

SGH Enhanced Income Trust

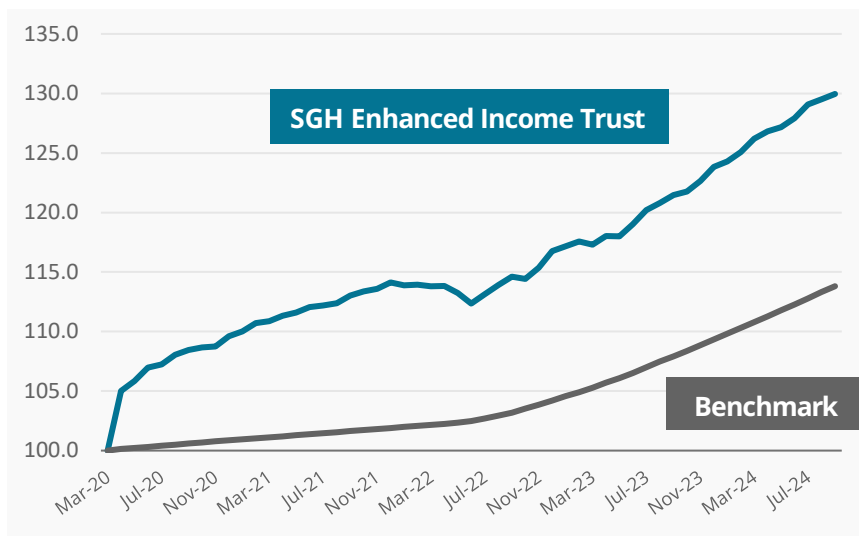
30 September 2024

Performance ¹	Total Net Return	Bloomberg AusBond Bank Bill Index +1%	Total Net Return vs. the Index
3 month (%)	2.16	1.37	0.79
6 month (%)	3.56	2.72	0.84
1 year (%)	7.60	5.45	2.14
2 years (% p.a.)	6.79	5.02	1.77
3 years (% p.a.)	4.96	3.84	1.12
Inception (% p.a.)	6.13	2.92	3.21

Past performance is not a reliable indicator of future performance.

SGH Enhanced Income Cumulative Total Returns

(since inception, after fees)



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	\$1.1393
Net Asset Value	\$1.1382
Withdrawal	\$1.1371
Distribution cpu	
31-Dec-23	1.62
31-Mar-24	1.16
30-Jun-24	1.19
30-Sep-24	0.88

* 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

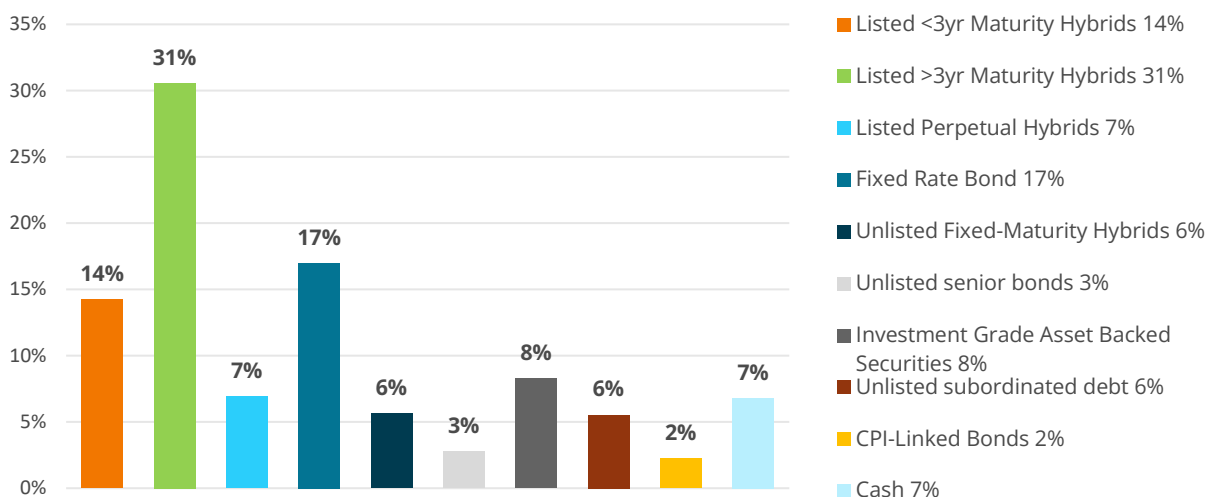
- The Trust is well-positioned to navigate a gradual decline in interest rates over the next 12 months. The domestic central bank is expected to lower rates by the end of the calendar year, with forecasts suggesting up to four rate cuts within this period.
- While the Trust is progressively increasing its allocation to fixed-rate investments, the majority of its portfolio remains in floating-rate securities, reflecting the anticipated gradual movement in interest rates.
- Future performance is expected to be driven by steady and sustainable returns, primarily through income generation. In the absence of a significant credit event, capital fluctuations within the portfolio are anticipated to remain limited.

Fund Returns (Net) (%)^{*}

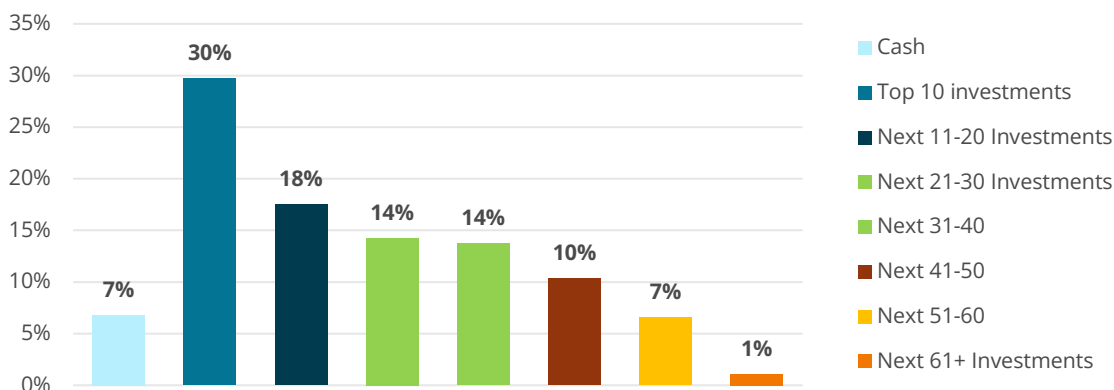
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020	-	-	-	5.00	0.81	1.05	0.27	0.74	0.38	0.20	0.06	0.79	9.30
2021	0.36	0.63	0.15	0.42	0.24	0.43	0.12	0.16	0.57	0.30	0.20	0.46	4.12
2022	(0.21)	0.05	(0.12)	0.03	(0.53)	(0.76)	0.68	0.70	0.60	(0.15)	0.81	1.22	2.32
2023	0.35	0.33	(0.22)	0.62	(0.02)	0.87	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	0.61	0.90	0.34	0.91				4.94

^{*} Total Net Return is the Trust return after the deduction of ongoing fees and performance fees and assumes the reinvestment of all distributions

Portfolio Asset Allocation



Portfolio Diversification of Investments



Performance Commentary

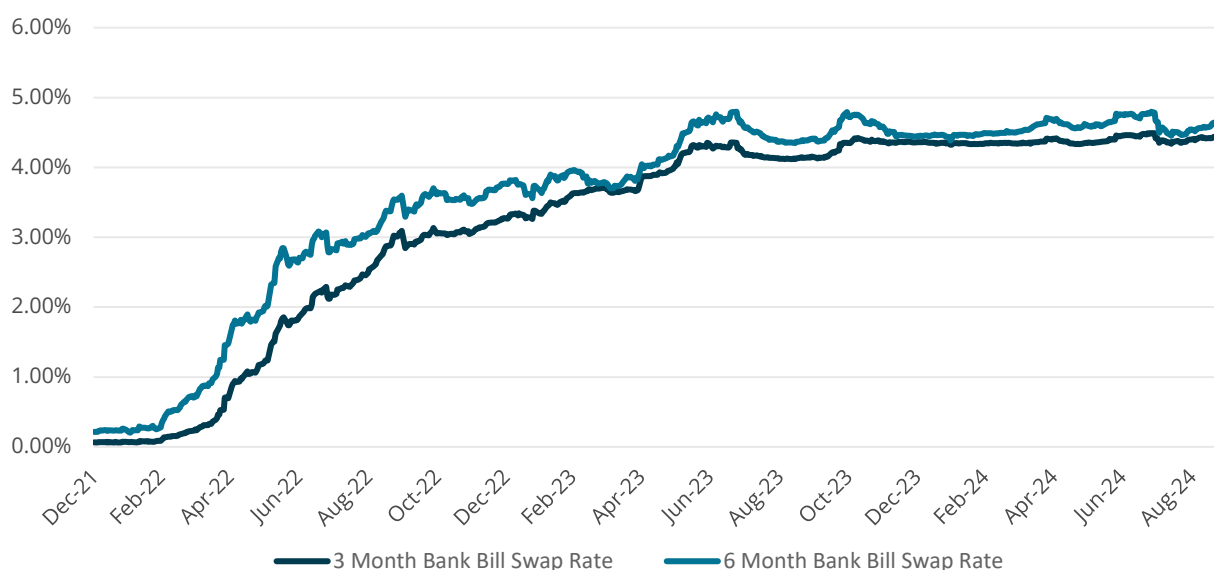
Over the quarter, the Trust delivered a net return of 2.18%, outperforming the benchmark return of 1.37% by 0.81%. Notably, the Trust has maintained positive absolute performance for the past 16 consecutive months. The accompanying table of Net Fund Returns highlights the consistency of these returns, with negative absolute performance of less than -0.25% occurring in only two months since inception.

Global markets experienced heightened volatility during the quarter, with bonds and fixed-income instruments at the forefront of market movements. In the U.S., bond yields declined significantly following the Federal Reserve's 0.5% rate cut, especially in short-term bonds. This steepening of the yield curve was driven by concerns over a softening labour market. Meanwhile, inflation in the U.S. continued to decelerate, with the Consumer Price Index (CPI) further easing, helping to alleviate fears of entrenched inflation. Similarly, in Europe, bond yields fell as expectations of further central bank easing grew, reflecting the weakening economic environment across the region.

In contrast, the Australian bond market remained relatively stable. Despite easing inflation, the Reserve Bank of Australia maintained its cautious stance and refrained from cutting rates. Australian 10-year bond yields showed little movement, while 2-year yields saw a modest decline, underscoring the differing market dynamics compared to the U.S. Looking ahead, the market anticipates the RBA to begin cutting rates in 2024, driven by a slowing inflationary environment and weaknesses in non-healthcare employment. Despite the slowdown in the domestic economy, mortgage delinquencies remain well managed, with minimal areas of concern. It appears unlikely that interest rates will experience a material drop in 2024, contributing to expectations of higher returns for the Trust.

The Australian short-term yield curve shifted upwards during the quarter, with the 90-day and 180-day interest rates falling by 1 and 11 basis points, respectively. Despite these changes in underlying cash rates, the Trust continues to outperform expectations. We believe this positive trend will persist over the next 12 months, assuming no significant rate adjustments. Current market forecasts suggest interest rates may fall by approximately 1% over the next 12 months, indicating potential returns of over 6% per annum (net of fees), based on prevailing interest rate margins and credit spreads.

Short Term Interest Rates



Source: Iress

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.

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