

SGH Enhanced Income Trust

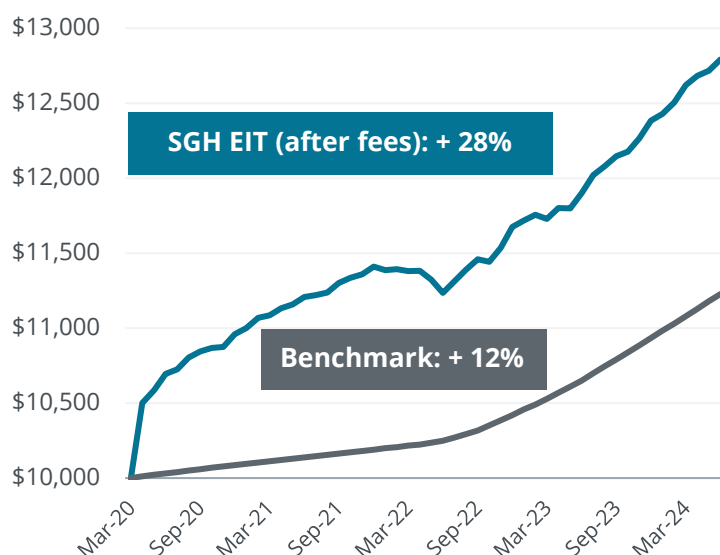
30 June 2024

Performance ¹	Total Net Return	Bloomberg AusBond Bank Bill Index +1%	Total Net Return vs. the Index
3 month (%)	1.35	1.33	0.02
6 months (%)	3.29	2.68	0.60
1 year (%)	7.47	5.41	2.05
2 years (% p.a.)	6.70	4.66	2.03
3 years (% p.a.)	4.51	3.46	1.05
4 years (% p.a.)	4.57	2.86	1.72
Inception (% p.a.)	5.96	2.76	3.20

Past performance is not a reliable indicator of future performance.

SGH Enhanced Income Cumulative Total Return

(since inception, after fees)



Source: SGH, Iress

¹ Performance: Total Net Return is the Trust return after the deduction of ongoing fees and performance fees and assumes the reinvestment of all distributions.

² Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").

³ Performance Fee: 20.50% of the amount by which the Trust's performance exceeds the performance hurdle (Bloomberg AusBond Bank Bill Index (BAUBIL) + 1%). Any underperformance from a prior period must be recouped before a fee can be taken (we call this the High-Water Mark).

Key Facts

Investment manager	SG Hiscock & Company Limited
Inception date	01 April 2020
Qualifying investors	Retail and Wholesale clients
Benchmark	Bloomberg AusBond Bank Bill Index (BAUBIL) +1%pa
Management fee ²	0.21%pa
Performance fee ³	20.50%
Distributions	Quarterly
Buy/sell spread	+0.10/-0.10%
Minimum initial investment	\$20,000
Base currency	AUD
APIR	ETL6695AU
Domicile	Australia
Unit price*	
Application	\$1.1400
Net Asset Value	\$1.1389
Withdrawal	\$1.1378
Distribution cpu	
30-Sep-23	1.62
31-Dec-23	1.16
31-Mar-24	1.19
30-Jun-24	2.51

* Pre-distribution

Investment Objective

Manage a diversified portfolio of mainly income producing securities to provide a quarterly income stream and seek to outperform the Bloomberg AusBond Bank Bill Index (BAUBIL) plus 1% after fees over a rolling 12-month period.

Investment Held

The Trust will primarily invest in listed and unlisted income securities.

Trust Outlook

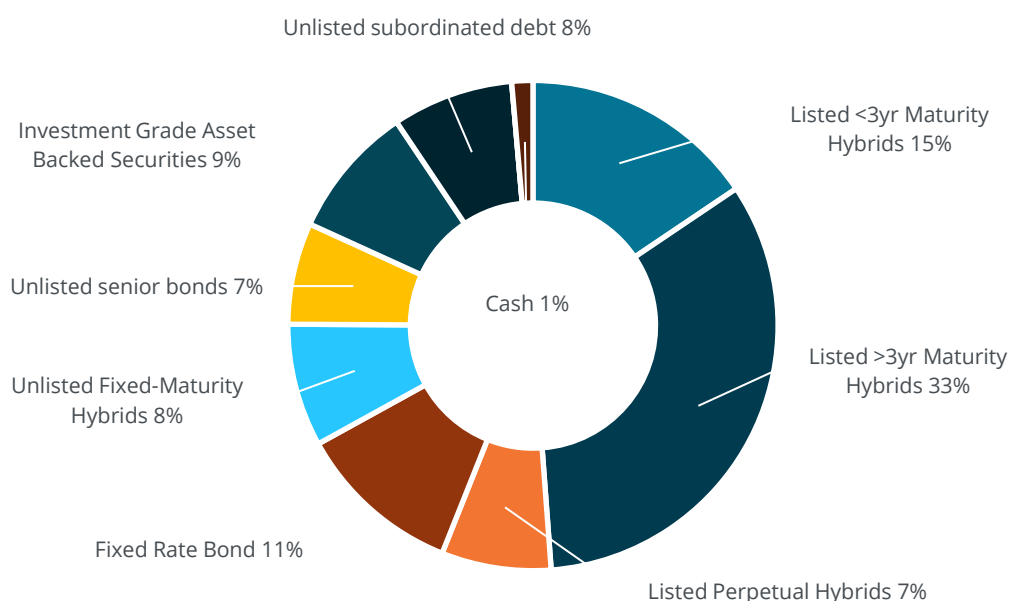
- The Trust is well positioned for a relatively stable interest rate environment over the next 12 months. The domestic Central Bank is likely to maintain the current level of interest rates through to the end of 2024. For rates to fall, the Central Bank would need to see a significant fall in demand and inflation.
- Interest rates are unlikely to stay at these elevated levels over the longer term. As such, the Trust is increasing its exposure to fixed rate investments. However, the vast majority of the Trust is invested in floating-rate securities.
- Future performance should be driven by consistent and sustainable returns derived predominantly from income. In the absence of a major credit event, any capital movements in the investments are expected to remain muted.

Fund Returns (Net) (%)*

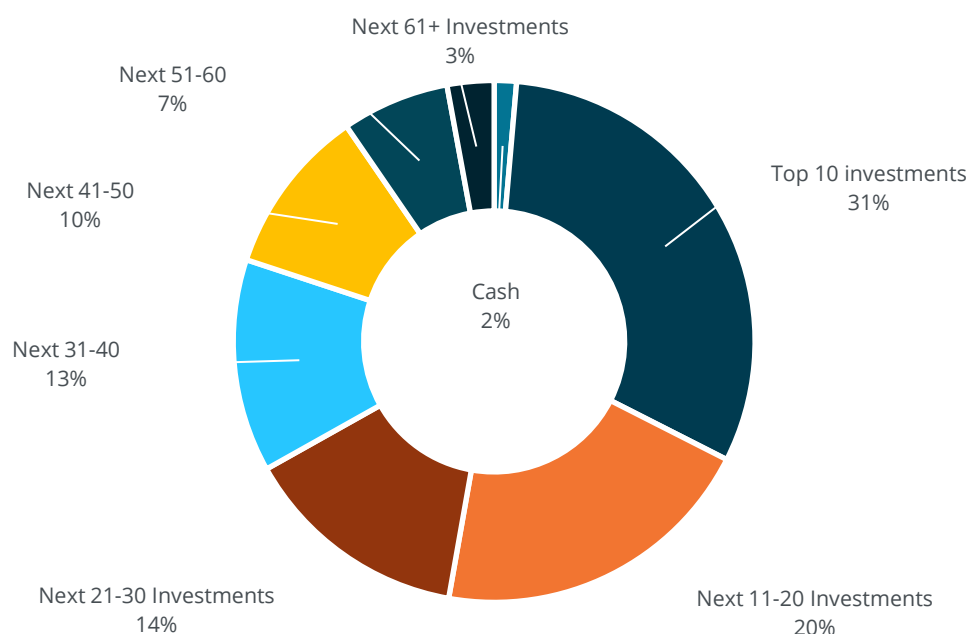
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	-	-	-	5.00	0.81	1.05	0.27	0.74	0.38	0.20	0.06	0.79	9.30
2021	0.36	0.63	0.15	0.42	0.24	0.43	0.12	0.16	0.57	0.30	0.20	0.46	4.12
2022	(0.21)	0.05	(0.12)	0.03	(0.53)	(0.76)	0.68	0.70	0.60	(0.15)	0.81	1.22	2.32
2023	0.35	0.33	(0.22)	0.62	(0.02)	0.87	0.99	0.50	0.55	0.24	0.73	0.97	6.07
2024	0.37	0.62	0.91	0.49	0.27	0.59							3.29

* Total Net Return is the Trust return after the deduction of ongoing fees and performance fees and assumes the reinvestment of all distributions, source: SGH

Portfolio Asset Allocation



Portfolio Diversification of Investments



Source: SGH

Performance Commentary

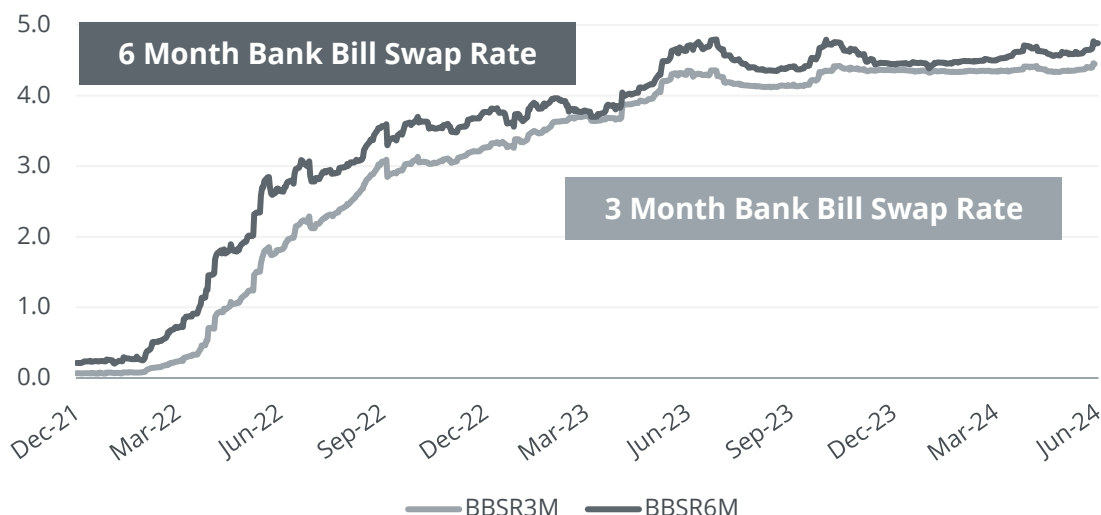
Over the quarter, the Trust returned 1.35% (net of fees), compared to the benchmark of 1.33%, outperforming by 0.02% over the period. Pleasingly, the Trust has achieved absolute positive performance for the past 13 consecutive months. The accompanying table of Net Fund Returns illustrates the consistency of returns, with an absolute negative return of less than -0.25% occurring in only two months since inception.

US macroeconomic data illustrate signs of slowing, with the unemployment rate rising to 4.1%. This level, although still relatively low, indicates a softening labour market. Additionally, inflation weakened to 3.1%, surprising markets and reducing the risk of inflation becoming embedded in the US economy. The Federal Reserve (Fed) has been closely monitoring these developments, and if the current trends continue, a rate cut by September seems likely. Rate cut announcements by both the Bank of Canada and the European Central Bank during the month were in line with expectations, further reflecting the global trend of monetary easing.

Australian economic data had been mirroring the US but diverged this quarter with a positive surprise in employment data, as the unemployment rate fell to 4.0%. Retail sales also exceeded expectations, pointing to a more resilient household sector despite earlier forecasts of weakness. However, we remain cautious about consumer spending due to high inflation in non-discretionary items and elevated interest rates. Despite our concerns, mortgage delinquencies are being well managed, with only marginal increases observed. Inflation remains a concern, and the market is divided due to the recent data on whether interest rates will move up or down. It appears unlikely that interest rates will drop in 2024 resulting in higher returns for the Trust.

The Australian short-term yield curve rose over the quarter, with the 90-day rate up 10 basis points and the 180-day rate up 24 basis points. Despite these movements in underlying cash rates, the Trust continues to outperform. We believe this trend should continue over the next 12 months, barring any aggressive movements in rates. The market is forecasting current rates to remain at elevated levels through to 2025. This implies a return of above 6% per annum (net of fees) based on current interest rate margins and credit spreads.

Short Term Interest Rates



Investment Guidelines

To achieve its investment objective, the Trust will:

- Invest in a group of securities comprising:
 - Securities listed on the Australian Securities Exchange including:
 - Australian equities that meet a yield criteria
 - Corporate Bonds
 - Hybrid securities
 - Subordinated debt
 - Unlisted securities issued in the Australian market that pay a fixed or floating rate of interest
- Have no minimum weighting to cash. In the event there is considered material downside risk cash can increase to 100%.
- Hold an individual security limit of no more than 15%.
- Have a maximum weighting of 15% to Australian equities
- Specific consideration is not given to sector diversification; however the portfolio is broadly diversified at all times.
- The Trust may use derivatives for risk management purposes, as substitutes for physical securities, but the Trust will not be geared.

Environmental Social & Governance (ESG)

Environmental

- No coal mining
- No direct uranium

Social

- No tobacco
- No direct gambling
- No predatory or pay day lending
- No weapons manufacturing
- No live animal exports
- No adult industries

Governance

- No poor occupational health and safety records.
- No undisclosed related party transactions.
- No excessive use of non-executive options.

Disclaimer: *Equity Trustees Limited (ABN 46 004 031 298, AFSL 240975), a subsidiary of EQT Holdings Limited (ABN 22 607 797 615) a publicly listed company on the Australian Securities Exchange (ASX:EQT), is the Responsible Entity of the Trust. SG Hiscock & Company Limited (ABN 51 097 263 628 AFSL 240679) is the Investment Manager of the Trust and has prepared this document for general information purposes only. It does not contain investment recommendations nor provide investment advice. Neither SG Hiscock & Company Limited, Equity Trustees Limited nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in the Trust. Past performance is not a reliable indicator of future performance. Professional investment advice can help you determine your tolerance to risk as well as your need to attain a particular return on your investment. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should not act in reliance on the information contained in this document. We strongly encourage you to obtain detailed professional advice and to read the relevant Product Disclosure Statement (PDS) and Target Market Determination (TMD) in full before making an investment decision. Equity Trustees Limited does not express any view about the accuracy or completeness of information that is not prepared by Equity Trustees Limited and no liability is accepted for any errors it may contain. Investors can acquire units by completing the application form accompanying a current PDS. A current PDS and Target Market Determination are available at www.sghiscock.com.au and can be obtained by contacting SG Hiscock & Company Limited on +61 3 9981 3300.*

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