SGHiscock
Investment Management

SGH High Conviction Fund

July 2026

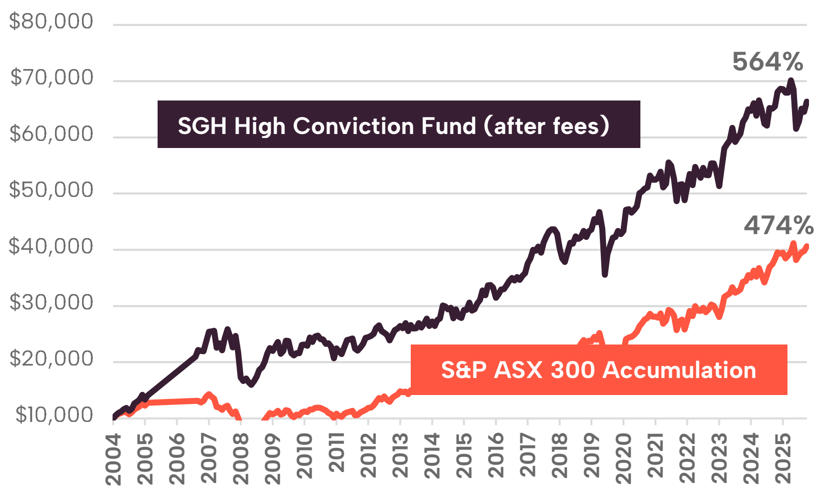
Performance	Total net Return[1]	S&P/ASX300 Accum. Index	Fund vs Index
1 month (%)	2.86	2.13	0.73
3 months (%)	5.70	4.02	1.68
6 months (%)	-5.22	2.43	-7.65
1 year (%p.a.)	1.62	5.84	-4.22
3 years (%p.a.)	6.58	10.28	-3.70
5 years (%p.a.)	5.74	7.80	-2.06
7 years (%p.a.)	6.64	7.85	-1.21
10 years (%p.a.)	7.31	8.96	-1.65
Inception (%p.a.)	9.23	8.36	0.86

[1]Total 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	SGHiscock Investment Management.
Launch date	28 Oct 2004
Benchmark	S&P/ASX300 Accumulation Index
Management fees[2]	0.90%
Performance fee[3]	15.00%
Fund size	$12M
Dividends payable	Biannual
Buy/sell spread	+0.25/ -0.25%
Minimum initial investment	$20,000
Base currency	AUD
APIR	ETL0042AU
Domicile	Australia
Investment manager	SG Hiscock & Company Ltd.
	Unit Price
Application	$1.4294
Net Asset Value	$1.4258
Withdrawal	$1.4222
	Distribution CPU
31-Dec-25	1.8466
30-Jun-26	7.4535

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

[3]Effective 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
Tim Gough, Portfolio Manager
Stratton Bell, Portfolio Manager

Portfolio Performance

In July the portfolio returned 2.86% net of fees, outperforming the ASX300 Accumulation Index by +0.73%, which returned +2.13% in the month. During the month the portfolio also paid out a final distribution of 7.4535 cents per unit for the 2026 financial year.

The top contributors and detractors to portfolio performance were:

Top Contributors	Portfolio	Price	Top Detractors	Portfolio	Price
South32	**0.53%**	17.2%	Megaport	**-0.53%**	-16.1%
National Australia Bank	**0.45%**	9.17%	NextDC	**-0.37%**	-8.4%
Genesis Minerals	**0.36%**	9.6%	Chorus	**-0.17%**	-4.0%
Ampol	**0.39%**	21.3%	SGH	**-0.17%**	-5.2%
ANZ Group Holdings	**0.29%**	5.6%	Worley	**-0.13%**	-4.4%

Monthly Insight

Global equity markets delivered mixed returns during July as investors navigated renewed geopolitical tensions, rising bond yields and increasing scrutiny over the sustainability of AI-related investment. After optimism in June, the re-escalation of conflict in the Middle East drove a sharp rebound in oil prices, reversing the previous month's disinflationary trend and prompting a rotation away from long-duration growth stocks toward energy and value sectors.

US equity markets were broadly weaker, with the S&P 500 finishing down 0.1% and the Nasdaq falling 3.2% as higher bond yields and AI spending concerns weighed heavily on mega-cap technology stocks.

Importantly, the increase in bond yields appears to have been driven primarily by rising real yields rather than higher inflation expectations. This suggests investors are demanding greater compensation to absorb the growing issuance of both government and corporate debt, particularly debt raised to fund large-scale AI investment.

Australian equities outperformed markets with more AI enablers, with the S&P/ASX 300 Accumulation Index rising 2.1%. Performance was highly concentrated, with Energy (+12.1%) benefiting from the sharp rise in oil prices, while Financials (+5.8%) and Healthcare (+2.2%) recovered strongly ahead of the August reporting season. Information Technology (-4.8%) was the weakest sector as investors reduced exposure to AI-related growth companies. Small companies continued to lag, with the Small Ordinaries declining 3.2%, reflecting investor preference for larger, more defensive businesses in an environment of rising yields and elevated uncertainty.

In Australia, the RBA maintained its tightening bias despite softer inflation data during the month. Governor Michele Bullock reiterated that inflation pressures remain largely domestically generated through wages growth and services inflation rather than imported energy prices. However, markets focused instead on her comments acknowledging that the housing market had weakened more than expected. Combined with a slightly softer June inflation print, expectations for further interest rate increases eased materially, with markets pricing little probability of additional tightening in 2026.

Commodity markets reversed much of June's weakness as geopolitical tensions ramped up. Brent crude oil rose 24% to US$90bbl while WTI increased 22% following renewed disruptions to shipping routes through the Strait of Hormuz. Gold recorded a modest gain despite rising real yields, while industrial metals such as copper, nickel and zinc also advanced, reflecting continued resilience in global economic activity. Iron ore was the notable exception, finishing lower at US$98/t.

From a portfolio perspective the unwind in the AI trade saw **Megaport** and **NextDC** give back some of their strong gains in June while the resurgence in energy prices saw the portfolio's energy holdings perform better, led principally by **Ampol** which is leveraged to higher refining spreads and higher oil prices.

The market outlook in Australia still seems more problematic than many other countries given the RBA's current policy tightening cycle. It's difficult to see sentiment around Australian shares and the Australian economy improving materially until expectations about the RBA's next policy move switch to expected rate cuts.

Given the magnitude of underperformance of Australian Equities versus Global (especially US) equities, the likelihood of mean reversion is increasing, but we are also cognisant that part of the US outperformance has been driven by superior earnings growth and return on capital, justifying the relative outperformance.

During August the focus will turn to the domestic reporting season. This will take place against a backdrop where earnings momentum has been fading in recent months. We expect rising cost pressures and inflation persistence to be a key feature, with results being increasingly defined by companies' ability to be able to pass on prices and manage margins against rising cost pressures and softening domestic consumer demand.

The generally higher uncertainty attached to this earnings season suggests that stock price reactions to earnings updates will again be volatile. But it's not all negative – the fact that earnings expectations have already been downwardly revised does leave scope for potential upside surprise from some companies. We see this as being especially the case for companies that have been derated on AI disruption concerns (eg **SEEK** and **Light and Wonder**), and which are able to meet and provide reassuring guidance. The Healthcare sector also stands out for its relative underperformance over the last few years and given where valuations are many companies (e.g. **CSL, ResMed**) now screen reasonably cheap meaning any positive new could see outsized moves in share prices.

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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 to 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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