SG HISCOCK & COMPANY

SGH High Conviction Fund

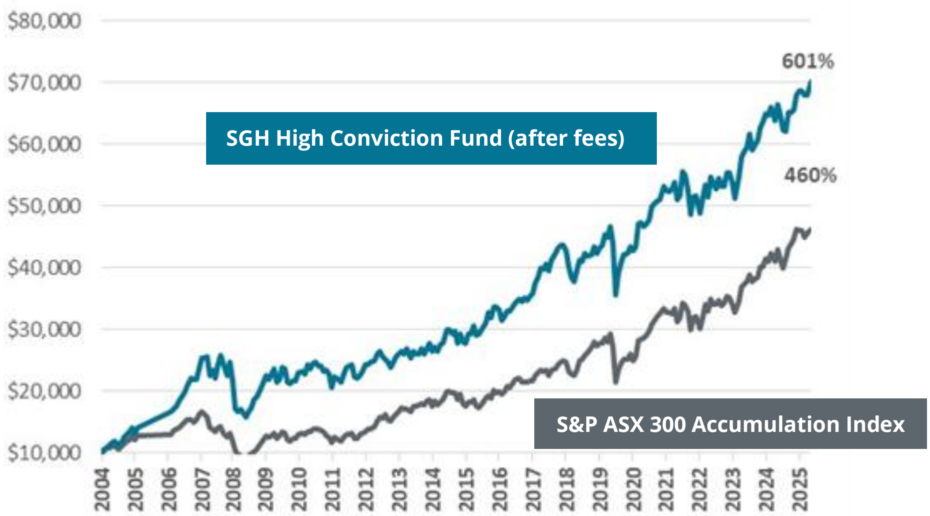
31 January 2025

Performance[1]	Total Net Return	S&P/ASX300 Accum. Index	Fund vs Index
1 month (%)	3.28	1.72	1.56
3 months (%)	2.35	0.39	1.96
6 months (%)	7.22	3.32	3.90
1 year (%)	5.72	7.76	-2.04
3 years (% p.a.)	9.00	9.77	-0.77
5 years (% p.a.)	8.89	10.10	-1.21
7 years (% p.a.)	8.88	10.15	-1.27
10 years (% p.a.)	9.44	10.12	-0.68
Inception (% p.a.)	9.73	8.44	1.28

[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 Cumilative 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	$14M
Dividends payable	Biannual
Buy/sell spread	+0.25/ -0.25%
Minimum initial investment	$20,000
Base currency	AUD
APIR	ETL0042AU
Domicile	Australia
	Unit price
Application	$1.5013
Net Asset Value	$1.4976
Withdrawal	$1.4939
	Distribution cpu
30-June-24	9.7312
31-Dec-24	1.8858
30-June-25	12.380

[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

For more information visit the **Fund webpage** or the **News & Views section** of our website.

Portfolio performance

In January, the portfolio returned 3.28% net of fees, outperforming the ASX300 Accumulation Index by 1.56%, which returned 1.72%.

The top contributors and detractors to portfolio performance were:

Top Contributors	Contribution	Top Detractors	Contribution
BHP Group	0.90%	SEEK	-0.34%
South32	0.85%	Aristocrat Leisure	-0.25%
Northern Star Resources	0.38%	Cleanaway Waste Mangement	-0.16%
Genesis Minerals	0.30%	Generation Developments Group	-0.16%
Capstone Copper	0.28%	Vicinity Centres	-0.15%

You couldn't make this stuff up. Another month, another four weeks overwhelmingly impacted by the unpredictability of US President Trump.

Key during January were Trump's pronouncements about Greenland, but US intentions regarding Iran also added to investor uncertainty as did a lack of clarity regarding who might be the next Chair of the US central bank. The market outcome of this uncertainty was a huge rally in key alternatives to the US dollar – specifically precious metals (gold, silver and platinum) – a rally only punctuated on the last day of the month with the announcement of Trump's intention to nominate ex-Fed Governor Kevin Warsh for the role as Chair of the US Fed.

In the midst of the huge rally in metals prices, most global equity markets produced positive returns over the month with better performing markets including US small caps (Russell 2000 index) and Japan (boosted by expectations that the new Prime Minister will implement stimulatory policies if re-elected in upcoming elections).

Returns to 31 January 2026	1m (%)	3m (%)	1yr (%)
S&P ASX 300 Index	1.7	-0.1	4.4
S&P ASX 300 Accum Index	1.7	0.4	7.8
US S&P 500	1.4	1.4	14.9
FTSE 100	2.9	5.2	17.9

Source: Iress, Bloomberg,

Australian equities finished January 1.7% higher, despite a month-end fade. Performance was led by the Energy (11.1%) and Materials (9.4%) sectors with the later the largest contributor to the index rise. Technology lagged significantly (-9.1%) and Small Cap companies were preferred over large, extending rolling 12-month leadership to 16.8%. Australia fared well relative to global peers supported by a 4.4% AUD appreciation tailwind, trailing only emerging markets for the month.

The strength in Materials and Energy reflected strength in underlying commodity prices and positive sentiment around supply-demand dynamics and rising geopolitical tensions and risks. Gold was the clear standout performer again as it rose 9.3% to US$4,745/oz. Following on the same thematic energy markets also rebounded sharply, with Brent oil increasing 16.1% to US$70.7/bbl. Within the industrial metal complex zinc and copper were up 9.1%, and 6.9% respectively reflecting improving manufacturing sentiment and the continue structural shift in electrification demand being fuelled by decarbonisation and growth in data centres to service artificial intelligence.

Broadly speaking, Australian equities are heading into the February reporting season with improving earnings momentum, underpinned by a surge in commodity prices and earnings upgrades across the resources sector. While the overall earnings outlook appears positive, cost pressures will likely remain a key theme, particularly for companies with limited pricing power, with rising wages, energy and input costs continuing to challenge margins.

In the technology sector, concerns around returns on AI investment could weigh on sentiment towards the sector - even when disruptive technologies are transformative and the longer trend is very likely extremely positive, initial euphoria usually gives way to a focus on cashflows and return on investment, and it's then that share prices can suffer setbacks.

As in every reporting season, management commentary is expected to be closely scrutinised, with many companies entering reporting season under new leadership following a period of unusually high CEO turnover over the past six months (CAR, REA, TWE, EDV, DMP, RIO and S32).

Capital management may prove to be another key differentiator - with the market's dividend yield sitting at around 3.2%, (below the long-term average), investors are likely to highly prize sensible yield enhancing measures via capital management.

From a portfolio perspective our Materials exposures again performed strongly during the month. Our positioning in base metals through **South32 (S32 +29.8%)**, **BHP (BHP, +11.7%),** and **Capstone Copper (CSC, +9.2)** all contributed well, while our gold exposures in **Northern Star Resources (NST, +8.3%)** and **Genesis Minerals (GMD, +4.7%)** also outperformed.

Late in the month **ResMed (RMD, +4.5%)** reported its second quarter FY26 result which showed continuing good momentum in its obstructive sleep apnea CPAP business. The result itself came in ahead of consensus expectations, but encouragingly there was continuing evidence demand remains robust and ongoing gross margin expansion. The company has just launched two new masks products and talked positively to how it is embracing AI to help better diagnosis and match patients to their products. Importantly, the company also re-confirmed CPAP medical devices have been excluded from the recent round of US competitive bidding pricing and is exempt from US tariffs. Fundamentally we continue to see ResMed as very well positioned given its scale and product leadership position. It has been a little frustrating that despite now posting three or four good results in a row the stock price has done little and been weighed down by GLP-1 obesity drug concerns. If anything, the evidence so far, is that GLP-1's are growing the total addressable market and funnel for new patients. We continue to remain confident in ResMed's ability to deliver double digit earnings growth and further margin expansion over the next few years, and underlying latent value in the share price.

SEEK (SEK, -9.3%) was the largest detractor during the month caught up in the concerns around how AI could impact more traditional technology providers including online digital classifieds. In our view, the Australian classifies are generally well placed to withstand AI-related threats, with high levels of organic-direct traffic, an established audience base, vertical specialisation, unique inventory and proprietary data and market leading positions. We see domestic employment volumes starting to bottom, which suggests we are reaching an inflection point for the stock. Coupled with the opportunity to further flex prices and yield we think the up-and-coming result provides a potential catalyst for a re-rating post the recent share price weakness.

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.

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