

 **H & G**
HIGH CONVICTION

ASX: HCF

Investor Presentation

March 2023

“The intelligent investor is a realist who sells to optimists and buys from pessimists.”

- Benjamin Graham (Warren Buffett’s mentor)

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Historical information

Past performance information in this presentation is given for illustrative purposes only and should not be relied upon as, and is not, an indication of future performance.

Long-term market outperformance

Pre-tax performance as of 31 January 2023	3 months	12 months	2 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a
HCF Pre-Tax Total Return*	15.7%	18.9%	17.2%	8.9%	9.6%	7.9%
ASX Small Ordinaries Accumulation Index	7.6%	-4.4%	1.0%	8.4%	5.4%	1.2%
Relative performance	+8.1%	+23.3%	+16.2%	+0.5%	+4.2%	+6.7%

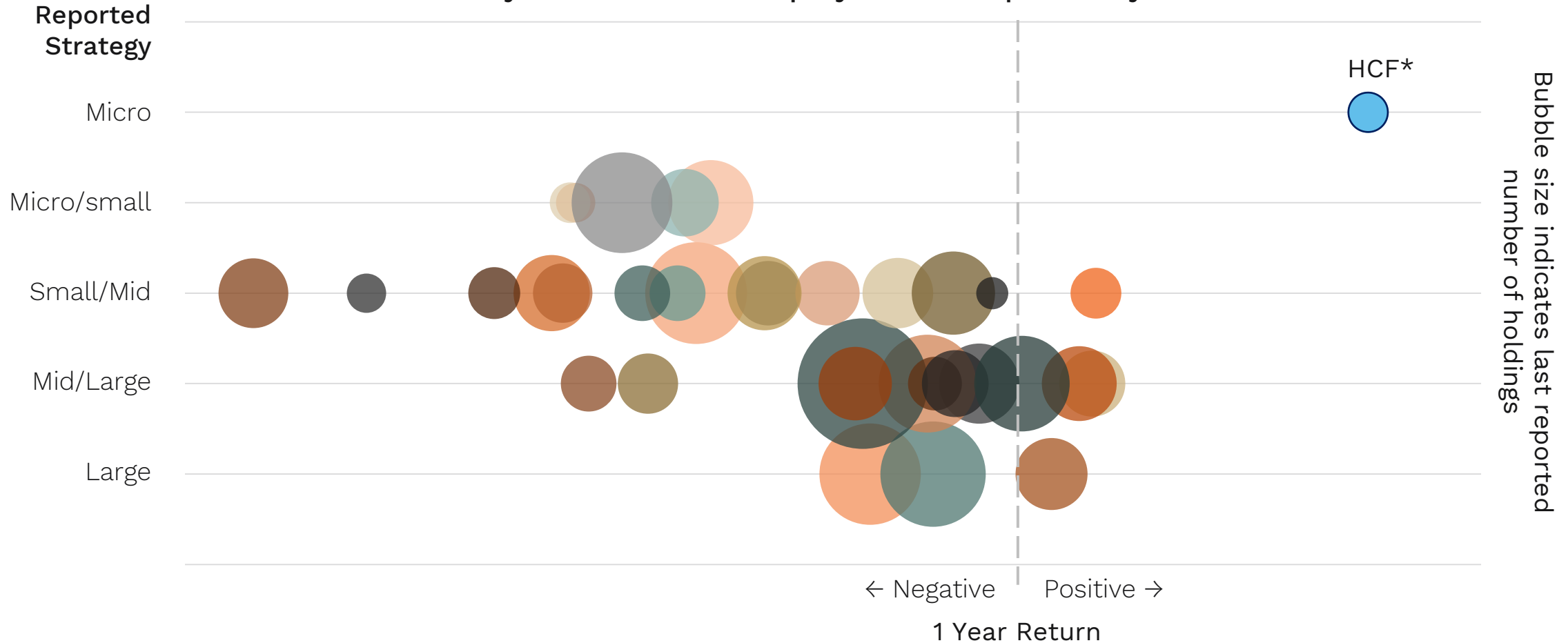
Investment team under H&G Investment Management

*Performance data, as applicable, includes the original vehicle, H&G High Conviction Fund, launched in November 2007, until 23 June 2022, and the performance of H&G High Conviction Limited since 23 June 2022. Performance of H&G High Conviction Limited is calculated monthly as profit before taxation divided by opening net assets (adjusted for capital movements and dividends during the month, if any).

Historical performance is not a guide to future performance.

Where we fit in the LIC landscape

The thirty-four Australian equity LICs as reported by Bell Potter & HCF



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Sources: Bell Potter Weekly LIC Report 17 February 2023; LIC ASX Announcements and Annual Reports; HGIM internal data.

1 Year Return as at 31 January 2023, calculated as change in pre-tax NTA. Number of holdings as at most recent annual report of LIC.

Point of difference & alignment



UNIQUE POINT OF DIFFERENCE

Access to the knowledge, experience and networks of H&G



DEEP VALUE

Concentrated portfolio of overlooked and undervalued companies with limited broker coverage



ACTIVE ENGAGEMENT

Close relationship with management & board including strategic collaboration where necessary



PROVEN TRACK RECORD

Long-term superior returns over the cycles and regular distributions to investors



TIGHT & SUPPORTIVE REGISTER

Constable family holds 26% of HCF, H&G holds 7%, top 20 own > 80%



MODEST COSTS

1% management fee & an absolute benchmark of 5% meaning no performance fees on negative returns



PERFORMANCE FEE INCENTIVE

20% of above benchmark returns with a high-water mark only paid out semi-annually, incentivises positive performance



Attractive businesses at attractive prices

We invest in and actively engage with undervalued microcap companies

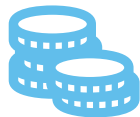
The opportunities we seek

What we do



Significant mispricing

Intensive due diligence across entire universe of microcaps to unearth select bargains



Discounts to inherent value

Thorough research to invest with increased **margin of safety** and **informational edge**



Lack of scale and capital

Invest through **recapitalisations** and use **H&G network** to assist with broader market engagement



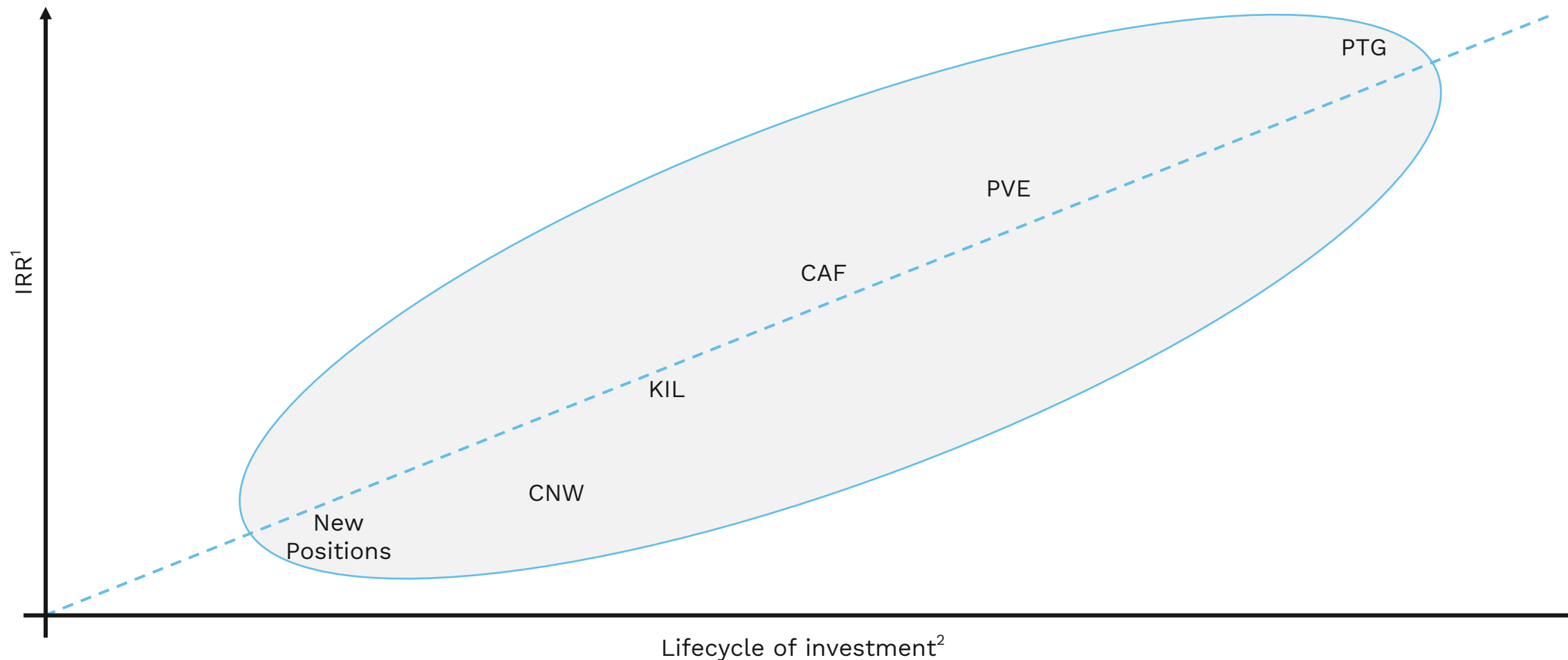
Ability to enhance value

Closely engage with directors and management to help **drive shareholder returns** including joining boards where constructive



A selected portfolio of companies on a journey

Every firm has its own needs, return/risk, and time to maturity



1. IRR is presented as a notional concept; no exact figure should be inferred from positioning on this axis. Includes realised and unrealised returns.
2. Lifecycle of investment is also presented as a notional concept and no guarantee of time-frame should be inferred from positioning on this axis.

Team available to HCF

A lifetime of experience

GOVERNANCE & INVESTMENT COMMITTEE



30 YEARS
EXPERIENCE

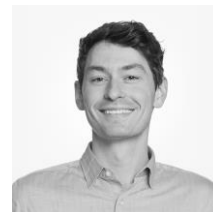
DAVID GROVES
CHAIRMAN



25 YEARS
EXPERIENCE

NICHOLAS ATKINSON
DIRECTOR &
INVESTMENT DIRECTOR – H&G

PORTFOLIO MANAGEMENT



8 YEARS
EXPERIENCE

JOSEPH CONSTABLE
DIRECTOR & PORTFOLIO MANAGER



4 YEARS
EXPERIENCE

ARTHUR FOKSCHANER
SENIOR ANALYST

PLUS, THE WIDER H&G GROUP



30 YEARS
EXPERIENCE

SANDY BEARD
CHAIRMAN – H&G & HGIM



12 YEARS
EXPERIENCE

PHILLIP CHRISTOPHER
INVESTMENT DIRECTOR – H&G



Last time we were in front of you

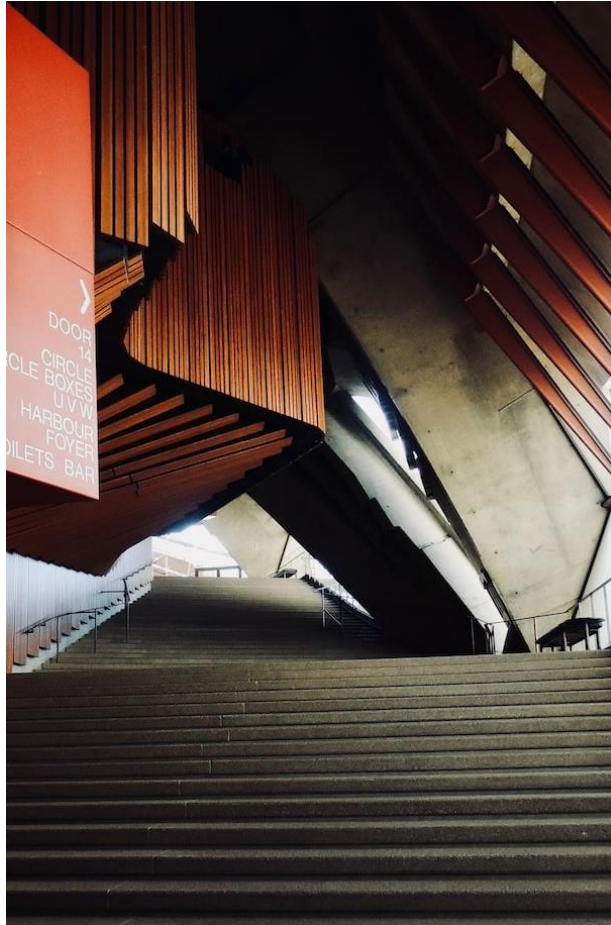
Achieving targets we set and explanations for where we have missed

What we said	What we've done
Take advantage of “tech wreck” in mid-late 2022	Invested \$1m into Proptech (ASX: PTG) , which subsequently attracted a takeover bid and produced a realised 230% IRR
Invest in two new target companies, one in telecommunications, one in primary industries	Invested \$1m into Cirrus Networks (ASX: CNW) , which has produced an unrealised 25% IRR to date; accumulating primary industries target
Look out for recapitalisations and new opportunities	50+ meetings with companies and 4 new positions opened in the portfolio
Top up existing holdings at attractive prices	Around \$0.8m deployed into stocks that made up top 5 holdings at 1 July 2022
Raise \$10-20m and list on the ASX	Raised \$5.2m in a challenging IPO environment; listed successfully on 25 October 2022 & since deployed \$2.2m
Aim to pay dividends to HCF shareholders	Announced inaugural interim dividend of 2 cents per share
Maintain transparency and engage regularly with investors	Participated in multiple investor-community interviews; marketing post-results includes webinar and upcoming investor briefings



Why buy shares in HCF?

Continuing our strong momentum



Exposure to **overlooked and undervalued companies** portfolio managed by **specialists in microcap investing**

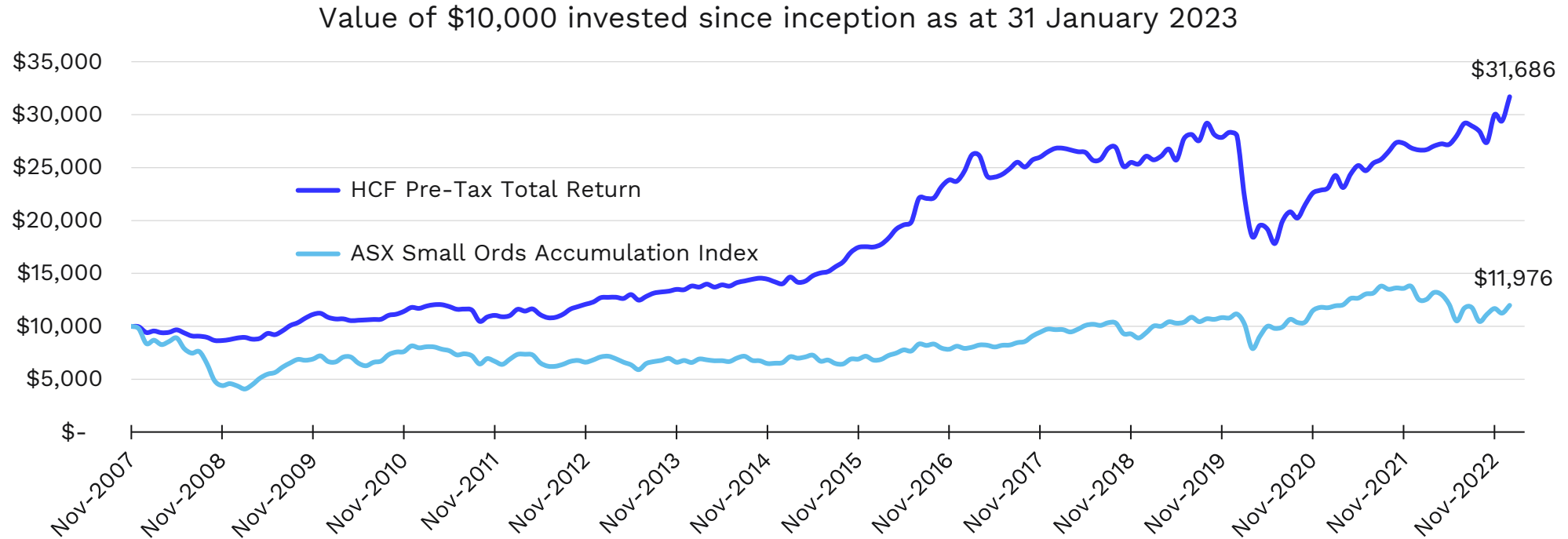
Intention to pay **fully franked dividends**

Investing cash in a **buyer's market** following 2022 microcap sell-off with numerous recapitalisation opportunities

HCF strategy complementary amid volatile markets and poor index returns



Thank you for your time



*Includes the original vehicle since inception, H&G High Conviction Fund, launched in November 2007, and the pre-tax performance of H&G High Conviction Limited from 23 June 2022. The strategy of investing in micro capitalisation listed equities has remained consistent.

Historical performance is not a guide to future performance.

Get in touch with further questions anytime!

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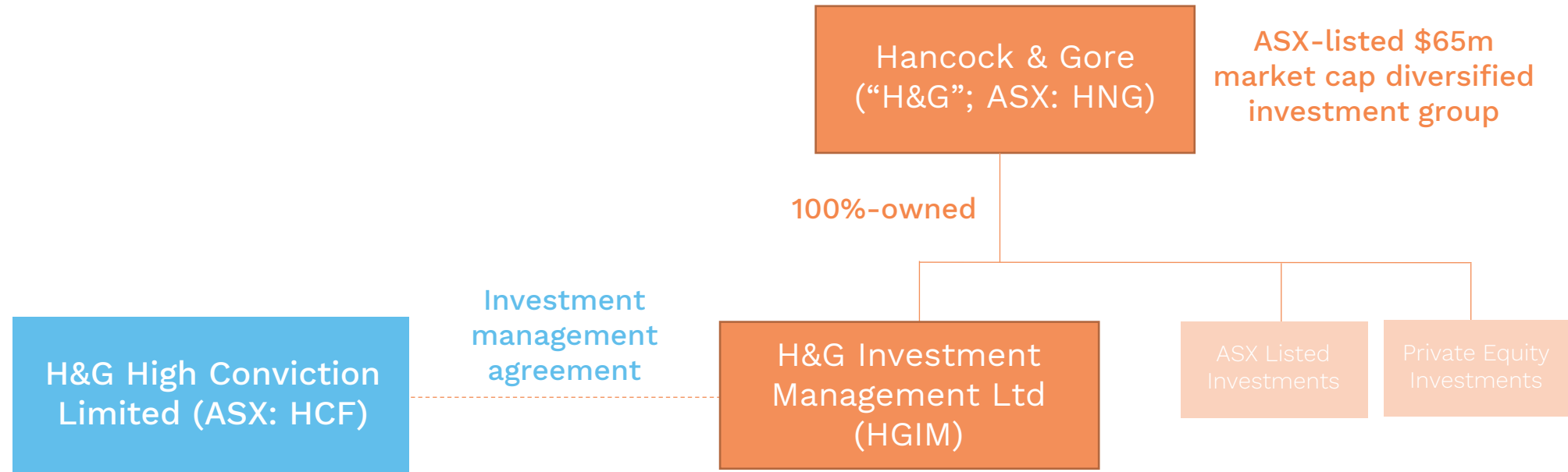




APPENDICES

1. **Structure and fees**
2. **Portfolio overview**

Structure and Fees



Management fee	1% of gross asset value plus GST p.a. paid monthly in arrears
Performance fee	20% of pre-tax benchmark outperformance, with a highwater mark, paid semi-annually
Benchmark	5% p.a.

Portfolio Overview

As at 28 February 2023

Top Holdings	% of Gross Portfolio
Po Valley Energy	15.6%
Kiland	12.3%
Centrepont Alliance	7.7%
Hillgrove Resources	4.2%
Cirrus Networks	4.1%
FOS Capital	2.6%
Connexion Telematics	2.5%
Ensurance	2.4%

Primary exposures as a percentage of total equities allocation

