SGHiscock
Investment Management

SGH Emerging Companies Fund

August 2026

Performance[3]	Total net Return	Income Return	Growth Return	S&P/ASX Emerging Companies Accum. Index[4]	Total Net Return vs Index
1 month (%)	3.61	–	3.61	13.89	-10.28
3 months (%)	-4.61	2.91	-7.52	3.69	-8.30
6 months (%)	-19.15	2.46	-21.61	-4.39	-14.76
1 year (%p.a.)	8.59	3.30	5.29	23.56	-14.97
3 years (%p.a.)	6.41	1.44	4.97	17.53	-11.12
5 years (%p.a.)	-1.24	2.81	-4.05	7.86	-9.10
7 years (%p.a.)	5.95	4.13	1.82	12.90	-6.95
10 years (%p.a.)	7.71	2.96	4.75	10.67	-2.96
Inception (%p.a.)	11.31	4.12	7.19	8.57	2.74

Past Performance is not a reliable indicator of future performance

Monthly Insight

- The Fund increased by 3.61% after fees in August, underperforming its benchmark, which gained 13.89%.
- Our better-performing stocks for the month include Lode Resources (+43.8%), Synertec Corporation (+36.4%), Carnaby Resources (+33.1%), Omega Oil & Gas (+28.8%), Andean Silver (+25.3%), Southern Palladium (+24.8%), PC Gold Ltd (+15.8%), Centrepoint Alliance (+14.3%), Raiz Invest (+13.8%), Vita Life Sciences (+13.5%) and Felix Gold (+13.0%).
- Stocks that declined for the month include archTIS (-15.4%), Elixir Energy (-15.3%), DUG Technology (-13.1%), Praemium (-12.1%), Gumtree Australia Markets (-11.1%), Resonance Health (-9.4%), Wiseway Group (-9.1%) and Rent.com.au (-7.8%).
- For the rolling twelve months the Fund has increased by 8.59% This compares to the S&P/ASX Emerging Companies Accumulation Index, which has gained 23.5% over the same period.

Key Facts

Investment manager	SGHiscock Investment Management
Launch date	22 Jun 2001
Benchmark	S&P/ASX Emerging Companies Accum. Index
Management fees[1]	1.03%
Performance fee[2]	20.50%
Fund size	$97.5M
Distributions	Annual
Buy/sell spread	+0.35/ -0.35%
Minimum initial investment	$20,000
Base currency	AUD
APIR	ETL0118AU
Domicile	Australia
SIV	Compliant and audited
	Unit Price
Application	$5.6607
Net Asset Value	$5.6410
Withdrawal	$5.6213
	Distribution CPU
30-Jun-23	6.2000
30-Jun-24	4.5234
30-Jun-25	0.3297
30-Jun-26	16.9818

[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.

[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 returned 3.61% (after fees), underperforming the S&P/ASX Emerging Companies Index, which gained 13.89% for the month. The index was fuelled by the large jump in gold stocks, with the S&P/ASX gold index recording one of its largest monthly gains on record. The S&P/ASX Emerging Companies' index has 53% weighting to resources stocks. Our better-performing stocks for the month include:

- **Synertec Corporation (SOP)**
  Synertec reported FY26 revenue of $21.1 million, up 19%, and completed a $6 million institutional placement, in which the Fund participated. The raising strengthens the balance sheet and supports its growing pipeline of opportunities. We remain positive on the outlook.

- **Omega Oil & Gas (OMA)**
  Omega reported encouraging results from its Canyon-3 well, including a large gas interval, a higher-quality oil reservoir than Canyon-1, and a new gas and condensate zone. The results increased our confidence in the resource's potential size and quality.

- **Andean Silver (ASL)**
  Andean Silver raised $40 million during August, increasing its cash balance to around $80 million. The funds will accelerate drilling and development at its Cerro Bayo silver-gold project in Chile. We remain positive on silver, with strong demand and constrained supply supporting higher prices over time.

- **Southern Palladium (SPD)**
  Southern Palladium achieved an important milestone with the granting of a 30-year mining right for its Bengwenyama project in South Africa, removing a major regulatory hurdle. Improved expected chrome recoveries could also further strengthen the project economics – see below.

- **Centrepoint Alliance (CAF)**
  Centrepoint reported a strong FY26 result, with normalised EBITDA up 16% to $12.3 million and net profit up 25% to $6.4 million. Its salaried financial advice business continued to grow strongly, while FY27 EBITDA guidance of $14.5–$15.5 million implies further growth. Despite the strong share price performance, we believe the company remains fundamentally cheap.

- **Raiz Invest (RZI)**
  Raiz reported strong FY26 results, with funds under management up 27.5% to a record $2.32 billion and underlying EBITDA almost doubling to $5.5 million. The result highlights the benefits of the platform's growing scale and operating leverage.

- **Vita Life Sciences (VLS)**
  Vita Life Sciences reported a solid first-half result, with revenue up 6.1% and net profit up 14.9%. The company has strong margins, no debt, and around $33 million of cash, yet trades on a P/E of only around 14 times earnings. With an attractive dividend and ongoing share buyback, Vita remains a core holding of the Fund.

- **Felix Gold (FXG)**
  The US Department of Energy selected Felix Gold for up to $18 million in non-dilutive funding towards a pilot antimony processing facility at its Treasure Creek project in Alaska. The funding provides important US Government support and reinforces our positive view on critical minerals and secure Western supply chains.

Stocks that declined during the month included archTIS, Elixir Energy, DUG Technology, Praemium, Gumtree Australia Markets, Resonance Health, Wiseway Group and Rent.com.au. Despite weaker share prices, some positive news emerged. DUG Technology announced a US$9.3 million software and high-performance computing infrastructure contract ahead of releasing its FY26 results. Elixir Energy also expanded its technical data-sharing agreement with QGC across the Taroom Trough, providing further third-party validation of the basin's potential.

The profit reporting season was generally better than feared, although company outlooks were understandably more cautious. For many companies, we expect more meaningful guidance updates at their upcoming annual general meetings. The highlight for the month was the strong performance of the gold and junior resources stocks. The healthcare sector also bounced back strongly.

Rising bond yields also cast a shadow across equity markets over the month, with higher US Treasury yields pushing global and Australian long-term bond yields higher. While rising oil prices and their inflationary impact have contributed, we think something more fundamental is happening - a global competition for capital.

After years of zero interest rates and cheap money, global markets now face enormous demand for capital. Firstly, Western governments are running large fiscal deficits, driven by rising interest costs, ageing populations and large increases in defence spending. Secondly, AI and data centres require massive investment in computing power, electricity generation and power grids. At the same time, the world needs huge investment in copper, energy, critical minerals and infrastructure. All of this is competing for the same pool of global capital. Thirdly, and perhaps most importantly, US trade tensions and declining confidence in government finances and institutions are increasing risk premiums. Bond investors are increasingly demanding a higher real return for lending governments money.

We also think markets are beginning to shift from US Federal Reserve dominance towards US Treasury dominance. Recent comments from US Treasury Secretary Scott Bessent reinforce the view that the US Treasury will play an increasingly more important role in US financial conditions and shaping financial markets – with treasury issuance, bank regulation, stablecoins, and bond buybacks all potentially being used to create demand for US government debt and help manage long-term borrowing costs.

This is also one of the reasons why gold was one of the major beneficiaries during August. Importantly, we don't think higher real interest rates are necessarily bearish for all equities. Money still has to go somewhere. If the US ultimately needs to grow, inflate or financially repress its way out of its large debt burden, we think this should favour scarce real assets, commodities and companies with pricing power over long-duration financial assets.

For Australia, the outlook looks more problematic. Underlying inflation remains sticky – and too high, and the RBA has made it increasingly clear that getting inflation back under control is its number one priority. The RBA also appears prepared to accept weaker economic and employment growth to achieve price stability. If inflation remains stubborn, we think further rate increases are likely, potentially starting this month given the increasingly hawkish comments from RBA officials. Unfortunately, this increases the risk that Australia moves into recession next year, particularly with consumer and business confidence already weak.

Housing is also a growing concern. We are seeing a rolling correction in parts of the residential property market, while higher interest rates are putting further pressure on heavily indebted households. Importantly, despite falling house prices, affordability has not materially improved because real wage growth remains weak and borrowing costs have increased.

Recent buyers with high loan-to-value ratios are particularly exposed to falling house prices and higher mortgage repayments, with some now facing negative equity. The resulting negative wealth effect is likely to further constrain consumer spending.

There are also warning signs emerging in construction and private credit. The recent collapse of a major property group with around $3 billion of debt highlights the risks that have built up across highly leveraged property development and non-bank lending. We don't yet know how far these problems will spread, but there is clearly potential for contagion effects through private credit funds, developers, subcontractors and the broader construction industry.

There is also a second-order effect. Lower property prices and fewer transactions mean lower stamp duty receipts for State governments, while weaker development activity also reduces local government revenue. This comes at a time when government spending is already playing an unusually large role in supporting economic activity and employment.

The growing risk is that Australia becomes locked into a stagflationary environment - poor productivity, weak growth, sticky inflation and high interest rates. That would be a particularly difficult combination for highly leveraged households, banks, retailers and other businesses dependent on discretionary consumer spending.

For our portfolio, the message is relatively simple. As interest rates rise and capital becomes more expensive and selective, we want to own businesses with strong balance sheets, cash flow, pricing power and high returns on capital. We also continue to see attractive opportunities in resources, gold, critical minerals, healthcare and companies exposed to the enormous investment required in electricity and infrastructure. In summary, we remain positive on the Fund's medium- and long-term outlook. We believe the portfolio is well positioned for an environment increasingly shaped by higher global bond yields, a competition for capital and growing demand for scarce physical assets.

Portfolio Positioning

Atomic Eagle

Last month we increased our position in Atomic Eagle (ASX: AEU), which we believe is one of the cheapest uranium developers listed on the ASX. The investment case is simple. Atomic Eagle now has two advanced uranium projects, a large attributable resource base, several potential catalysts over the next 12 months and, importantly, sufficient funding to complete its near-term work program without a near-term capital raising.

We also remain very positive on the longer-term outlook for uranium. Nuclear power is increasingly being recognised as a source of reliable, low-carbon baseload electricity at a time when global electricity demand is accelerating from electrification, AI and data centres. Energy security has also become increasingly important, with governments and utilities looking to secure reliable, long-term uranium supply contracts. Importantly, the uranium market is facing a structural supply deficit. Global reactor requirements are currently around 200Mlb a year compared with primary mine supply of approximately 150Mlb, with the shortfall being met through inventories and secondary supply. The World Nuclear Association forecasts uranium demand increasing to more than 220Mlb by 2030 and around 350–390Mlb by 2040.

At the same time, bringing new uranium supply into production is difficult and can take 10–20 years. For example, Australia has the world's largest uranium resources, but developing a new uranium mine remains incredibly difficult, with uranium mining prohibited or restricted in several states and new projects facing lengthy environmental, regulatory, and approval processes. Australia currently has only three uranium mines in production, all in South Australia. Against this backdrop, new reactors are being built, existing reactors are being restarted, and utilities need to secure future uranium supply through long-term contracts. We therefore believe uranium is becoming an increasingly strategic resource, creating an attractive long-term backdrop for companies controlling large, advanced uranium deposits.

Atomic Eagle owns 100% of the Muntanga Project in Zambia, which has a 58.8Mlb JORC Resource at 309ppm U3O8. It also recently regained a 60% interest in the Madaouela Project in Niger, which has a 116.5Mlb foreign resource estimate at 1,282ppm U3O8. Madaouela's return is particularly significant. The Niger Government revoked the project's mining permit in July 2024, and the asset was effectively written down to zero. Atomic Eagle has subsequently reached a commercial resolution with the Government and agreed to a new Mining Convention, with Atomic Eagle holding 60% of the project and the Niger Government 40%.

The market initially reacted positively to the return of Madaouela. However, the shares have subsequently given up their gains and are now trading below the level they were before Madaouela was returned. This doesn't make sense because the company's asset base today is substantially better than it was before the announcement.

On an attributable basis, Atomic Eagle has exposure to approximately 129Mlb of uranium. At the current market capitalisation of around A$170 million, investors are paying only around A$1.20/lb for this resource. This compares with a historical valuation range of approximately A$3.00–5.50/lb for comparable ASX-listed uranium developers, with an average of around A$4.00/lb. More recently, China National Nuclear Corporation's investment in ASX-listed Bannerman Energy's (ASX Code BMN) Etango Uranium Project in Namibia was completed at approximately US$4.00/lb.

What makes the valuation particularly interesting is how much Atomic Eagle's asset base has improved without a corresponding share price re-rating. Before regaining Madaouela, Atomic Eagle was effectively valued on Muntanga alone at approximately A$2.50/lb. Since then, its attributable uranium resource has more than doubled, and the company has added a substantially higher-grade asset. Madaouela's average grade of 1,282ppm is more than four times Muntanga's 309ppm. Yet the shares have not materially re-rated. And, in our view, investors have not yet properly recognised either the additional scale or the improved quality of Atomic Eagle's enlarged resource base.

Muntanga provides a relatively advanced development platform. The project is fully permitted, and its previous feasibility study outlined a conventional open-pit, heap-leach operation producing approximately 2.2Mlb a year, with cash operating costs of US$32.20/lb and a post-tax NPV8 of US$243 million. Importantly, the feasibility study did not include 44% of the current Muntanga JORC Resource, while Atomic Eagle's current 30,000m drilling program targets further resource growth.

Madaouela provides the larger upside opportunity. Approximately US$160 million has previously been spent on the project, including around 600,000 metres of drilling, and a feasibility study was completed in 2022. The previous development studies contemplated an open-pit and underground operation producing approximately 2.7Mlb a year over a 19-year mine life. The economics are also highly leveraged to the uranium price. The previous feasibility study generated a post-tax NPV8 of approximately US$140 million at US$65/lb uranium. Estimates suggest that every US$5/lb increase in the uranium price could add around US$80 million to the project NPV. This highlights the significant embedded value in Madaouela if higher uranium prices are sustained. Atomic Eagle's immediate objective is to convert the 116.5Mlb foreign estimate into a JORC Resource, targeted for Q4 2026, and then refresh the feasibility work using current uranium prices and the enlarged resource base.

We also think the most logical pathway for Madaouela is likely to involve a strategic partner. Given the project's size, capital requirements and the political environment in Niger, Atomic Eagle is unlikely to fund and develop Madaouela entirely on its own. A strategic investment, joint venture or potentially a sale to a major participant in the global nuclear fuel industry could provide a pathway to crystallising some of the project's value while reducing Atomic Eagle's funding and sovereign risk.

The company is also reasonably well funded. Atomic Eagle finished June with approximately A$13m million in cash. The company has some financial commitments, including the initial US$5 million Madaouela payment, although the second US$5 million payment is not due until construction commences. The company should also receive approximately A$15 million from options expiring early next year. This should provide sufficient flexibility to complete its current drilling and resource work without being forced into an immediate equity raising.

The major risks, as we see them, are the political and sovereign risk associated with Niger, together with the longer-term funding and execution risk involved in developing both projects. Madaouela's 116.5Mlb resource also remains a foreign estimate and still needs to be converted to JORC. However, at around A$1.20/lb of attributable uranium resources, Atomic Eagle trades at a substantial discount to comparable ASX uranium developers despite controlling two significant development assets. We believe there is a credible pathway for the shares to at least double from current levels if the company delivers its upcoming catalysts and the valuation gap to peers begins to close.

In summary, Atomic Eagle has a very cheap valuation, improving asset quality, several near-term catalysts, no need for immediate funding, and exposure to a rising long-term uranium price – which makes it compelling.

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