SGHiscock
Investment Management

SGH Property Income Fund

July 2026

Performance[1]	Total Net Return	Income Return	Growth Return	CPI +3%	ASX300 A-REIT Accum.
1 month (%)	3.35	–	3.35	0.60	-0.04
3 months (%)	3.73	7.96	-4.23	1.80	4.63
6 months (%)	-3.60	7.95	-11.55	3.60	-2.46
1 year (%)	-2.10	10.00	-12.10	7.20	-5.03
3 years (% p.a.)	8.69	7.62	1.07	6.46	9.99
5 years (% p.a.)	6.96	6.43	0.53	7.43	5.60
7 years (% p.a.)	4.09	5.77	-1.68	6.66	4.55
10 years (% p.a.)	4.02	7.51	-3.49	6.03	5.42
Inception (% p.a.)	3.46	8.97	-5.51	6.08	4.83

Past performance is not a reliable indicator of future performance.

- We are **index agnostic**, as at times the Index can become heavily concentrated.
- We have an **income bias** aiming to deliver **superior yield** to our investor base vs. the Index.
- We have a bias towards those entities that derive the majority of their earnings from **rent collection.**
- We believe property is **localised** and with the prevalence of both global investors, as well as generalists and passive investing in the AREIT sector, this creates opportunities for experienced, Australian-domiciled managers, with high site visitation and manager engagement.

This Fund has been specifically designed to address these issues and seeks to offer the following:

- Target an income yield in excess of the index yield, but not at the expense of quality.
- Ideally lower volatility.
- A value-oriented portfolio.
- A more diversified exposure to AREITs – the largest holding in this Fund will be no larger than 15%.
- The benchmark return before fees for this fund is to achieve a return in excess of CPI + 3% p.a. over rolling 5-year periods – a timeframe much more in keeping with property investment

Key Facts

Investment manager	SGHiscock Investment Management.
Launch date	30 Nov 2005
Benchmark	CPI+3%
Management fees[2]	0.95%
Fund size	$167.7M
Number of holdings	19
Distributions	Quarterly
Buy/sell spread	+0.25/ -0.25%
Minimum initial investment	$20,000
Base currency	AUD
APIR	ETL0119AU
Domicile	Australia
	Unit Price
Application	$0.2978
Net Asset Value	$0.2971
Withdrawal	$0.2964
	Distribution CPU
30-Sep-25	0.2021
31-Dec-25	0.5659
31-Mar-26	0.1869
30-Jun-26	2.3916

[1]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. Returns greater than 1 year are annualised.

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

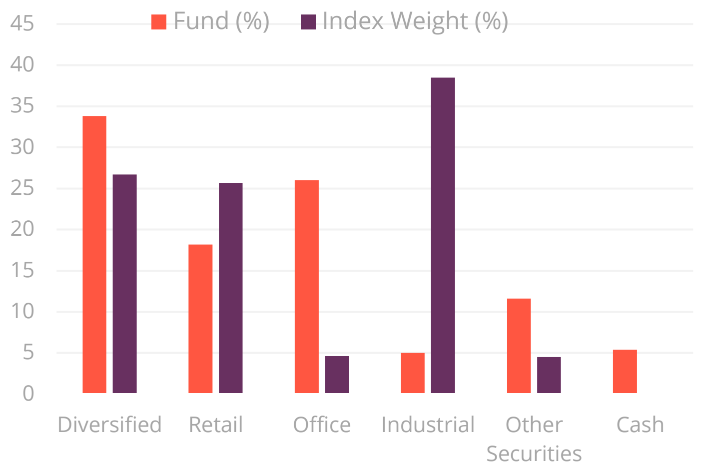
Investment Team

Grant Berry, Portfolio Manager
Malcolm Ellis, Portfolio Manager

SGHiscock Investment Management

Asset Allocation

End of month	Fund %	Sector Weight %
Diversified	33.8	26.7
Retail	18.2	25.7
Office	26.0	4.6
Industrial	5.0	38.5
Other Securities	11.6	4.5
Cash	5.4	
Total	**100**	**100**



Metrics	
PNTA	-17.5%
PNAV (Valuers Cap Rates)	-26.8%
AFFO Yield	7.4%
Distribution Yield	6.5%
Valuer Cap Rate	6.1%
Implied Cap Rate	8.2%
Implied Value Decline	-25.0%
Gearing	30.3%
Number of Holdings	20
% in top 5 holdings	43.8%
% in top 10 Holdings	70.1%
Average Mkt Cap ($m)	4,093
Cash	5.4%
12m Turnover	23.2%
12m Standard Deviation	12.1%

PNTA	End of month
Number of Stocks in the Portfolio	20
Implied Cap Rate	8.2%
Portfolio Value compared to Underlying Net Asset Value	25.0% Discount

Top 5 Holdings
Dexus
GPT Group
Mirvac Group
Region Group
Stockland

Top 5 holdings represent 43.8% of the total Fund.

Top 5 holdings in alphabetical order

Top 5 Contributors
Dexus
GPT Group
Stockland
Mirvac Group
GDI Property Group

Monthly absolute contributors and detractors for July 2026

Top 5 Detractors
Abacus Group
Charter Hall Social Infrastructure REIT
Ingenia Communities Group
Cromwell Property Group

Overall Performance of the AREIT Sector

Accumulation Index	Month %	Quarter %	1 Year %
S&P/ASX 300 A-REIT	0.0	4.6	-5.0
Diversified Property	2.7	10.5	-3.9
Retail Property	2.2	5.3	10.4
Office Property	8.9	-0.1	-9.5
Industrial Property	-4.2	1.1	-14.2
Residential Property	-1.1	10.1	-15.4
Specialised Property	2.6	1.4	-0.5
Mortgage	1.7	1.1	2.3

Source: UBS

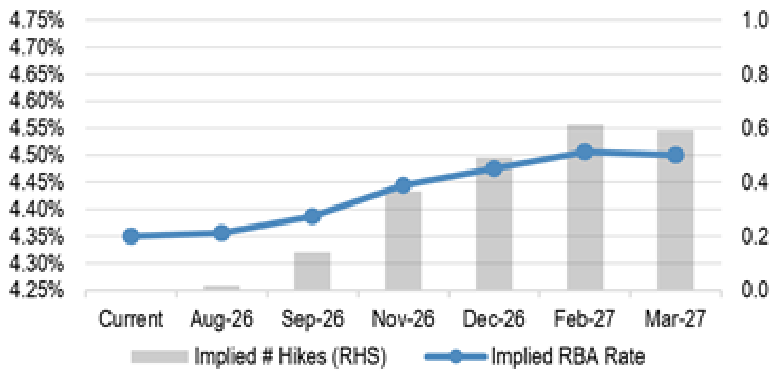
Monthly Insight

The month of July saw the portfolio deliver a positive return.

Underlying (trimmed mean) inflation rose to 3.6% in the June quarter, below both market expectations and the RBA's own forecast of 3.8%, while headline CPI eased to 3.8% on lower petrol prices. The softer core print has eased pressure on the RBA to raise rates again this year. Services inflation and new home building costs remain elevated.

June labour force data surprised strongly, with employment up 76,300 against consensus of 15,000 and unemployment steady at 4.4%. While the headline is hawkish, the composition is closer to neutral-to-dovish: much of the gain reflects a rise in participation rather than genuine hiring, and underutilisation has climbed to 10.9%, its highest level of this expansion. While employment growth has moderated over the past year, labour market conditions remain sufficiently tight to support the RBA's view that underlying inflation risks have yet to fully subside. The labour market data will keep shaping the RBA's near-term thinking, but the risk to that view is now skewed by oil prices and Middle East escalation, which could complicate the inflation outlook independent of anything happening domestically.

Below are market expectations as at the 31st of July 26 (Source: JP Morgan):



Given the changing rate environment, we found a recent research report from UBS of interest. UBS noted that after the RBA's last pause in November 2023, the A-REIT 200 delivered a 37% total return over the following 12 months, though this was heavily skewed by Goodman Group's 60%+ return on data centre thematics, with the ex-Goodman return a more modest but still solid return of 24%. With markets now pricing in only around half a further hike by December 2026 (down from 1.3 hikes three months ago), and their three-year forward earnings growth of 5.8% (ex-Goodman/Charter Hall), the strongest in over 20 years outside COVID, UBS sees this as a supportive backdrop for AREITs heading into a similar peak-rate scenario (Source: UBS).

We also asked UBS to look at how the sector has performed once the RBA actually starts cutting. The table below shows AREIT returns around the first cut of each cycle since 1990.

Excluding the GFC, returns 6 months post the first cut have averaged +8.6%, though outcomes vary meaningfully by cycle and the sample remains small (five ex-GFC cycles).

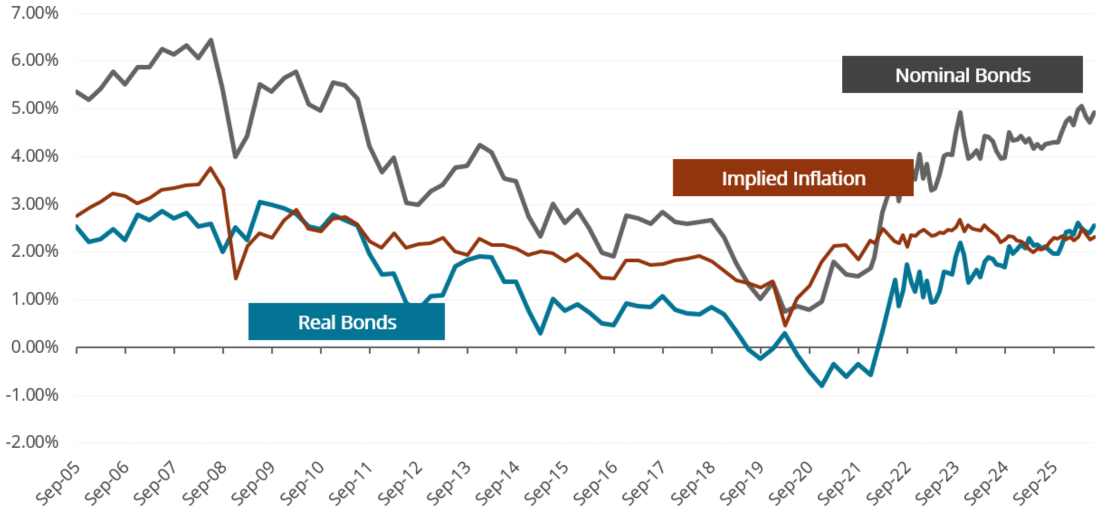
Cutting cycle	First cash rate cut	A-REIT TR, 3mnths prior to the first rate cut	A-REIT TR, 3mnths post-the first rate cut	A-REIT TR, 6mnths post-the first rate cut
Jan-90	23-Jan-90	8.8%	-0.2%	8.6%
Jul-96	31-Jul-96	2.5%	8.3%	13.6%
Feb-01	7-Feb-01	-0.5%	-3.3%	1.7%
Sep-08	3-Sep-08	-2.6%	-38.5%	-57.8%
Nov-11	2-Nov-11	0.6%	7.2%	17.3%
Feb-15	4-Feb-15	15.4%	-3.3%	0.8%
Feb-25	19-Feb-25	1.6%	-2.0%	9.5%
Avg		**3.7%**	**-4.5%**	**-0.9%**
Avg ex- GFC		**4.7%**	**1.1%**	**8.6%**

Source: UBS

Australian 10-year nominal bonds yields increased from 4.72% to 4.93% over the month. While 10-year Inflation Linked (real) bond yields also increased 2.55% vs 2.41% prior. The result was implied inflation remained stable at 2.3%. This would imply that the market is expecting the short-term levels of inflation to moderate over the longer-term.

While short term interest rate expectations have some impact on short term earnings, they are not a primary input into valuations. Real bond yields (inflation linked bonds) and longer-term rate expectations are more important to valuation.

The current inflation linked bond yield of circa 2.6% is very elevated in a post GFC context limiting the case for further capitalisation rate compression and suggesting some potential for expansion. In this context, valuation discipline remains paramount. We continue to focus on acquiring quality assets at discounts to NTA, prioritising balance sheet strength and capital management, and leaning toward value rather than growth, consistent with our positioning.



JLL Updates

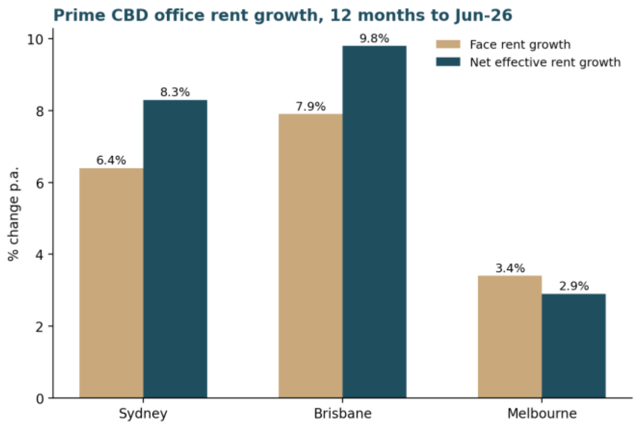
During the month, the latest 2Q26 JLL commercial property data was released, which we reviewed alongside Macquarie Research's commentary on the data.

Office fundamentals mixed; core CBD precincts prevail

National office net absorption was negative in 2Q26, but remained positive in the major city CBDs, consistent with the trend over the 12 months to 30 June 2026. Sydney and Brisbane CBDs continued to outperform with positive net absorption, while Melbourne CBD reverted to negative net absorption over the quarter. Prime grade vacancy remains below secondary grade across all major CBDs.

Face rent growth over the past 12 months was strongest in Brisbane +7.9% and Sydney +6.4%, with a gap to Melbourne +3.4%. A contraction in incentives in Sydney and Brisbane is driving net effective rent growth faster still, at +8.3% and +9.8% respectively, whereas Melbourne incentives have increased such that net effective rents are up only +2.9%.

Our preference in office remains the core CBD precincts, where underlying fundamentals look more favourable. Adding to our conviction, office AREITs continue to trade at implied capitalisation rates more than 8%, against independent valuers' book rates of 6–7% (SG Hiscock internal analysis) a valuation gap we view as difficult to sustain given the improving fundamentals outlined above.

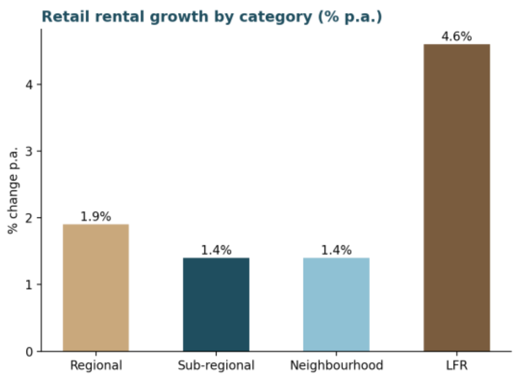


Source: JLL, Macquarie Research, July 2026

Retail rents improving; outlook more challenging

Market rent growth in retail improved over 2Q26, with large format retail (LFR) remaining the strongest sub-sector at +4.6% p.a., ahead of Regional (+1.9%), Sub-regional (+1.4%) and Neighbourhood (+1.4%) centres.

Major retail landlords continue to demonstrate resilience: Scentre Group (SCG) and Vicinity Centres (VCX) both reported very high occupancy and healthy tenancy re-leasing spreads in their latest updates, though this suggests operating metrics may be approaching a cyclical peak.



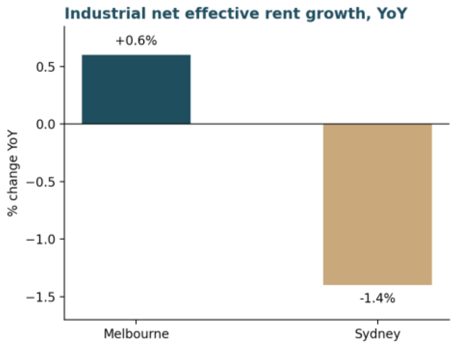
Source: JLL, Macquarie Research, July 2026

With the cap rate spread to real bonds well below historical averages and asset values under pressure from higher real bonds, we view the retail REIT sector as fair-to-fully valued. We continue to favour convenience-based, smaller retail exposures over the larger discretionary Retail REITs on a valuation basis.

Industrial rents remain soft; incentives keep rising

Despite positive occupier activity, industrial market fundamentals remained soft in 2Q26. Face rents were broadly stable across the eastern seaboard, while incentives continued to rise in Sydney and Brisbane, weighing on effective rent growth. Net effective rents rose modestly in Melbourne (+0.6% year-on-year) but declined in Sydney (-1.4% year-on-year) over the past 12 months.

Global uncertainty is expected to delay future occupier relocation decisions, although supply levels continue to moderate. While market conditions remain weak, under-renting should support income growth over time. We maintain our preference for DXI within the sub-sector.



Source: JLL, Macquarie Research, July 2026

JLL Office Outlook

Office rent growth is forecast to moderate but stay above trend: Perth leads at 8.0% p.a. over three years, ahead of Sydney at 7.1%, Brisbane at 6.1% and Melbourne 4.5%, driven by falling vacancy, lower incentives and limited supply. In JLL's view Sydney and Brisbane offer the strongest combined outlook, with capital values to rise 6-7% p.a. to 2028; Melbourne lags, and Perth's rental strength isn't matched by capital growth. Prime CBD stock should outperform secondary and metro assets, particularly in Sydney and Melbourne. JLL expects yield compression in Sydney and Brisbane, though we're more cautious given elevated bond yields, thin cap-rate spreads and AI-related demand uncertainty.

Land Sales – June 2026 Quarter (National MPC Land Survey)

The June quarter National MPC Land Survey recorded approximately 9,000 lot sales nationally, down 6.3% on the March quarter, with a clear divergence opening between the eastern states and Western Australia (Source: Barrenjoey).

By State (QoQ):

- WA: +5.8% – available stock remains near a 15-year low.
- SEQ: +5.8% – below the Q3 2025 peak and still supply-constrained.
- NSW: -10.0% – cancellations rose to 15.8% (from 10.8%).
- VIC: -24.7% (-21% vs pcp) – cancellations rose to 17.1% (from 10.1%).

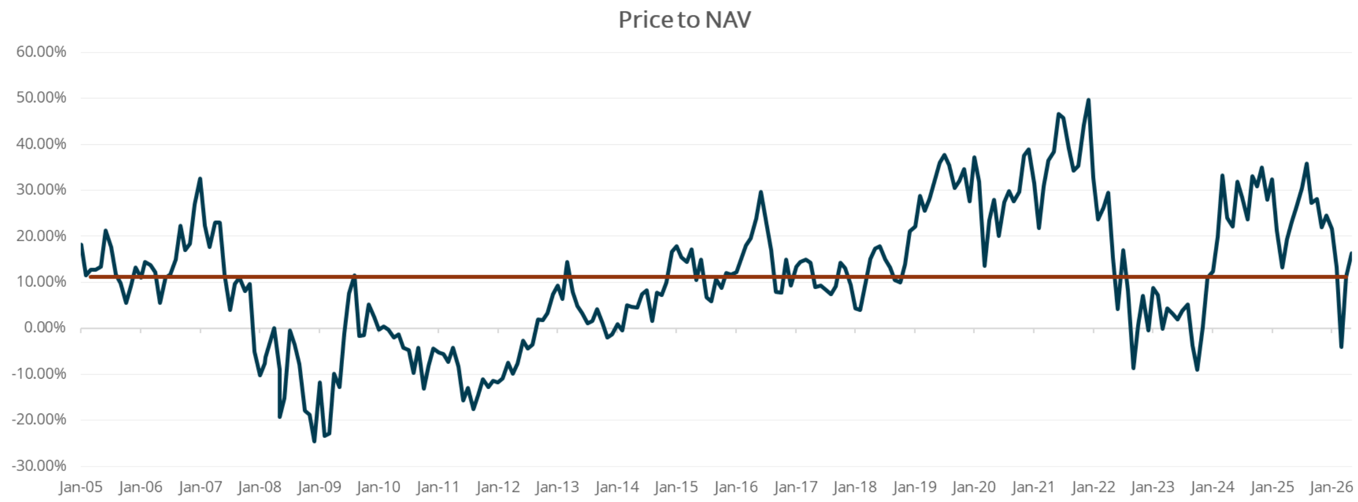
National land price growth continued at +4.7% QoQ (+14% year-on-year), led by WA (+10.5% QoQ, +18% YoY) and South-East Queensland (+5.3% QoQ, +22% YoY), while NSW and Victorian land prices held broadly flat (Source: Barrenjoey).

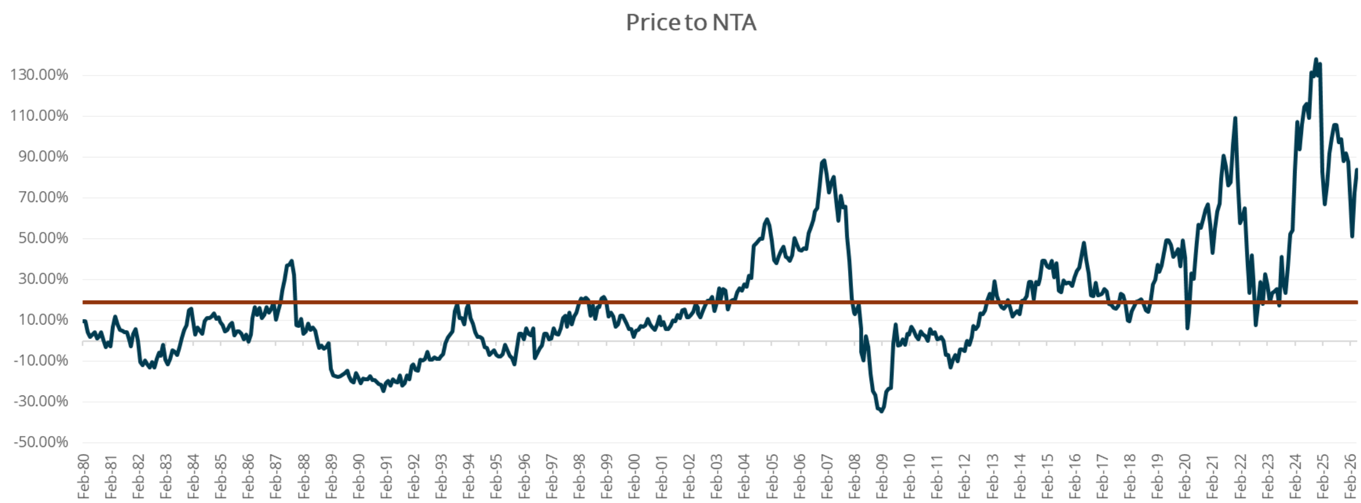
Residential Building Approvals

Residential building approvals rose 7.2% m/m in June, to ~220k annualised, near a cycle high with no weakening yet despite earlier RBA rate hikes and falling home prices, led by a sharp lift in apartments (+17.8% m/m) against a modest gain for houses (+0.4% m/m). (source UBS).

Portfolio Commentary & Strategy

The price to NTA premium of the AREIT sector finished the month circa 79%. The portfolio continues to trade at a substantial discount to both the sector price to NAV and NTA. This is derived utilising our analysis of through-the-cycle capitalisation rates and corporate multiples over the past decade.





Source: SGH

We target AREITs providing solid fundamentals over the medium-to-long-term that trade attractively relative to other AREITs. Overall, we aim 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").

We have been increasing the weighting towards office given valuation and improving fundamentals. We favour smaller REITs and other property securities on valuation. The recent pull-back has made some of the larger AREITs more attractive.

Our portfolio is trading at a discount to both NTA and NAV (highlighted in the metrics), which contrasts with the sector premium.

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