SGHiscock
Investment Management

SGH Emerging Companies Fund

July 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 (%)	0.58	–	0.58	-5.09	5.67
3 months (%)	-10.80	2.71	-13.51	-8.05	-2.75
6 months (%)	-18.82	2.47	-21.29	-14.29	-4.53
1 year (%p.a.)	8.49	3.30	5.19	19.23	-10.74
3 years (%p.a.)	5.00	1.42	3.58	10.96	-5.96
5 years (%p.a.)	-1.73	2.80	-4.53	6.58	-8.31
7 years (%p.a.)	5.06	4.10	0.96	10.72	-5.66
10 years (%p.a.)	7.44	2.95	4.49	8.88	-1.44
Inception (%p.a.)	11.19	4.13	7.06	8.04	3.15

Past Performance is not a reliable indicator of future performance

Monthly Insight

- The Fund increased by 0.58% after fees in July, underperforming its benchmark, which lost 5.09%.
- Our better-performing stocks for the month include Synertec Corporation (+83.3%) - see below, Wisr (+62.2%), Southern Palladium (+45.5%), Resonance Health (+45.5%), Carnaby Resources (+26.5%) and Conrad Asia Energy (+22.7%).
- Stocks that declined for the month include Elixir Energy (-37.5%), QPM Energy (-30.8%), PC Gold Ltd (-26.1%), archTIS (-24.6%), Terra Metals (-22.8%), Wiseway Group (-19.1%), Omega Oil & Gas (-15.9%) and DUG Technology (-15.4%)
- For the rolling twelve months the Fund has increased by 8.49% This compares to the S&P/ASX Emerging Companies Accumulation Index, which has gained 19.2% 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	$95M
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	$6.1207
Net Asset Value	$6.0994
Withdrawal	$6.0781
	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 0.58% (after fees), outperforming the S&P/ASX Emerging Companies Index, which lost 5.09% for the month.

Our better-performing stocks for July include companies:

- **Synertec Corporation (SOP) –** was the standout performer following a series of commercial wins for its Powerhouse technology, including a contract with Amplitude Energy and two additional BOOM units for Santos, taking the contracted fleet to six units. The month finished with further momentum as the company reported positive operating cash flow, $20.9m of contracted work in hand and FY27 revenue guidance of $29.5–31.7m, reinforcing the potential for Powerhouse to become a meaningful, scalable earnings contributor.

- **Wisr (WZR) –** rallied strongly after delivering its first full-year cash NPAT profit of $1.0m, a significant turnaround from the $5.3m loss in the prior year, as its loan book moved through $1bn. Importantly, management guided to cash NPAT of at least $5m in FY27, providing investors with much greater confidence that the business has moved beyond breakeven and into a period of potentially strong operating leverage.

- **Southern Palladium (SPD)** – benefited from both stronger PGM prices and excellent metallurgical results from its Bengwenyama project in South Africa. DFS test work lifted chromite recovery to approximately 85% versus only 30% assumed in the earlier PFS work, potentially increasing chromite production and materially improving the economics of what is already a large-scale PGM development.

- **Resonance Health (RHT)** – continued its transition from a small medical imaging software business into a profitable, diversified clinical trials and healthcare technology company. Its June-quarter update showed FY26 customer receipts of $14.3m, a strengthened net cash position of $2.3m and a clinical trial pipeline of more than $12m, while recruitment was completed for its potentially valuable MRI-based liver fibrosis program.

- **Carnaby Resources (CNB)** –strong performance after Evolution Mining agreed to acquire the company via an all-scrip scheme of arrangement. The offer of 0.0682 Evolution shares for each Carnaby share implied approximately $0.77 per share and a premium of around 60% to Carnaby's pre-announcement closing price, providing external validation of the strategic value of its Greater Duchess copper-gold assets in the Mount Isa region.

Detractors during the month included Elixir Energy, QPM Energy, PC Gold and archTIS. Elixir weakened following disappointing initial flow-testing results from its Lorelle-3H well, although we remain confident in the commercial potential of the broader gas field. QPM Energy fell sharply before entering voluntary administration and being suspended from ASX quotation. PC Gold gave back some of its recent exploration-driven gains following the release of its interim Mineral Resource Estimate, while archTIS weakened as investors remained focused on the conversion of its contract pipeline into stronger recurring revenues and cash flow.

[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.

July was a challenging month. Although the ASX finished in positive territory, resources and the heavily resources-weighted S&P/ASX Emerging Companies Index finished sharply lower, reflecting weakness in global equity markets and concerns that the ongoing conflict in the Middle East and elevated oil prices would weigh heavily on global growth.
In Australia, better-than-expected inflation figures, coupled with weaker consumer confidence, falling house prices and the associated negative wealth effect, as well as several consumer-related earnings downgrades, reinforced our view that the RBA's rate-hiking cycle is effectively over. Inflation is now expected to return to the RBA's target range within about a year, while rising unemployment and slowing wages growth suggest there is greater slack in the labour market than the RBA has acknowledged. House prices also appear to be undergoing an orderly correction which at this stage we believe the economy can absorb.

With inflation moderating and the economy slowing, investor attention is increasingly shifting from whether the RBA will raise rates again to the timing of the first rate cut. This change in expectations provided the green light for money to flow back into the banking sector, which rallied strongly during the month, as well as the beaten-up healthcare sector

The major positive economic news remains business investment, particularly the significant investment associated with AI and the construction of data centres and supporting power and digital infrastructure. With Australia's exposure to the data centre boom looking like it is providing an important buffer for weak employment, private investment and economic activity at a time when large parts of the domestic economy are slowing.

As such, we also believe the AI investment cycle is increasingly becoming an infrastructure story. The enormous investment in data centres requires significantly more electricity generation, transmission, storage and supporting infrastructure. This, in turn, requires copper, critical minerals, electrical transformers, switchgear and engineering services. At the same time as this is happening, governments are increasingly directing capital towards energy security, defence, semiconductors, critical minerals and domestic manufacturing as geopolitical fragmentation and concerns around supply-chain security continue to grow. For us, the opportunity is to identify companies providing the critical resources, infrastructure, equipment and services required to support these structural investment trends.

In summary, we remain positive on the Fund's medium- and long-term outlook. We believe the portfolio remains well positioned for an environment increasingly shaped by geopolitical fragmentation, supply-chain security, rising defence spending, resource nationalism and the significant investment required in electricity, digital infrastructure and critical resources to support the AI and energy transition.

Portfolio Positioning

Last month we increased our portfolio position in Synertec (ASX Code SOP), a micro-grid technology and engineering company in which we believe the investment case has materially de-risked over the last month. At present, we believe the investment case is compelling, as based on FY26 results and management guidance for FY27 we think, that at current share prices, you are now buying a profitable and cash-generating engineering business, with a free option on Powerhouse; which is a scalable, high-margin renewable microgrid platform. Importantly, after many years, Powerhouse is no longer an R&D project looking for customers. In recent months, several Tier-1 energy companies have now contracted the technology, and the commercial model is beginning to prove itself.

Looking at the Engineering business; for FY26 group revenue increased 19% to $21.1m, with more than 88% of Engineering revenue coming from existing customers. Margins are also improving, and the business is EBITDA and operating cash flow positive, with a pipeline of new business of around $170m, up 60%. Importantly, Synertec sits on nine major critical-infrastructure and government panels, which are typically restricted to only three or four qualified engineering firms. This gives the company exposure to some very large and relatively non-cyclical infrastructure programs. For example, Melbourne Water has announced $7.3bn of investment over FY27–31, up 51% on its previous five-year program, while Sydney Water is planning approximately $32bn of long-term capital and operational expenditure. customers.

We think the real upside, however, comes from Powerhouse, which is a containerised solar-and-battery microgrid incorporating Synertec's proprietary predictive intelligence and control technology. Significantly, the technology has moved from development into commercialisation. R&D expenditure was nil in FY26, and management now describes Powerhouse as a fully commercialised product. Syneretec offers PowerHouse as a BOOM model "Build, Own, Operate and Maintain" where it funds and owns the PowerHouse asset and receives a flat monthly rental, effectively providing power as a service. The six units contracted with Santos are operating under this structure, and management states they generate circa 90% EBITDA margins. Existing units have achieved greater than 99.95% availability across six years of cumulative operation. Shell has contracted a BOOM trial unit. Amplitude Energy selected Powerhouse through a competitive process for its Orbost Gas Processing Plant, with an indicative project value of $4.5–5.5m if it proceeds to FID. Synertec also has a strategic collaboration with Hitachi Energy, with several opportunities already at final submission stage awaiting award. Management has identified a Powerhouse pipeline of greater than $400m, and the pipeline is growing. Importantly, the $400m is based only on tendered opportunities and submitted expressions of interest rather than blue-sky estimates.

Overall, the numbers are now beginning to strongly support the investment case. FY26 operating cash flow turned positive at $0.5m compared with a $4.1m outflow in FY25, a $4.6m turnaround. Corporate costs were reduced by $1.5m, and the company finished June with $2.0m cash and $14.8m of undrawn loan facilities. Management is guiding to FY27 revenue of $29.5–31.7m, representing growth of 40–50%, with contracted work already covering approximately 70% of this figure. As such, we think Synerject is at an important inflection point with the risk materially improved. The Engineering business provides a profitable and growing base; FY27 growth is substantially contracted, and Powerhouse has moved from technology risk towards commercial execution and scale. We think the demand for remote microgrids, potentially also including data centers, will only increase in coming years. And, if only a small portion of the $400m pipeline converted to long-term BOOM contracts at current economics, the company could build a substantial high-margin annuity stream sitting alongside its Engineering business. At the current market capitalisation of around $30m, we think the company offers an asymmetric return profile. The downside is supported by a profitable engineering business; the upside is determined by how big Powerhouse can become, with significantly growing demand.

Distribution Team

Anthony Cochran
Head of Distribution

acochran@sghiscock.com.au
0410 332 870

Alastair McKibbin
Head of Research and Consultants

amckibbin@sghiscock.com.au
0448 809 646

Matthew Potter
Senior Investment Specialist

mpotter@sghiscock.com.au
0404 884 399

Nick Simpson
Business Intelligence & Data Manager

nsimpson@sghiscock.com.au
0448 336 317

Jason Smit
Investment Specialist

jsmit@sghiscock.com.au
0434 305 655

Fiona Lamb
Business Development Executive

flamb@sghiscock.com.au
0421 332 422