SG HISCOCK & COMPANY

17 February 2021

Private and Confidential

Email:

The Director, Skills and Innovation Policy Section
Migration Planning and Visa Policy Branch
Department of Home Affairs

Re: Business Innovation and Investment Program - Reviewing the Complying Investment Framework

SG Hiscock & Company Limited (SGH) is a Melbourne based investment management company established by its principals in 2001. Our AFSL number is 240679. SGH has over $2.2 bn in Funds Under Management (FUM) and a broad range of institutional, charity, high net worth, and retail clients via individually managed accounts (IMA's) and investment trusts.

SGH funds have won many industry awards and are distributed on the major investment platforms and wraps.

SGH is the Investment Manager for two Complying SIV funds:

1. **SGH Emerging Companies Fund (ARSN 098 375 798)**
2. **SG Hiscock Property Fund (ARSN 088 905 382)**

These funds have provided the following benefits to the SIV program:

- Provision of equity capital to ASX and unlisted public companies through active participation in pre-IPO, IPO's and institutional share placements,
- Assistance in Australian industry development and job creation
- The SGH Emerging Companies Fund has a 19-year performance history and has returned 14.02% p.a. (after fees).

Consultation questions

1. Should the ratios currently applied by the CIF to the Significant Investor Visa remain?

SGH believes that the ratios currently applied by the CIF strike the right asset allocation balance. Any increase in VCPE can create risk and liquidly issues, and investor uncertainty, which may impact the SIV program's long-term attractiveness, and as a result, unintentionally reduce the overall amount of money invested into VCPE.

Further, the returns between Emerging Companies and VCPE are correlated, with many VCPE funds looking to ASX listings as an investment exit strategy. As such, for a balanced portfolio, we consider that a 10% allocation to a high risk and illiquid equity asset class would be at the upper end of an asset allocation weighting range.

2. How should the CIF be applied to the Investor Visa?

SGH believes that **Option three** represents the best CIF ratio. The other options force too high an asset allocation to VCPE and may impact the SIV program's long-term attractiveness.

3. Changes to the types of funds eligible to offer complying investments

(a) Yes, SGH believe that all eligible funds should be limited to ASIC registered funds only

(b) SGH believes that the threshold of funds under management for the CIF **should remain** at $100m firm wide FUM. The integrity and function of the CIF are maintained at this level of FUM as it restricts non-investment professionals from starting funds to profit from the program wrongly. Whereas increasing the limit significantly above the threshold limits competition.

4. What are your views on the following options to address potential integrity concerns, provide greater clarity in the CIF and to ensure the benefits to the Australian economy are realised?

(a) SGH believe that there should be a clear definition of Fund of Funds (FoF) and we agree with the proposed wording.

(b) SGH has no comment on this change.

(c) SGH believes that limiting the Balancing Investment component to bonds or notes issued by a company quoted on the Australian securities exchange (ASX) could restrict small and unlisted companies access to debt financing, which goes against the industry development and job creation benefits of the SIV program. Further, any debt restrictions could impact negatively bond funds that invest in investment-grade bonds of these unlisted companies. A common sense approach to limit egregious investor behaviour may be to restrict inter-company loans and require an annual independent statement of fund compliance.

(d) SGH agrees with the proposed amendment.

(e) SGH agrees with the proposed amendment.

(f) SGH agrees with the proposed amendment.

5. Should fund managers be required to provide annual independent audit reports to show their compliance with the CIF legislative instrument?

SGH supports the recommendation that an annual independent statement of fund compliance as at 30th June. The SGH Emerging Companies Fund and SG Hiscock Property Fund are ASIC registered managed investment schemes (MIS), and must produce independent audited financial statements. As such, we can easily produce a fund compliance statement as part of our annual reporting obligations. This would give our SIV investors and the Australian Government more confidence and visibility on compliance with the CIF. There would be a cost associated with an annual independent compliance audit, which favours larger firms and may limit SIV competition, but SGH doesn't consider the cost material to the SIV program integrity benefits.

Yours faithfully



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