

SGH High Conviction Fund

30 June 2024

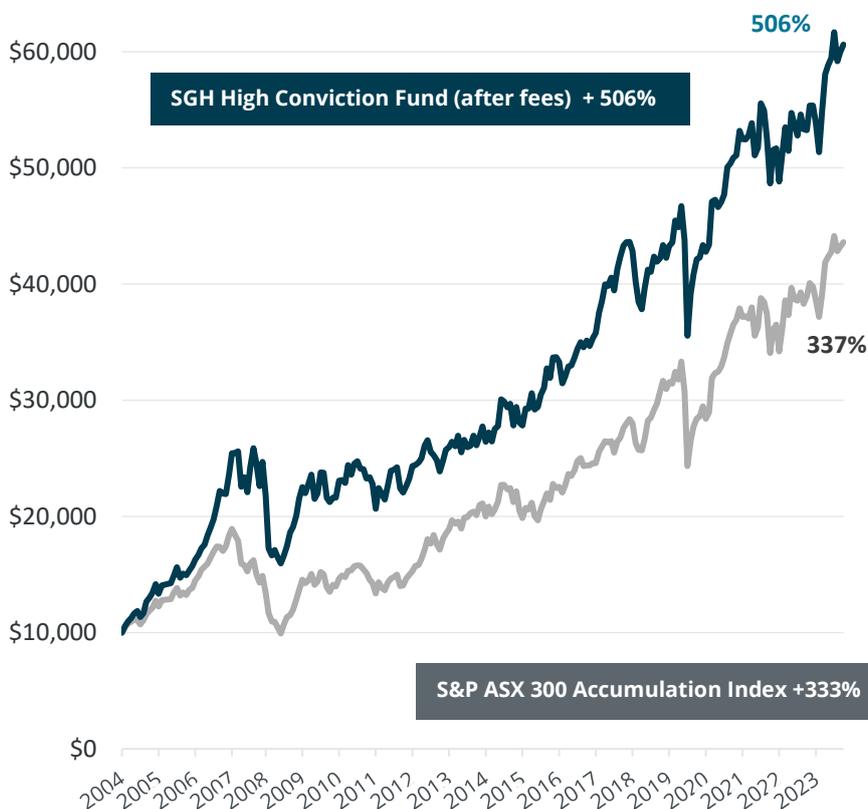
Performance ¹	Total Net Return	S&P/ASX300 Accum. Index	Fund vs Index
1 month (%)	1.06	0.92	0.14
3 months (%)	-1.65	-1.20	-0.45
6 months (%)	4.60	4.16	0.44
1 year (%)	14.23	11.92	2.31
3 years (% p.a.)	6.40	6.08	0.32
5 years (% p.a.)	7.89	7.22	0.67
7 years (% p.a.)	8.42	8.65	-0.23
10 years (% p.a.)	9.00	8.04	0.96
Inception (% p.a.)	9.71	8.13	1.58

¹Total 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 indicator of future performance.

SGH High Conviction Fund Cumulative Total Return

(since inception, after fees)



Key Facts

Investment manager	SG Hiscock & Company Ltd.
Launch date	28 Oct 2004
Benchmark	S&P/ASX300 Accumulation Index
Management fees ²	0.90%
Performance fee ³	15.00%
Fund size	\$17.8M
Dividends payable	Biannual
Buy/sell spread	+0.25/ -0.25%
Minimum initial investment	\$20,000
Base currency	AUD
APIR	ETL0042AU
mFund code	SHF01
Domicile	Australia
	Unit price
Application	\$1.6149
Net Asset Value	\$1.6109
Withdrawal	\$1.6069
	Distribution
	cpu
30 June 23	5.5247
30 June 24	TBA

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

³Effective 1 Dec 2018, a performance fee of 15% (net GST and an estimate of RITC) of any investment return above the fund's benchmark may also be payable as an expense of the fund, subject to a highwater mark.

SGH ASX300 Investment Team

Hamish Tadgell, Lead Portfolio Manager

Michael Kordick, Head of ASX300 Research.



For more information visit the [Fund webpage](#) or the [News & Views section](#) of our website.

Portfolio performance

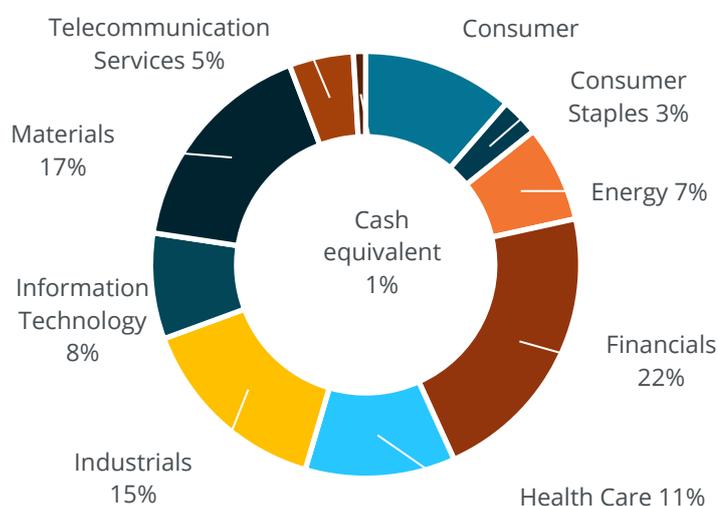
- In June the portfolio returned 1.12% resulting in a 1-year return of 15.18%, outperforming the ASX300 Accumulation Index by +20bps and 3.43% respectively. Key contributors to portfolio performance were CSL (+5%), Generation Developments (GDG) (+33%) and National Australia Bank (NAB) (+7%) whilst Northern Star (NST) (-9%), BHP (-4%) and ResMed (RMD) (-7%) and Beach Petroleum (BPT) (-11%) were the major detractors.
- BPT held a strategy day and downgraded production in what appears to be a final deck-clearing exercise by new management. Whilst disappointing, we continue to see attractive returns through Watsia LNG sales and increasing exposure to rising East coast gas prices.
- The portfolio underweight to financials and banks was a drag on relative performance during the month, much as it has been for the last year. Offsetting this our underweight to materials and discretionary retail helped. Inflation persistence and growing evidence of softening economic data both locally and abroad and several softer retail company updates suggests consumers are being more discerning and there is reason for caution, particularly in discretionary categories.
- During the month we added Generation Developments (GDG), Botanix (BOT) (+15%) and Infratil (IFT) (+2%) to the portfolio. These positions were primarily funded from the sale of Johns Lyng Group (JLG) and Corporate Travel (CTD).

Monthly Insight

This month we initiated a position in Botanix Pharmaceuticals (ASX: BOT), a dermatology focused company that have recently secured US FDA approval to commercialise its lead product sofpironium bromide (sold as 'Sofdra'), a treatment for the less widely known skin condition known as primary axillary hyperhidrosis (aka. excessive underarm sweating). We have been following the coming progress for some time and gained increased confidence in the investment thesis through:

1. Exposure and discussions with the highly experienced management team (whom collectively have developed and commercialised >30 dermatology products)
2. Its innovative approach to patient access by simultaneously pursuing a direct-to-consumer and telemedicine distribution strategy
3. Evidence of the successful commercial launch in Japan of the same chemical compound now approved by the FDA for BOT.

Top Contributors ^
CSL
Generartion Developments
National Australia Bank
Treasury Wine Estates
Maacquarie Bank
Top Detractors v
Northern Star
BHP
ResMed
Beach Petroleum
Genesis Minerals



SGH High Conviction Fund - Overview

What makes us different?

- High conviction benchmark unaware portfolio holding 15 – 30 stocks.
- Focus on quality businesses that are sustainably growing free cash flow and improving returns.
- Focus on capital preservation and absolute returns for shareholders.
- Disciplined repeatable process to stock selection and portfolio construction.

Investment Philosophy

The core premise of our philosophy is to invest in companies that deliver absolute returns for investors, with a strong focus on capital preservation. In our view this is best achieved by investing in quality businesses that can deliver sustainable value creation over the medium term, rather than simply investing in companies because they are a significant part of an index.

We allocate capital only to high quality ideas where we have conviction, believing only a few quality ideas are required to build a good portfolio. We do this through investing in quality companies which are sustainably growing free cash flow and returns and are mispriced. We believe price is what you pay, and value is what you get, and valuation discipline is fundamental to investing and creating longer term shareholder value.

Investment Strategy & Process

SGH High Conviction is a concentrated portfolio holding 15-30 stocks. Our focus is on identifying businesses with 'quality sustainable growth' that are mispriced. We do this through a disciplined and repeatable process that seeks to identify companies which are:

- Sustainably growing free cash flow and returns.
- Well-positioned in attractive end markets with a source of competitive advantage.
- Appropriately structured and have a sound balance.
- Lead by engaged, focused and innovative management Where we are satisfied companies meet these criteria, they are eligible for portfolio consideration subject to valuation. A range of valuation methodologies are used depending on the nature of the business.

As part of our process, we undertake an extensive company visitation program which is important in providing 'insight' in developing and testing our thinking, understanding and investment thesis. We seek to know as much about our companies as possible, with a view to mitigating permanent capital loss.

The portfolio construction process is determined by our confidence and conviction in the underlying quality of the business and margin of safety to valuation. It is also influenced by top-down economic considerations and industry and company life cycle risk characteristics.

Distribution team



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Disclaimer: *Disclaimer: Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the SGH High Conviction 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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The Fund's Target Market Determination is available on the [SGH website here](#). A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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