SG HISCOCK & COMPANY

SGH Property Income Fund

31 January 2026

Performance[1]	Total Net Return	Income Return	Growth Return	CPI+3%	ASX 300 A-REIT Accum.
1 month (%)	-3.49	0.00	-3.49	0.57	-2.73
3 months (%)	-4.15	1.54	-5.69	1.73	-4.48
6 months (%)	1.56	2.18	-0.62	3.45	-2.63
1 year (%)	13.90	7.45	6.45	6.90	2.03
3 years (% p.a.)	9.26	5.78	3.48	6.56	10.72
5 years (% p.a.)	9.38	5.29	4.09	7.16	9.20
7 years (% p.a.)	5.80	5.74	0.06	6.43	7.08
10 years (% p.a.)	6.27	7.87	-1.60	5.87	7.74
Inception (% p.a.)	3.73	8.79	-5.06	6.03	5.09

[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.
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** 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	SG Hiscock & Company Ltd.
Inception date	30 Nov 2005
Benchmark	CPI+3%
Management fees[2]	0.95%
Fund size	$178M
Number of holdings	21
Distributions	Quarterly
Buy/sell spread	+0.25/ -0.25%
Minimum initial investment	$20,000
Base currency	AUD
APIR	ETL0119AU
Domicile	Australia
	Unit price
Application	$0.3367
Net Asset Value	$0.3359
Withdrawal	$0.3351
	Distribution cpu
31-Mar-25	0.2956
30-Jun-25	1.2063
30-Sep-25	0.2021
31-Dec-25	0.5659

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

SGH AREITs Investment Team:

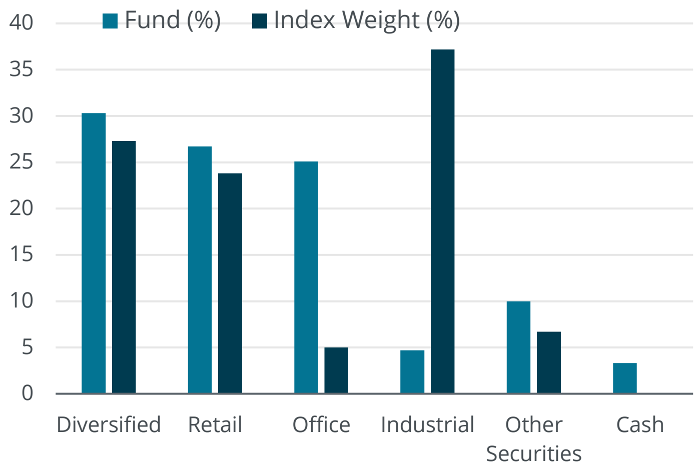
Grant Berry, Portfolio Manager

Malcolm Ellis, Portfolio Manager

For more information visit the **Fund webpage** or the **News & Views section** of our website.

Asset Allocation

End of month	Fund (%)	Sector Weight (%)
Diversified	30.3	27.3
Retail	26.7	23.8
Office	25.1	5.0
Industrial	4.7	37.2
Other Securities	10.0	6.7
Cash	3.3	
Total	**100**	**100**



Metrics	
PNTA	-9.3%
PNAV (Valuers Cap Rates)	-18.9%
AFFO Yield	6.5%
Distribution Yield	6.0%
Valuer Cap Rate	6.0%
Implied Cap Rate	7.2%
Implied Value Decline	-16.6%
Gearing	30.9%
Number of Holdings	21
% in top 5 holdings	42.8%
% in top 10 Holdings	68.0%
Average Mkt Cap ($m)	5,042
Cash	3.3%
12m Turnover	34.0%
12m Standard Deviation	9.9%

	End of month
Number of Stocks in the Portfolio	21
Implied Cap Rate	7.2%
Portfolio Value compared to Underlying Net Asset Value	16.6% Discount

Top 5 Holdings
Dexus
GPT Group
Mirvac Group
Region Group
Stockland

Top 5 holdings represent 42.8% of the total Fund.
Top 5 holdings in alphabetical order

Top 5 Contributors	Top 5 Detractors
Peet Limited	Dexus
	Stockland
	Growthpoint Properties Australia
	Centuria Office REIT
	GPT Group

Monthly absolute contributors and detractors for January 2026

Overall Performance of the AREIT Sector

Accumulation Index	Month %	Quarter %	1 year %
S&P/ASX 300 A-REIT	-2.7	-4.5	2.0
Diversified Property	-4.6	6.0	18.7
Retail Property	-3.4	-1.3	16.2
Office Property	-4.0	-5.5	-0.9
Industrial Property	-0.9	-6.5	-14.1
Residential Property	-8.5	-15.8	-16.4
Specialised Property	-1.1	-1.7	10.1
Mortgage	0.9	2.1	3.7

Source: UBS

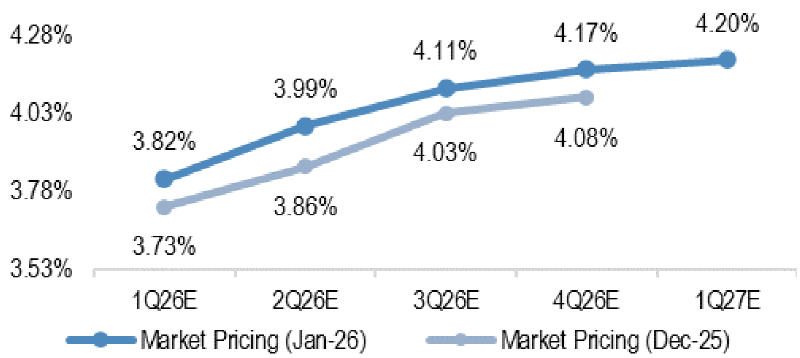
Month of January

The portfolio was down over the month of January, it was possibly more a function of the upward shift in short term rate expectations and lack of news flow from the sector leading into reporting season.

Economic data in January was dominated by the December quarter inflation release, which reinforced the narrative that inflation remains persistent and above the Reserve Bank of Australia's (RBA) target band. Annual headline CPI rose to 3.8% in the 12 months to December, up from 3.4% in November, while monthly inflation printed 1.0% in December, following two months at 0.0%, underscoring renewed price pressures. Core (trimmed mean) inflation printed in line with consensus at 3.3%, implying a quarterly increase of approximately 0.9%q/q consistent with the RBA's own projections.

From a policy perspective, underlying inflation remaining at 3.3% — above the top of the RBA's 2–3% target, which provides the Board with scope to consider further tightening. At the end of the month markets were pricing a roughly 70% probability of a February rate hike, reflecting the view that this inflation outcome potentially justifies a shift in monetary policy after a prolonged period without change.

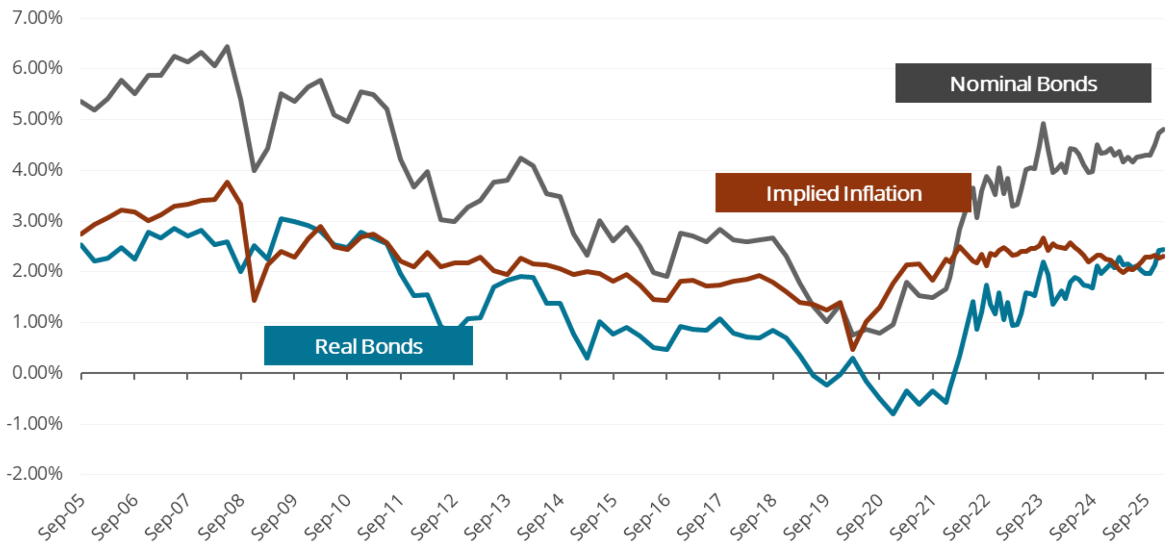
The chart below from JP Morgan highlights the shift in rate expectations over the month.



Australian 10-year nominal bonds yields rose marginally from 4.74% to 4.82% over the month. While 10-year Inflation Linked (real) bond yields were stable 2.43% vs 2.42% prior month. The result was implied inflation rose modestly to 2.32%.

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 2.4% is very elevated in a post GFC context.



In terms of rates our focus is more on bond yields and in particular real bond yields as discussed in our December monthly report.

Interest rates and inflation-linked bond yields remain a key influence on listed property pricing. Australian inflation-linked bond yields are currently around **2.4%**, the highest level in nearly 15 years, presenting a clear challenge for property valuations and limiting the scope for a return to the ultra-low capitalisation rates experienced earlier in the cycle

While market sentiment often responds to short-term interest rate expectations, the fundamental drivers of property values remain anchored in long-term yields and structural demand factors. With real yields elevated, the valuation implications for the sector are significant, reinforcing the importance of a disciplined and valuation-led investment approach. In our view, patient capital is more likely to be rewarded over the medium to long term as pricing inefficiencies emerge across the listed property market.

In this environment, we have been increasing portfolio exposure to **office AREITs**, where valuations appear particularly compelling and fundamentals are beginning to show signs of improvement. Net absorption has remained solid in Sydney, while leasing conditions in Melbourne are also showing early indications of stabilisation. Office remains out of favour; however, many securities continue to trade well below both observable market transaction values and replacement costs, providing access to institutional-quality assets at historically attractive entry points.

Residential-focused AREITs also remain attractive, supported by ongoing demand–supply imbalances and increasingly adaptive development strategies. Groups such as Mirvac, which has continued to evolve its approach to residential development, are well positioned to benefit from structural demand drivers including population growth and supply constraints.

While we have historically maintained a preference for large retail landlords, current market pricing is increasingly presenting more attractive relative value opportunities elsewhere in the sector. We note that residential-focused REITs such as Mirvac and Stockland have declined by approximately 20% from recent highs, whereas retail REITs such as Vicinity Centres and Scentre Group have been more resilient, even allowing for the fact that the latter are due to trade ex-distribution in February.

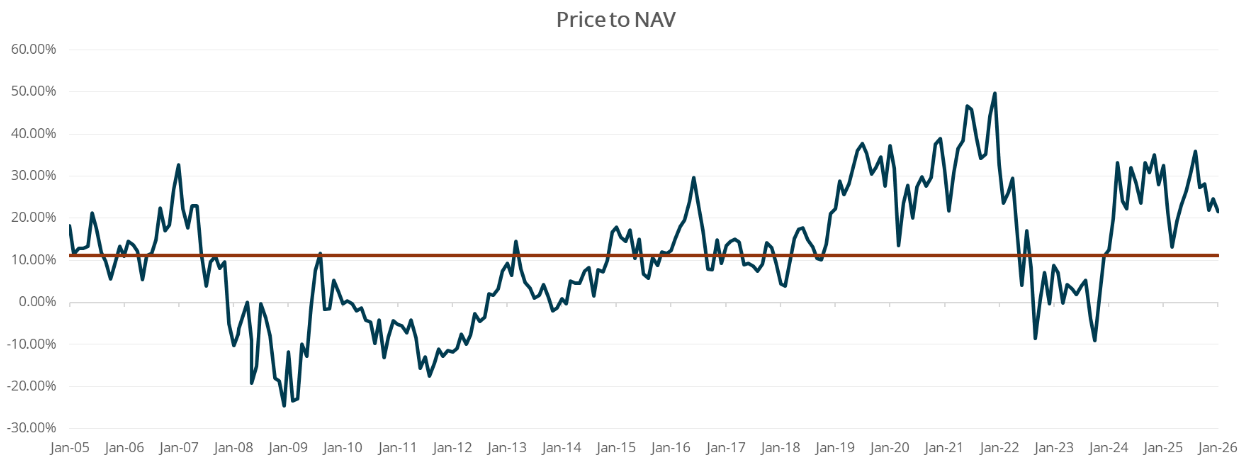
Recent updates from the residential groups have been constructive, and the impact of higher interest rates is unlikely to be material unless additional tightening ultimately eventuates. Importantly, residential development, while a meaningful contributor, represents a minority share of overall earnings across these diversified platforms. With the upcoming reporting season, these groups typically exhibit a greater weighting toward second-half earnings delivery, which may be contributing to near-term share price weakness. Our focus remains on valuation support and the medium-to-longer-term fundamentals underpinning portfolio positioning.

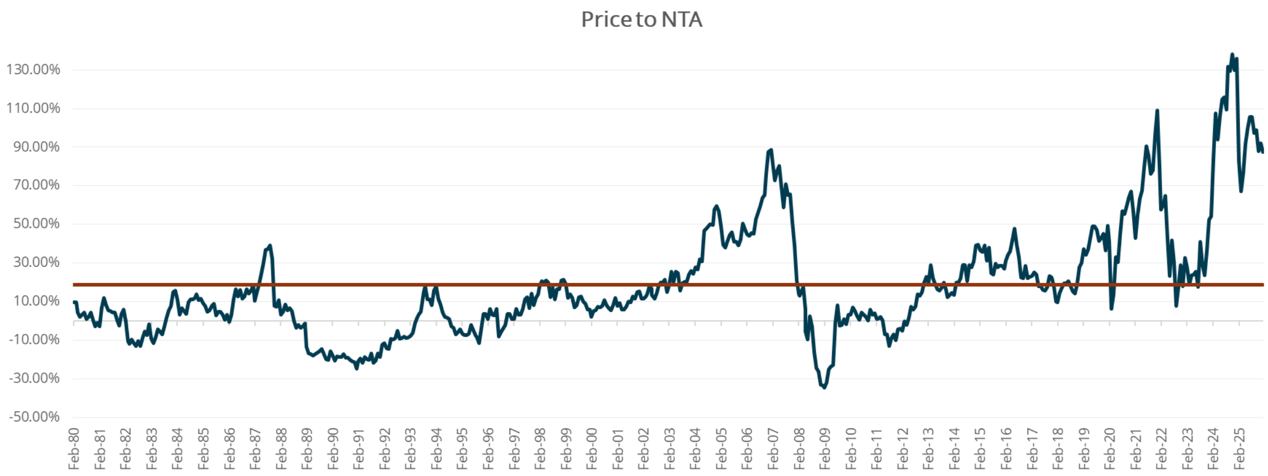
We remain cautious toward certain emerging property segments such as data centres, where elevated valuations and long-term obsolescence risks warrant careful consideration. In our view, attractive risk-adjusted returns can continue to be achieved through exposure to traditional property sectors acquired at appropriate valuations, rather than extending into areas where pricing already assumes favourable outcomes.

Despite near-term uncertainty, AREITs continue to provide income, inflation protection, and diversification benefits within multi-asset portfolios. In our view, successful outcomes in the period ahead are more likely to be driven by targeted allocations to mispriced securities supported by improving fundamentals and patient capital, rather than broad-based sector exposure.

Portfolio Commentary & Strategy

The price to NTA premium of the AREIT sector finished the month circa 88%. 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.

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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Disclaimer: Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the SGH Property Income Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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