SGH SG HISCOCK & COMPANY

SGH Emerging Companies Fund

November 2025

Performance [3]	Total Net Return	Income Return	Growth Return	S&P/ASX Emerging Companies Accum. Index [4]	Total Net Return vs Index
1 month (%)	-0.05	-	-0.05	-1.27	1.22
3 months (%)	23.89	-	23.89	11.52	12.37
6 months (%)	41.20	0.10	41.10	26.98	14.22
1 year (%)	47.39	0.10	47.29	27.42	19.97
3 years (% pa)	9.30	0.83	8.47	12.04	-2.74
5 years (% pa)	6.46	4.52	1.94	10.76	-4.30
7 years (% pa)	12.03	3.89	8.14	14.61	-2.58
10 years(% pa)	11.95	2.74	9.21	12.35	-0.40
Inception (% pa)	12.29	4.14	8.15	8.39	3.90

Past performance is not a reliable indicator of future performance.

Summary

- The Fund decreased by 0.05% after fees in November, outperforming its benchmark, which fell 1.27%.

- Our better-performing stocks for the month include Mach7 Technologies (+50.0%), 3D Energi (+41.7%), Meeka Metals (+29.3%), silver companies Rapid Critical Metals (+18.0%) and Andean Silver (+14.4%), and Rent.Com.Au (+14.0%).

- Stocks that declined during the month Gumtree Australia Markets (-27.8%), Felix Gold (-23.8%), Big River Industries (-9.7%) and Energy One (-7.6%).

- For the rolling twelve months the Fund has increased by 47.39% This compares to the S&P/ASX Emerging Companies Accumulation Index, which has gained 27.42 % over the same period.

Key Facts

Investment manager	SG Hiscock & Company Ltd.
Launch date	22 Jun 2001
Benchmark	S&P/ASX Emerging Companies Accum. Index
Management fee [1]	1.03%
Performance fee [2]	20.50%
Fund size	$125.6M
Distributions	Annual
Buy/sell spread	+0.35/ -0.35%
Minimum initial investment	$20,000
Base currency	AUD
APIR	ETL0118AU
mFund	SHF04
Domicile	Australia
SIV	Compliant and audited

	Unit price
Application	$6.6608
Net Asset Value	$6.6376
Withdrawal	$6.6144

	Distribution cpu
30-Jun-23	6.2000
30-Jun-24	4.5234
30-Jun-25	0.3297

Investment Objective

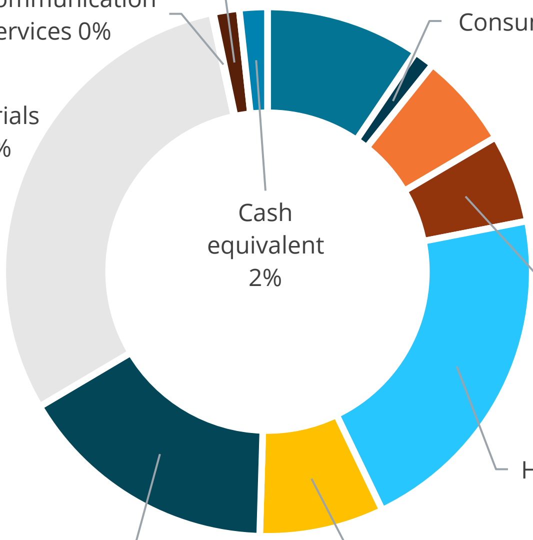
To provide medium to long-term capital growth potential and seeks to outperform the S&P/ASX Emerging Companies Accumulation Index over rolling three-to-five-year periods after taking into account fund fees and expenses.

Investment Held

The Fund will invest in companies that have a market capitalization of less than $500m (at the time of first purchase) and cash.

Asset Allocation:

Sector	Fund (%)
Consumer Discretionary	9.46
Consumer Staples	1.26
Energy	5.80
Financials	5.41
Health Care	20.93
Industrials	7.61
Information Technology	16.02
Materials	30.12
Telecommunication Services	0.11
Real Estate	1.57
Cash equivalent	1.71
Total	**100.00**



Top 10 Holdings
Almonty Industries
Paragon Care Ltd
Animoca Brands Corp
Marketplacer Holding
Vita Life Sciences
Conrad Asia Energy
Big River Industries Ltd
Andean Silver Ltd
Gumtree Australia Markets Ltd
Raiz Invest Ltd

Top 10 holdings represent 46.3% of the total Fund.

[1] Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
[2] Effective 1 October 2015, a performance fee of 20.50% (inclusive of GST and an estimate of RITC) of any performance in excess of the performance hurdle (the daily percentage movement in the S&P/ASX Emerging Companies Accumulation Index on a daily basis) may also be payable.
[3] Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.
[4] Index = S&P/ASX Emerging Companies Accumulation Index effective 1 October 2015, previously S&P/ASX Small Ordinaries Accumulation Index.

Market Commentary

The SGH Emerging Companies Fund posted a negative 0.05% return after fees in November, outperforming its benchmark, the S&P/ASX Emerging Companies Index, which declined 1.27%.

Our better-performing stocks for the month included:

- **Mach7 Technologies (+50.0%)** – the stock has re-rated strongly following the appointment of energetic new management.
- **3D Energi (+41.7%)** – made a commercial gas discovery in the Otway Basin, which is likely to result in a multi-bcf gas reservoir. The shares have been weighed down by the likelihood of additional capital being required; however, with the discovery now confirmed, the science proven, further exploration wells likely to succeed, and a clear gas shortfall emerging in Victoria, the shares are fundamentally very cheap and due for a significant re-rate.
- **Silver companies Rapid Critical Metals (+18.0%)** and **Andean Silver (+14.4%)** – both benefited from the silver price moving to record highs.
- **Rent.com.au (+14.0%)** – RentBond growth is accelerating, and the product is now funded through a facility with Eldium backed by the founders of Zip.

Against this, we had several companies struggle, including:

- **Gumtree Australia Markets (-27.8%)** – marked down on no company news in an illiquid market.
- **Felix Gold (-23.8%)** – weaker on market nerves around the company receiving a trial mining permit and the expectation of an upcoming capital raising.
- **Big River Industries (-9.7%)** – the stock pulled back on expectations of a capital raising to fund an acquisition.

The Australian share market delivered a mixed performance in November, with large caps holding steady while small industrials lost ground. Several mid-cap growth stocks also experienced meaningful pullbacks amid slowing growth expectations, which weighed on valuations. In contrast, small resource stocks outperformed, supported by strength in gold, silver, copper, and energy markets, while lithium companies also enjoyed a bounce.

Last month, we noted that, after such a strong run and with the market looking overextended, a correction was likely. Notwithstanding global market volatility, the first release of the RBA's new monthly CPI series acted as a partial catalyst. Headline inflation accelerated to 3.8% in October — well above the target band — as energy subsidies rolled off, pushing out the likely timing of rate cuts to May next year at the earliest. Some commentators even floated the prospect of further rate hikes to slow the economy, which spooked investors, particularly across small- and mid-cap industrials.

Further, there is little prospect of lower energy prices in the short term, given the Federal Government's removal of subsidies, the slow pace of renewables roll-out, required grid transmission investment, and broader capital constraints. For these reasons, and with the government flagging budget cuts, we expect a sluggish domestic economy next year with soft domestic demand. We also think the property market will cool in 2026.

Moreover, Australia is contending with productivity growth stuck near 2016 levels, and the economy remains boxed in by structural capacity constraints. This suggests that, even with more supportive monetary and fiscal policies, economic growth is unlikely to exceed ~2%, largely driven by immigration. As such, we expect this backdrop to translate into low profit growth for large companies, many of which operate in highly concentrated industries.

Despite this, we remain constructive on the market and our portfolio positioning, favouring continued outperformance from small and micro-cap companies with stronger growth prospects and resource exposure aligned with global macro tailwinds. This is notwithstanding the risk of an RBA policy mistake through unnecessarily tight monetary settings. Importantly, many small- and micro-cap managers continue to struggle with the increasingly heavy resources weighting in the index — a trend we expect to become even more pronounced next year — which further enhances the opportunity set for active stock pickers at the smaller end of the market. We also expect the IPO market to strengthen in 2026, despite the sharp falls in some recent IPOs, largely due to aggressive pricing and weak book-building processes. The Fund remains well-positioned, with selective exposure to junior resource companies leveraged to the commodity cycle, and micro-cap industrial growth stocks trading at attractive valuations.

Portfolio Positioning

We have recently taken an IPO position in Advanced Energy Minerals (AEM), which is due to list on the ASX in late December. We think this is a special situation. The company is an early-stage high-purity alumina (HPA) producer offering exposure to a unique combination of an operating asset, a rapidly growing market for a critical material, and strategic value as a non-Chinese supplier.

AEM owns and operates the Cap-Chat plant in Québec, which was acquired out of insolvency in 2020. The previous owners invested more than C$130 million in the project but struggled with commissioning and processing issues, which isn't uncommon for this type of project. However, since taking control of the project, AEM has re-engineered the flowsheet, resolved the key technical problems, and invested approximately C$70 million in plant upgrades. The plant now operates at around 2,000 tonnes per annum (tpa) of 4N+ HPA (4N+" refers to a product purity level of 99.99%) and forms the base for a staged expansion to 6,000 tpa.

HPA is a specialised material rather than a commodity, used in synthetic sapphire, LEDs, semiconductors, EV battery coatings, transparent ceramics, and other advanced electronic and optical applications. Demand for 4N+ HPA has grown at around 13–14% per annum since 2013 and is forecast to grow at more than 10% per annum through to 2034. Over the same period, non-Chinese high-purity supply has remained constrained at roughly 15,000 tpa and concentrated among a small group of producers. China now accounts for around 70% of global HPA output. However, a significant proportion of its production is lower-end material that does not consistently meet the specifications or ESG supply chain expectations of Western customers.

AEM's central technical advantage is a patented chlorine-leach crystallisation purification (CLCP) process developed at its Montreal Technical Development Centre. This route produces 4N and 5N-grade alumina ("5N" meaning 99.999% purity) with a significantly lower carbon footprint than traditional alkoxide-based methods, while recycling roughly 99% of hydrochloric acid and generating minimal solid waste. The Cap-Chat plant is powered by low-cost hydroelectricity, further reducing emissions and operating costs. Independent assessments place AEM in the lower half of the global cost curve, with forecast full-scale cash costs of roughly US$5.5–6/kg, compared with long-term 4N+/5N+ price expectations of US$30–46/kg.

Under AEM's current plan, capacity increases to 3,000 tpa by 2026, followed by a Stage 2 expansion lifting total nameplate capacity to 6,000 tpa by 2029, with commissioning targeted for late 2028. At steady state across both stages, studies suggest potential EBITDA of US$92–168 million per annum, with margins in the 70–80% range depending on product mix and pricing.

In this context, AEM's planned expansion to 6,000 tpa would make it the second-largest producer of high-purity HPA outside China and a significant contributor to supply-chain diversification. As we have written before, the West is increasingly focused on reducing dependence on Chinese supply for critical minerals used in electric vehicles, semiconductors, and defence industries. AEM's combination of political stability (in Canada), renewable power (hydro), traceable feedstock (from Rio Tinto), and low-carbon process design makes it uniquely attractive to Western buyers.

The company has already built a substantial commercial pipeline. It is engaged in 119 active customer qualification projects across Asia, Europe, and North America, representing potential demand of about 3,600 tpa and an indicative annual value of roughly US$88 million at the pipeline's average pricing. Eleven of these customers are at commercial stage. While qualification processes can take 12–24 months and are a key risk, they also lock-in customers.

At the IPO price of A$0.53 per share, AEM's post-issue market capitalisation is approximately A$300 million, with an enterprise value of about A$270 million once net cash is taken into account. At 6,000 tpa, this implies a forecast EV/EBITDA multiple of 3–5 times, which appears undemanding given the company's scarcity value, strategic positioning, and operational leverage. What's more, AEM's only listed ASX peer of meaningful scale is Alpha HPA (A4N), which, according to a recent project update, is still not in full commercial production and is still under active construction. Despite this, Alpha already has a market capitalisation of around A$850 million. Against that backdrop, AEM appears comparatively cheap, particularly given that it is already producing 4N–5N HPA at commercial scale, with a clear and funded pathway to expand from 2,000 tpa to 3,000 tpa in 2026 and ultimately to 6,000 tpa by 2029.

We also rate management highly. AEM's board and senior leadership team includes Executive Chairman Richard Caldwell, who brings relevant experience from Orocobre/Allkem, where he was involved in taking a technically challenging lithium brine project from concept to production and corporate significance. The challenge at AEM is similar: scaling a complex specialty-materials process and integrating it into global supply chains while competing with established Chinese producers.

In our view, AEM represents a genuine special situation: a producing, low-carbon, non-Chinese HPA supplier operating on renewable hydro power and offering immediate Western supply-chain diversification in a market that remains strategically important and overwhelmingly dominated by China. While there are execution risks, e.g., customer qualification cycles are slow, production ramp-up may take longer or cost more than expected, and significant capex is required for Stage 2, the company's ability to consistently deliver 4N–5N material already gives it strategic importance in the sector.

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