	0.1200
31-Dec-20	0.2824
31-Mar-21	0.2790
30-Jun-21	0.4395
30-Sep-21	0.1888

Unit Prices 30 September 2021

Application	$ 0.3099
Net asset value	$ 0.3091
Withdrawal	$ 0.3083

Asset Allocation

Australian REITS	97.55%
Cash	2.45%

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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 fell 1.9% in September. The Bond Yields backed-up as The Fed reiterated the imminent commencement of its Tapering of Bond Purchases. The Ten-Year Bond Yield jumped 34 bps to 1.49%, a three-month high. Counterintuitively in response. Real Interest Rates spiked by over 50 bps to negative 34 bps, resulting in Implied Inflation Expectations dropping ~20 bps to 1.8%.

We believe the drop in expected Inflation is an aberration at present but we are cognisant of the move back to normality not being of a linear trajectory. Hence a more muted growth environment than what has been forecast by some, given the other aspects at play (a slowing Chinese economy, Energy Supply issues and ongoing disruptions to the Global Supply Chain) is starting to be factored in as well, offsetting the positive impacts from a fully-fledged reopened economy. The Australian Dollar deteriorated further, given this backdrop.

The Growth/Fund Manager cohort in the AREIT sector bore the brunt of the impact from the lift in Rates. This is excluding Centuria Capital and HomeCo, who materially outperformed for the month, given the capital raisings their feeder Funds and AREITs that they manage, have recently undertaken. The more value names in Retail and Office outperformed.

The AREIT sector materially outperformed the Global REITs, which dropped 5.32% in September but was in line with the general market domestically (via the S&P/ASX 300 Accumulation Index) which also dropped 1.9%.

Top Contributors to the Portfolio Return:

Month	Stock Return %	Comment
Scentre Group	4.9	No news-flow for the month. The AREIT was a beneficiary of press reports suggesting GIC has disposed of their 50% interests in the three Sydney CBD Retail assets co-owned and managed by Vicinity Centres for ~$550 million, to Hong Kong's Link REIT. This is above Vicinity's $526 million book value, on a 5.01% Cap Rate.
GPT Group	4.5	No news-flow for the month. The AREITs ~80% exposure to the "old world" property sectors of Retail and Office benefitted from expectations of a rebound as Victoria, the ACT and NSW re-open in the coming months.
Charter Hall Retail	5.0	Trading on superior implied metrics to its Convenience Retail peers, the AREIT played catch-up in September. The on-market transactions continue to highlight how undervalued their portfolio is.

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Negative Contributors to the Portfolio Return:

Month	Stock Return %	Comment
Unibail-Rodamco-Westfield	-12.3	Settled for a Net Disposal Price of €249 million its Office asset headquarters – 7 Adenauer – in Paris on a Sale and Leaseback basis.
Vicinity Centres	-3.5	Having been with the Vicinity for over 15-years, the AREIT announced Adrian Chye as its new CFO.
Stockland	-3.0	No news flow for the month. Whilst the Residential division continues to flourish, the AREIT intends to undertake further disposals of non-core Retail assets (predominantly in Regional Queensland) with the funds being deployed into building out its Industrial Development pipeline.

*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.

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