SGH SG HISCOCK & COMPANY

# Income Trust

30 September 2024

| Performance^ | Gross Returns | Net returns[1] | Objective |
|---|---|---|---|
| Monthly (%) | 0.55 | 0.50 | 0.44 |
| Quarterly (%) | 1.59 | 1.43 | 1.36 |
| FYTD (%) | 1.59 | 1.43 | 1.36 |
| 1 year (%) | 6.75 | 6.10 | 5.41 |
| 3 years (% pa) | 5.47 | 4.82 | 3.82 |
| Since Inception | 4.76 | 4.11 | 4.75 |

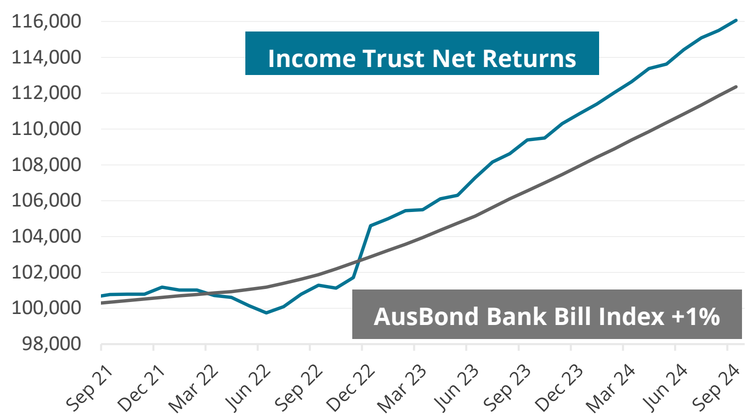
*^Month, quarter and FYTD are holding period returns. Periods from 1 year to since inception are annualised.*

*[1] Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.*

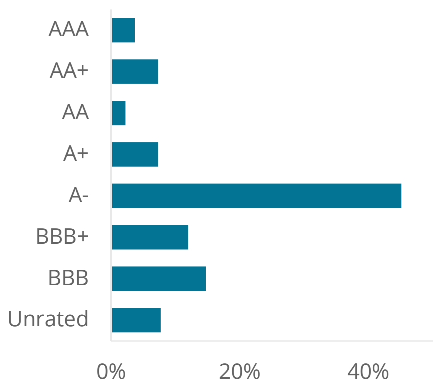
*Past performance is not a reliable predictor of future performance.*

## Rolling 3-year Fund Performance vs Objective

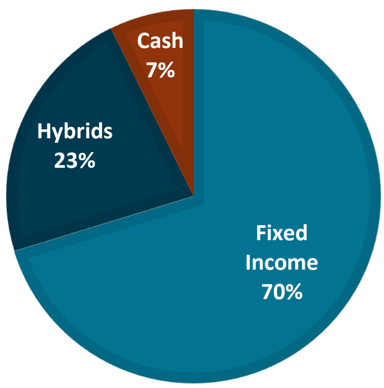
*$100K invested over rolling 3 years*




## Credit Rating Allocation




## Asset Allocation




*Source: SG Hiscock Group, Iress*

## Investment Objective

To provide investors with a quarterly income distribution and potential for compound growth by outperforming the Bloomberg AusBond Bank Bill Index (BAUBIL) by 1.0% (after fees) over rolling 3-year periods and invest in accordance with the Catholic Values Policy.

## Key Facts

| | |
|---|---|
| Investment Manager | SG Hiscock & Company Limited |
| Inception date | 31 July 2004 |
| Funds size | $27M |
| Management fees[2] | 0.67% |
| Average Credit Rating | A- |
| Yield to Maturity | 4.77% |
| Distributions payable | Quarterly |
| Buy/sell spread | +0.10%/-0.10% |
| Base currency | AUD |
| Domicile | Australia |

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

REGISTERED CHARITY acnc.gov.au/charityregister

The Income Trust returned 0.50% net of fees for the month of September. The Fund has outperformed its objective over a rolling 3-year period.

## Key Contributors

- **Fixed Interest** returned 0.40% largely due to accrued interest.
- **Hybrids** returned 0.66% from narrowing spreads. MQGPG and CBAPI were the top contributors while NABPF detracted from return.

## Market highlights

**Fixed Income:**

In Australia, yields remained stable despite global influences, as elevated domestic inflation persisted. CPI fell to 2.70% annually, aided by energy rebates, though consumer and business sentiment remained weak. Employment stayed strong, with 3-year government bond yields dropping 1bp to 3.54%, and 10-year yields unchanged at 3.97%. In the U.S., the Federal Reserve cut rates by 50 basis points (bps) to support a slowing economy and moderating inflation. Anticipation of smaller future cuts pushed U.S. yields higher in the second half of the month. Meanwhile, China's economic support package boosted global risk sentiment, positively impacting Australia.

The Australian Tier 2 market saw increased activity following APRA's proposal to phase out AT1 capital, requiring major banks to replace 1.25% AT1 with Tier 2. Initial concerns about spread widening eased as banks had already added 4.50% Tier 2 capital in recent years, with spreads currently near historically tight levels. Despite a 5bps spread widening in September, liquidity remains robust, and offshore issuance offers a fallback if needed, though the domestic market appears capable of absorbing future Tier 2 supply.

The Floating Rate Note (FRN) market, as represented by the Bloomberg FRN Index, delivered a monthly return of 0.43%. Risk assets performed well, and the Australian iTraxx Index tightened by 2bps to 63bps. Investment grade credit performance was mainly attributed to coupon income, with some slight spread tightening across banks.

**Cash:** While the RBA did not cut rates in September, the central bank has signalled it was closer to easing, with inflation back within the target range. Consumer price index inflation dropped to 2.70% in August, driven by falling fuel and electricity prices. Employment growth remains resilient, particularly in the public sector, keeping the RBA cautious about immediate rate cuts.

**Hybrids**: Average major bank hybrid spreads dropped by 19bps over the month to 178bps, rebounding after APRA's announcement to phase out hybrid issuance. As a result, average bank hybrids delivered a solid return of 1.19% for the month, benefiting from increased demand for the higher-yielding asset.

## Client service team

For any queries in relation to this monthly update, please contact **David Doolan** or **Fiona Hilbert** on +61 3 9981 3300 or email individualportfolios@sghiscock.com.au.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