SGH High Conviction Fund — 30 June 2023

SG HISCOCK & COMPANY

Investment objective	The Fund invests in a concentrated portfolio of Australian stocks that aims to offer long-term returns in excess of the S&P/ASX 300 Accumulation Index (after fees).		
Investments held	A portfolio of 15 to 30 stocks that are listed on the Australian Securities Exchange.		
Investment Manager	SG Hiscock & Company Limited	**APIR**	ETL0042AU
Commencement	28 October 2004	**mFund Product Code**	SHF01
Management costs[1]	0.90% p.a.	**Buy spread**	+0.25%
Performance Fee[2]	15%	**Sell spread**	-0.25%
Minimum initial investment	$20,000	**Fund size**	$19.66 million

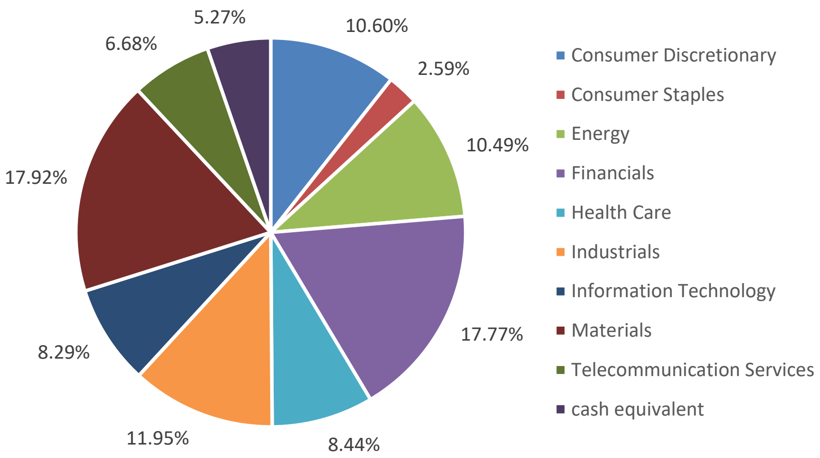
Unit Price $	Application	Net Asset Value	Withdrawal
	1.4892	1.4855	1.4818

Performance[3]	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Inception % p.a.
Distribution Return	3.72	3.76	3.86	5.14	9.31	8.83	7.53
Growth Return	-3.81	-2.74	-0.20	4.77	-0.79	-4.24	1.94
Total Net Return	-0.09	1.02	3.66	9.91	8.52	4.59	9.47
S&P/ASX300 Accumulation Index	1.73	0.99	4.36	14.40	11.07	7.12	7.93
Total Net Return vs. the Index	-1.82	0.03	-0.70	-4.49	-2.55	-2.53	1.54

Past performance is not a reliable indicator of future performance.

Distribution Period	31-Dec-21	30-Jun-22	31-Dec-22	30-Jun-23
Distribution rate (cents per unit)	3.0211	19.8711	1.4301	5.5247

Asset allocation



Top 5 holdings

BHP Billiton Limited

CSL Limited

Chorus Ltd

Woodside Energy Group Ltd

NextDC Ltd

Top 5 holdings represent 34.67% of the total Fund.

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. Effective 1 December 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
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.

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Quarterly Commentary

The portfolio returned 1.02% (net) during the quarter outperforming the benchmark by +0.03% but struggled to keep pace over the 12 months to 30 June returning 9.91%.

By historical standards the market rally over the last 12 month has been 'narrow' with 75% of the ASX Index performance driven by the Materials, Financials, and IT sectors.

Looking ahead into the second half of 2023 we expect financial conditions will continue to tighten due to higher interest rates and living costs. This is likely to result in an uneven economy and ongoing earnings and returns dispersion, necessitating being selective and active in managing the portfolio and focusing on quality businesses and their fundamentals, rather than trying to predict macroeconomic outcomes.

The US construction boom, energy transition, Australia's surging migration and persistence in inflation are providing strong tailwinds and investment opportunities for a number of companies in the portfolio despite the broader economic uncertainty, which we discuss further in this report.

In the June quarter NextDC, James Hardie and AUB Group contributed strongly, while BHP, IDP Education and Treasury Wine Estates were the major detractors.

During the quarter we added AUB Group to the portfolio and added to existing positions in Genesis Minerals, QBE Insurance and Worley.

A narrow market rally & AI euphoria

It is fair to say, equity markets have been incredibly resilient in the face of monetary tightening, with individual stock positioning key in driving portfolio returns given the high level of sector returns dispersion.

By historical standards the market rally has been 'narrow'. This has been most evident in the US, with the Nasdaq and S&P500 up 32% and 16% respectively in the last 6 and 12 months, and five mega cap technology stocks (Apple, Microsoft, Nvidia, Amazon and Meta) in the S&P500 accounting for 62% of Index performance. This is down from 88% since the beginning of June, but still very skewed.