SGH SG HISCOCK & COMPANY

SGH Opportunities Fund

31 March 2024

Performance[1]	Total Gross Return	S&P/ASX Small Ordinaries Accum. Index	Total Gross Return vs. the Index
1 month (%)	4.14	4.79	-0.65
3 months (%)	3.19	7.55	-4.36
6 months (%)	5.26	16.71	-11.45
1 year (%)	4.87	13.83	-8.96
3 years (% pa)	-0.07	2.72	-2.79
5 years (% pa)	10.64	5.43	5.21
Inception (% pa)	8.21	6.76	1.44

Past performance is not a reliable indicator of future performance.

Top 10 Holdings at 31 March 2024	%
Austin Engineering Ltd	3.71
Marketplacer Holdings Limited	3.00
Emerald Resources NL	3.00
Genesis Minerals Ltd	2.97
Generation Development Group	2.94
MMA Offshore Limited	2.93
Calidus Resources Placement	2.88
IPD Group Ltd	2.59
NCS Custody AUD - Current A/c	2.45
Netwealth Group Limited	2.33

Top 10 holdings represent 28.79% of the total Trust

1 The gross return is the net return calculated using unit price before performance fees, the grossed up for managemnt fees. All returns greater than 1 year are annualised.
2 Includes estimated GST payable, after taking into account Reduced Imput Tax Credits ('RITC').
3. Performance fee is 20.50% of the amount by which the Trust's performance exceeds tyhe performance hurdle (S&P/ASX Small Ordinaries Accumulation Index). Any underperformance from a prior period must be recouped before a fee can be taken (we call this the High-Water Mark).

Key Facts

Investment manager	SG Hiscock & Company Ltd (SGH)
Inception date	1 Jan 2017
Qualifying investors	Wholesale clients
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Management costs[2]	1.03%
Performance fee[3]	20.50%
Distribution payable	Annual
Buy/sell spread	+0.35/ -0.35%
Minimum initial investment	$25,000
Base currency	AUD
APIR	DMP6133AU
Domicile	Australia
	Unit price
Application	$1.2833
Net Asset Value	$1.2788
Withdrawal	$1.2743
	Distribution cpu
30-Jun-21	14.60
30-Jun-22	4.38
30-Jun-23	0.39

Investment Objective

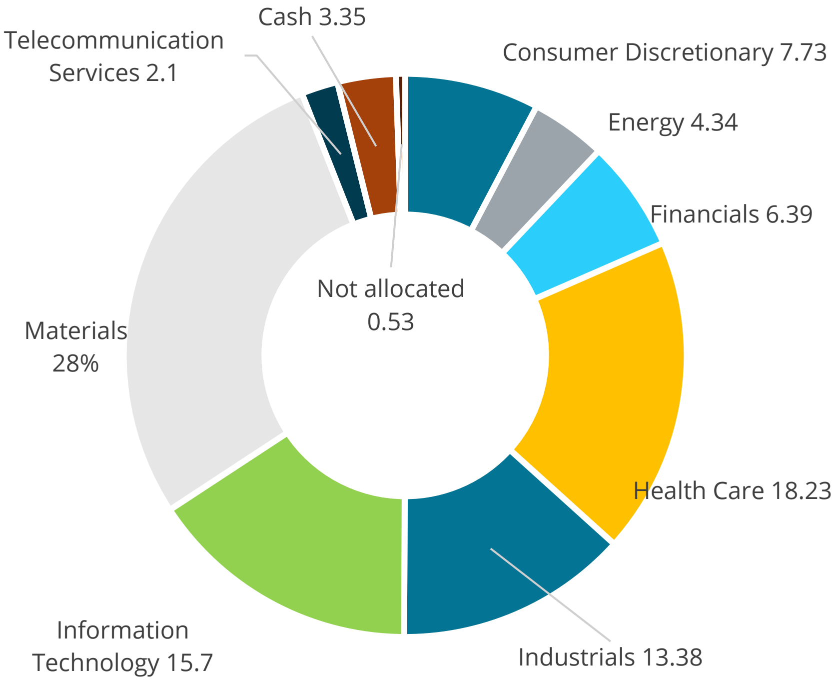
Designed to provide medium to long-term capital growth potential and seeks to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling 3-to-5-year periods after taking into account trust fees and expenses.

Investment Held

The Trust will primarily invest in companies that are listed on the ASX and reside outside the S&P/ASX 100.

Asset Allocation

Sector Exposure at 31 March 2024	Current Portfolio Weights (%)
Consumer Discretionary	7.73
Energy	4.34
Financials	6.39
Health Care	18.23
Industrials	13.38
Information Technology	15.70
Materials	28.26
Telecommunication Services	2.10
Cash	3.35
Not allocated	0.53
Total	**100.0**



Commentary

The Trust's better performing stocks during March included: Paragon Care (+51.2%), Dimerix (+46.3%), Veem (+33.3%), Meteoric Resources (+32.4%) and Spartan Resources (+31.0%).

Stocks that underperformed during March Included: Southern Palladium (-20.5%), Lumos Diagnostics (-19.7%), Synertec Corporation (-18.5%), Island Pharma (-17.8%) and Close the Loop (-16.9%).

Resurgent Resources

The soft-landing narrative dominated financial markets during March, with most major global risk assets posting above average returns. A continuation of 'risk on' sentiment led to a rally across global equity markets.

Looking to our benchmark, the S&P/ASX Small Ordinaries Accumulation Index, March represented a reversal of fortunes for sub-indexes to close out the quarter. **The S&P/ASX Small Resources returned 8.2% during March while the S&P/ASX Small Industrials returned just 2.8%, at odds with the trends observed during January and February**. Gold was the standout sector during March, with the S&P/ASX All Ordinaries Gold Index returning +16%.

The furious rally in gold has somewhat taken financial markets by surprise, with equity market investors looking like they are still substantially underweight. It is starting to look as though financial markets are wondering whether the Fed is being too dovish in the face of strong growth and resurgent inflation. It is plausible to say that the Fed has its hands tied by the weakness in the regional banking sector, meaning they risk a financial crisis if they hike further on the back of resurgent inflation. In the meantime, there exist increasing concerns that inflation will continue to impact real returns from conventional financial assets and this is driving a flood of capital into "real assets".

One of our largest portfolio holdings MMA Offshore (ASX:MRM) returned +21.9% during the month after announcing a scheme implementation deed with Cyan Renewables. Cyan is Asia's first dedicated offshore wind vessel operator in a burgeoning industry. The Scheme price is $2.60 per share in cash and shareholders will have the opportunity to vote on the scheme in late June to mid-July 2024. You will recall from our discussions earlier in the month, that MRM's exposure to offshore wind development in South-East Asia was a key tenet of our investment thesis. While the takeover comes as validation of this thesis, we also believe it undervalued the business in the medium-term given the potential for significant day-rate increases once offshore wind developments come online in Taiwan and South-Korea.

Continuing the topic of acquisitions, health care product distributor, Paragon Care (ASX:PGC), which represents one of our long-tail positions, has been acquired by Clifford Hallam Healthcare (CH2) via a reverse merger. The combined business is expected to deliver revenues of $3.3 billion and EBITDA of $93m with a current market enterprise value of c.$700m. This places the merged company on a 7.5x EV/EBITDA multiple which screens favourably to listed peers such as EBOS Group (ASX:EBO) trading at 12.4x FY24 EV/EBITDA. We also note that PGC's chequered recent history has been driven by poor management execution and therefore we welcome David Collins' role as CEO moving forward. David has driven success at CH2 via both organic and inorganic growth, while also driving industry leading returns on capital. There exist plenty of near-term opportunities for the merged business and we expect to see strong earnings momentum drive a multiple re-rate.

US-based dermatology company, Botanix Pharmaceuticals (ASX:BOT), returned +32.4% during the month as they approach their potential FDA approval date in June 2024. BOT is on the cusp of commercialising its lead product, Sofpironium Bromide. This topical treatment addresses Axillary Hyperhidrosis, a medical condition that results in excessive armpit sweating, impacting circa. 16M people in the US alone. Importantly, the asset has already been commercialised in Japan and has demonstrated substantial success through a licensing agreement, generating circa. 170k annual patient subscriptions. When framing this in terms of potential upside for BOT, comparable assets retail for US$500-$700/script in the US market, with an immediate patient population of 3-4m who fall into the "severe" category of the condition alone, requiring 12 scripts/annum. This comes to a Total Addressable Market (TAM) of $24bn in the US.

While BOT was initially on track for FDA approval in September 2023, they received a "Complete Response Letter" (CRL) from the FDA detailing a requirement to update the patient instructions provided with the product. Importantly, no clinical efficacy, safety, pharmacology, non-clinical or manufacturing issues were raised, and no additional clinical studies were required by the FDA to support future NDA approval. Given the benign requirements from the FDA, we subsequently increased our position at 13c following the share price pull back, which we saw as nothing more than impatience among market participants. Having met with management in March, we remain confident in their ability to execute the launch strategy given their extensive experience in the US dermatology market and strategic preparation to ensure key relationships and distribution networks are in place before FDA approval in July.

Investment Guidelines

The Investment Manager will use the following guidelines when selecting investments for the Fund:

- The portfolio will generally hold 60 to 80 stocks with a minimum of 40 stocks.
- All stocks will reside outside the S&P/ASX 100 upon initial investment.
- Cash maximum 20%; equities 80-100 %.
- The Trust will be permitted to invest up to 10% of the Trust's assets in unlisted securities – but those unlisted securities must be expected to be quoted on the ASX within a 12-month period.
- The investment in any one company will not be more than 10% of the market value of the Trust's assets.
- Maximum shareholding in any one company is 10% of its market capitalisation.
- The Trust may use derivatives for risk management purposes, as substitutes for physical securities, and
- The Trust will not be geared.

All stocks on initial purchase will be outside the S&P/ASX 100. Should a stock, via growth, be included in the S&P/ASX 100 Index, SGH is able to hold this stock for a period of no greater than twelve months. SGH will immediately develop an exit plan for any stock that reaches the top 50.

Environmental Social & Governance (ESG)

Environmental

- No coal mining.

Social

- No direct tobacco production.
- No direct gambling.
- No direct predatory or pay day lending.
- No direct controversial weapons manufacturing.[5]
- No live animal exports.
- No adult entertainment[6] industries.

Governance

- No poor occupational health and safety records.[7]
- No investment in companies displaying a pattern of not disclosing related party transactions.
- No excessive use of non-executive options.

[4]Predatory and payday lending includes very high interest rate loans, often carrying excessive fees and terms such as unreasonable repayment requirements.
[5]Any controversial weapons which are prohibited under applicable international treaties or conventions.
[6]Adult entertainment industries include live adult entertainment and pornography.
[7]Poor occupational health and safety records includes notifiable workplace incidents or accidents.

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