SG Hiscock Property Fund

SG HISCOCK & COMPANY

31 August 2019

Fact Sheet

Investment objective	The Fund aims to outperform the S&P/ASX 200 A-REIT Accumulation Index over rolling three to five year periods while providing a quarterly income stream.		
Investments held	The Fund will provide exposure primarily to listed property trusts with the aim to provide income and capital growth potential over the long-term.		
Investment Manager	SG Hiscock & Company		
APIR	CRS0007AU	**SIV Compliant**	Yes
Commencement	31 December 1993	**Buy spread**	+0.25%
Management costs[1]	0.78% p.a.	**Sell spread**	-0.25%
Minimum initial investment	$10,000	**Investment pool size**	$52.17 million

Unit Prices	**Application**	**Withdrawal**
31 August 2019	$0.9813	$0.9765

Performance as at 31 August 2019[2]	**1 mth %**	**Qtr %**	**6 mths %**	**1 yr %**	**3 yrs % p.a.**	**5 yrs % p.a.**	**Incept' % p.a.**
Distribution Return	0.00	1.06	1.12	3.87	3.81	4.05	8.30
Growth Return	0.73	4.92	11.80	3.54	-0.13	5.09	-0.37
Total Net Return	0.73	5.98	12.93	7.41	3.69	9.14	7.93
S&P/ASX 200 A-REIT Accum. Index	1.18	8.16	14.72	19.42	8.60	12.98	8.21

Top 5 holdings as at 31 August 2019
Scentre Group
Stockland Stapled
Vicinity Centres
Goodman Group
Unibail Group Stapled

Top 5 holdings represent 67.85% of the total Fund.

Distribution Period	**Cents per Unit**
30-Sep-18	0.54
31-Dec-18	1.79
31-Mar-19	0.00
30-Jun-19	0.94

Asset Allocation as at 31 August 2019	
Australian REITS	97.72
Cash	2.28

Professional Planner | Zenith Investment Partners FUND AWARDS 2018 Finalist

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.

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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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 S&P/ASX 200 Property Accumulation Index rose 1.2% in August. The AREITs slightly underperformed the Global REITs, which delivered a 2.0% return but materially outperformed the broader market in Australia (S&P/ASX 300 Accumulation Index) which was down 2.3%. The theory that "lower for longer" Interest Rates has to flow through to lower Yields is one that continues to permeate throughout the markets, in order to justify a number of Property transactions on all-time low Cap Rates. This has been demonstrated as a fallacy, with the recent phenomenon coinciding with the global Quantitative Easing environment, sending Interest Rates lower. Our continued position is for a continuation of the more cautionary stance.

Top Contributors to the Portfolio Return:

Month	Return %	Comment
Ingenia Communities	15.4	Their financial year 2019 (FY19) Results was well-received by the market, exceeding their Guidance for the third-consecutive year. The Group also announced the acquisition of Eight Gate Capital Management for $19.6 million, materially increasing their Lifestyle Sites Under Management. The Off-Benchmark position contributed to the relative performance.
Goodman Group	-2.0	Their FY19 results demonstrated the cyclical nature of the business, with $204 million of the $1 billion-plus earnings before interest and tax (EBIT) comprising Performance Fees. This is aside from the ~$200 million of Operating Expenses being recorded below-the-line. The Underweight position contributed to the relative performance.
Dexus Property Group	-1.7	Dexus (in conjunction with Perron Group) sold their 50% interest in 201 Elizabeth St, Sydney to a consortium comprising Abacus, Charter Hall Group and their Investment Partners. The price was $630 million. The Underweight position contributed to the relative performance.

Negative Contributors to the Portfolio Return:

Month	Return %	Comment
Charter Hall Group	11.7	Aside from Merger & Acquisition activity and further Acquisitions, the Group's FY19 Operating Earnings Growth of 25.5% was boosted by the Accrual for the Charter Hall Office Trust Performance Fee. (16.6% excluding this). Guidance is for 18% to 20% Growth in FY20, which is more like 11% to 13% excluding the Performance Fee. The Under-Weight position detracted from the relative performance.
Peet Limited	-5.5	Their FY19 Results highlight the weak Residential market, on the back of the restrictive lending environment. No guidance provided for FY20, which is considered to be a trough year. The Off-Benchmark position detracted from the relative performance. The Off-Benchmark position detracted from the relative performance.
Charter Hall Long WALE	14.0	Acquired a 24.5% Interest in 37 Telstra Exchange assets and an Office Building in Mt Gravatt, QLD, for $413.6 million. To assist with the funding, a $261 million Placement and Entitlement Offer was conducted at $5.20 per security, representing a 4.1% Discount to its last traded-price. The Under-Weight position detracted from the relative performance.