SG HISCOCK & COMPANY

SGH Opportunities Fund

31 July 2023

Performance[1]	Total Net Return	S&P/ASX Small Ordinaries Accum. Index	Total Net Return vs. the Index
1 month (%)	1.48	3.54	-2.06
3 months (%)	0.74	0.20	0.55
6 months (%)	-0.12	-1.54	1.42
1 year (%)	-4.18	0.77	-4.94
3 years (% pa)	6.76	5.89	0.87
5 years (% pa)	6.66	3.18	3.48
Inception (% pa)	7.56	5.85	1.70

Past performance is not a reliable indicator of future performance.

Top 10 Holdings at 31 July 2023	%
Genesis Minerals	5.3
Telix Pharmaceuticals	4.6
Close the Loop	3.5
Praemium Limited	3.2
Probiotec	3.2
Marketplacer (Unlisted)	3.0
Chorus Limited	2.9
Emerald Resources	2.6
Alcidion	2.5
Liontown Resources	2.4

Top 10 holdings represent 33.23% of the total Trust

[1] Performance: 'The gross return is the net return calculated using unit price before performance fees, then grossed up for management fees.
[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 (S&P/ASX Small Ordinaries Accumulation Index). 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 Ltd (SGH)
Inception date	1 Jan 2017
Qualifying investors	Wholesale clients
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Management costs[2]	1.03%
Performance fee[3]	20.50%
Distribution payable	Annual
Buy/sell spread	+0.35/ -0.35%
Minimum initial investment	$25,000
Base currency	AUD
APIR	DMP6133AU
Domicile	Australia
	Unit price
Application	$1.2608
Net Asset Value	$1.2564
Withdrawal	$1.2520
	Distribution cpu
30-Jun-21	14.60
30-Jun-22	4.38
30-Jun-23	0.39

Investment Objective

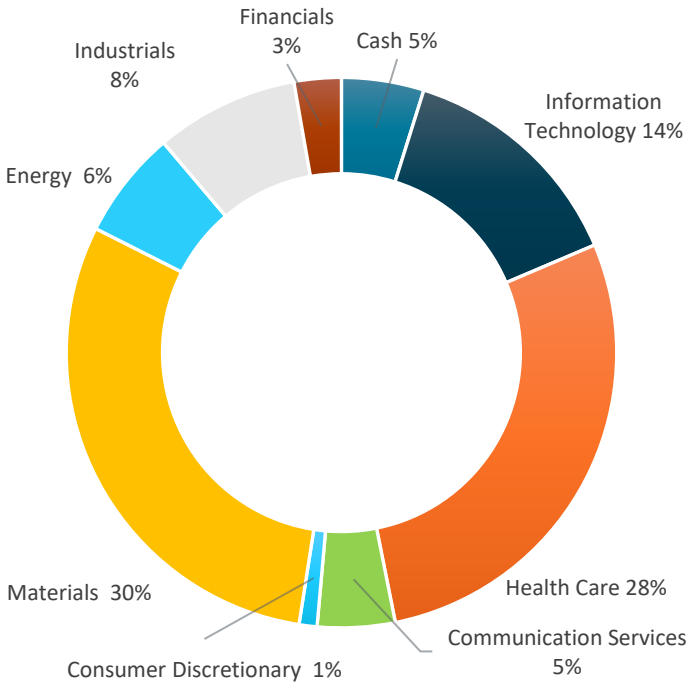
Designed to provide medium to long-term capital growth potential and seeks to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling 3 to 5 year periods after taking into account trust fees and expenses.

Investment Held

The Trust will primarily invest in companies that are listed on the ASX and reside outside the S&P/ASX 100.

Asset Allocation

Sector Exposure at 31 July 2023	Current Portfolio Weights (%)
Cash	4.8
Industrials	8.4
Health Care	28.3
Information Technology	13.8
Communication Services	4.6
Energy	6.4
Consumer Discretionary	1.1
Materials	30.0
Real Estate	0.0
Financials	2.8
Consumer Staples	0.0
Utilities	0.0
Total	**100.0**



Commentary

The Trust's better performing stocks during July included: Energy One (+43.4%), Mach 7 (+33.1%), Alcidion (+31.6%), The Market Herald (+18.2%) and Orecorp (+18.2%).

Stocks that underperformed during July Included: Burgundy Diamond Mines (-20.0%), Praemium (-17.0%), Green Technology (-14.4%), Ora Banda Mining (-12.0%) and Talga Group (-10.4%).

Seasonal strength

During the month, the Consumer Discretionary sector experienced a strong bounce, with our underweight exposure impacting relative portfolio performance. With discretionary goods spending under pressure and valuations at historical lows, institutional managers are clearly seeing an opportunity to snap up some bargains.

On the flip side, our overweight exposure to resources also impacted relative performance. It's worth noting that a substantial portion (almost half) of our resource exposure is in gold. Gold serves as a diversification tool toward the later stages of an economic cycle. We anticipate a favourable outlook in the medium term, largely driven by the declining real yields in the US, which is a consequence of the Federal Reserve reaching its peak interest rates.

Additionally, we are pleased to report that one of our portfolio unlisted investments, CurveBeam AI, successfully completed an IPO capital raise totalling $25 million during the month. CurveBeam AI, founded in 2009 by researchers from the University of Melbourne, emerged to commercialize research involving bone microstructure analysis for enhanced assessment of bone fragility and subsequent

fracture risk. Over the course of a decade, the company rigorously validated the efficacy of its bone microstructure analysis through clinical studies. This included analysing data from an eight-year prospective study involving 2000 women in France. The company also developed proprietary AI and deep learning AI-based software tools.

In October 2022, CurveBeam AI acquired its US-based equipment manufacturing partner, CurveBeam US, through share-based merger. CurveBeam US, established in 2009, specialises in researching, designing, and manufacturing extremity Cone Beam CT imaging equipment. Their focus lies on natural bilateral weight-bearing CT scans of the lower extremities, catering to orthopaedic and musculoskeletal specialties.

CurveBeam is set to be listed by the end of August, carrying a market capitalisation of $154 million and trading under the ticker symbol CVB. This listing marks a substantial valuation uplift of 69% upon conversion of the portfolio's initial notes into shares

Turning back to listed markets, the ASX healthcare sector displayed a notable pick up in momentum at the small end of the market during July, driven by a combination of positive announcements and strong quarterly performance updates from health-IT names.

Notably, Mach 7 Technologies (M7T) demonstrated robust growth (+33.1%) during this period, propelled by a significant contract win in the US market. As a provider of advanced medical imaging systems, M7T has garnered a formidable reputation in North America.

The recently released Best in KLAS 2023 Software & Services Report recognised them as a 'top performer'. Particularly noteworthy was M7T's announcement of securing its largest US contract to date, a result of being selected for the Veterans Health Administration’s (VHA’s) National Teleradiology Program (NTP). This agreement entails the provision of their VNA and eUnity Enterprise Diagnostic Viewer solutions.

The initial contract value for Phase 1 spans three years, amounting to A$11.7 million, while Phase 2 holds a five-year term with a value of $47.9 million. It's worth noting the potential for concurrent execution of Phase 1 and 2. This volume-based contract is priced at $1.15 per study for both VNA and viewer services, assuming 1-1.5 million studies annually across the contract's covered hospitals. The potential for growth is substantial, with M7T management expressing the expectation of a collective 3 million studies per annum over time. The latest update from M7T is encouraging, projecting a 20% year-on-year growth in sales orders for FY24. Notably, they've already secured contracts amounting to over A$15.4 million in TCV in July alone.

Furthermore, Alcidion (ALC) achieved a solid quarter of performance, announcing quarterly operating results that indicated top line growth of +31.6% yoy. An important milestone was ALC's ability to achieve positive operating cash flow for FY23, despite the challenges presented by the company’s core market in the UK. ALC has faced delays from the NHS Front Line Digitisation Program, which aims to standardize procurement rules across hospitals.

Although the UK Government originally aimed for 90% completion by the end of 2024, this timeline has been extended due to budgetary adjustments and shifts in political leadership. ALC's positive outlook stems from the expectation of increasing momentum in contract awards, as many NHS Trusts have received funds earmarked for program rollout, to be expended by March 2024. Wrapping up the fiscal year, ALC achieved A$40 million in revenue, while commencing FY24 with contracted and renewal revenue already totalling $33.7 million.

Among other standout performers for the month, MMA Offshore (MRM) recorded a return of +13.5%, buoyed by a favourable trading update. The company anticipates FY23 EBITDA in the range of A$66 million to $68 million, reflecting over 100% growth compared to the previous year and exceeding consensus market estimates by more than 10%. MRM's robust performance was driven by stronger-than-anticipated utilization across its fleet, despite constraints in vessel supply. Encouragingly, the positive market conditions are expected to carry into FY24, encompassing several subsectors of the business such as subsea operations, oil & gas, offshore wind, and defence.

Investment Guidelines

The Investment Manager will use the following guidelines when selecting investments for the Fund:

- The portfolio will generally hold 60 to 80 stocks with a minimum of 40 stocks.
- All stocks will reside outside the S&P/ASX 100 upon initial investment.
- Cash maximum 20%; equities 80-100 %.
- The Trust will be permitted to invest up to 10% of the Trust's assets in unlisted securities – but those unlisted securities must be expected to be quoted on the ASX within a 12-month period.
- The investment in any one company will not be more than 10% of the market value of the Trust's assets.
- Maximum shareholding in any one company is 10% of its market capitalisation.
- The Trust may use derivatives for risk management purposes, as substitutes for physical securities.
- The Trust will not be geared.

All stocks on initial purchase will be outside the S&P/ASX 100. Should a stock, via growth, be included in the S&P/ASX 100 Index, SGH is able to hold this stock for a period of no greater than twelve months. SGH will immediately develop an exit plan for any stock that reaches the top 50.

Environmental Social & Governance (ESG)

Environmental

- No coal mining.

Social

- No direct tobacco production
- No direct gambling
- No direct predatory or pay day lending
- No direct controversial weapons manufacturing[5]
- No live animal exports
- No adult entertainment[6] industries.

Governance

- No poor occupational health and safety records[7]
- No investment in companies displaying a pattern of not disclosing related party transactions
- No excessive use of non-executive options.

[4]Predatory and payday lending includes very high interest rate loans, often carrying excessive fees and terms such as unreasonable repayment requirements
[5]Any controversial weapons which are prohibited under applicable international treaties or conventions
[6]Adult entertainment industries include live adult entertainment and pornography
[7]Poor occupational health and safety records includes notifiable workplace incidents or accidents

SG Hiscock & Company

ABN 51 097 263 628 · AFSL 240679

DMP Asset Management Ltd.

ABN 77145590316 · AFSL 383580

Level 23, 360 Collins Street
Melbourne 3000

Level 4, 95 Pitt Street
Australia Square Plaza
Sydney 2000

1300 555 511
www.sghiscock.com.au

SGH SG HISCOCK & COMPANY