

**Highlights during the quarter:**

- Declared fully franked dividend of \$0.02 per share
- Invested 11% of FUM into existing holdings and new microcap companies
- Two portfolio companies received takeover bids at significant premiums – Cirrus Networks and Ensurance
- Positive quarterly return of 1.4% after all fees in the context of a falling market

**Pre-Tax Net Assets Per Share:**

**\$1.073**

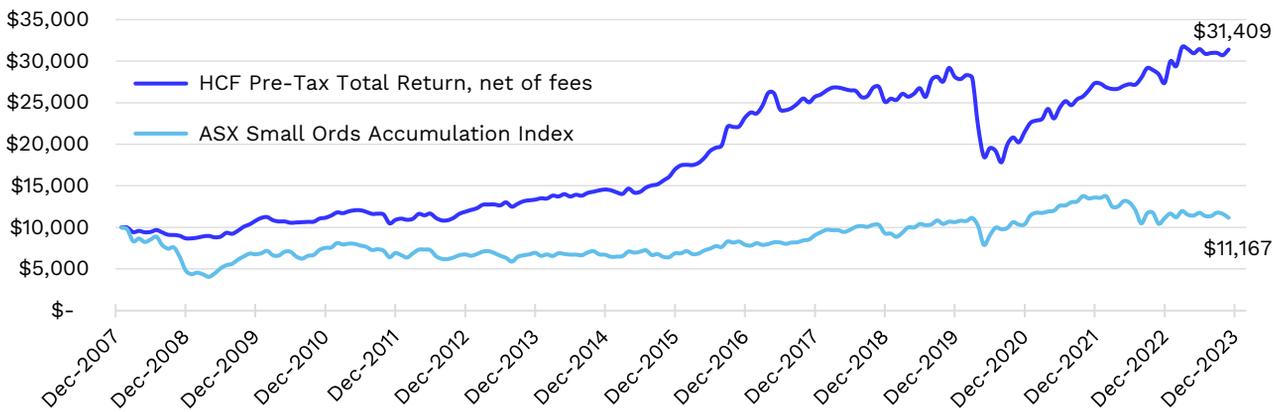
At 30 September 2023

**Current Market/Share Price:**

**\$0.95**

At 10 October 2023

**Value of \$10,000 invested since inception as at 30 September 2023**



\*Performance data is after all fees and 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). Past performance is no guarantee of future returns.

**Commentary**

The H&G High Conviction Limited (HCF) portfolio returned 1.4% after all fees for the September 2023 quarter during challenging market conditions, with the ASX Small Ordinaries Accumulation Index down 1.9%.

The main contributors to HCF’s performance were Cirrus Networks (CNW) (79% return), Centrepont Alliance (CAF) (24% return) and Anagenics (AN1) (35% return). These were offset by a 42% decline in Po Valley Energy (PVE).

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**I encourage new, existing and prospective investors to book an appointment to access the portfolio management team should they have any questions about the company’s holdings, strategy and policies.**

[Book yourself a meeting now!](#)

**Joseph Constable**  
Executive Director & Portfolio Manager



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During the quarter, HCF invested 11% of FUM into existing and new holdings, taking advantage of the continued sell-off in microcap companies.

HCF continues to look for opportunities to deploy its capital into securities that: (i) offer significant potential return; (ii) have limited downside due to a high margin of safety; and (iii) are run by an aligned board and/or management.

## Update on portfolio

During the quarter, two of our holdings received takeover bids: **Cirrus Networks (CNW)** and **Ensurance (ENA)**.

We first purchased a meaningful stake in CNW in August 2022 and outlined our thesis in our [September 2022 quarterly report](#). The company received a takeover bid from a competitor in September 2023 at an attractive premium. We have since sold our holding on market, crystallising a total return of 73%.

Additionally, ENA received a takeover bid from a competitor in August 2023 at a 27% premium to our cost base. We acquired ENA shares between July 2021 and June 2023. We have since sold most of our shares.

This validates our thesis that the recent sell off in microcaps has left numerous companies trading at significant discounts to their inherent value. While the market is not reflecting this value, industry players or private equity firms are willing to step in. We believe this trend could continue, especially in the context of a weak Australian dollar, which makes takeover targets more attractive for overseas institutions.

**Kiland** (KIL; 12% of HCF) shares decreased by 4% during the quarter. KIL continued the redevelopment of its 14,500 hectares of tree plantations into agricultural land in addition to its carbon removal biochar project.

The company's land was revalued upwards by 29% by independent experts as part of the full year results announced in August.

**Eildon Capital Group** (EDC; 11% of HCF) shares decreased by 2% during the quarter. EDC, whose operations primarily involve lending money to property developers, is a relatively new investment for HCF. The company's shares trade at a 15% discount to their net tangible asset value.

HCF had the conviction to build its position and become a substantial shareholder following a takeover bid for EDC by Samuel Terry Asset Management (STAM) and their subsequent gaining of control.

We are confident STAM will help bridge the gap between market value and EDC's net tangible asset value, which comprises 29% cash and 41% short-term issued loans repayable in the coming months.

**Kinatico** (KYP; 8% of HCF) shares decreased by 3% during the quarter. The company released a solid set of annual results, with EBITDA up 58%, demonstrating the effectiveness of the turnaround begun under the current CEO. On an EV/EBITDA of 6x (based on the current earnings run-rate) the valuation remains low for a market-leading technology company.

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**Po Valley Energy** (PVE; 7% of HCF) shares decreased by 42% as European natural gas prices fell. We expect the volatility in this sector to continue. Meanwhile, we remain committed to helping drive returns for PVE shareholders with our board position.

**Outlook**

With markets erratic and microcaps unloved, attractive investment opportunities abound for HCF. We are building positions and intend to outline these in more detail when we are set.

As ever, please don't hesitate to reach out to us with any questions.

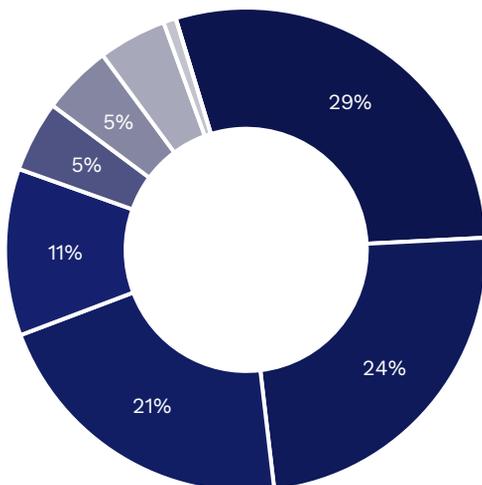
**“Heads, I win; tails, I don’t lose much.”**

— Mohnish Pabrai, *The Dhandho Investor: The Low-Risk Value Method to High Returns*

Performance as of 30 September 2023	3 months	12 months	2 years p.a.	3 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a.
HCF pre-tax total return, net of fees	1.4%	10.5%	8.9%	15.8%	5.1%	9.0%	7.5%
ASX Small Ordinaries Accumulation Index	-0.9%	8.0%	-8.5%	2.9%	4.5%	5.2%	0.8%
<i>Outperformance</i>	2.3%	2.5%	17.4%	12.8%	0.6%	3.8%	6.7%

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**Exposures as % of Equities at 30 September 2023**

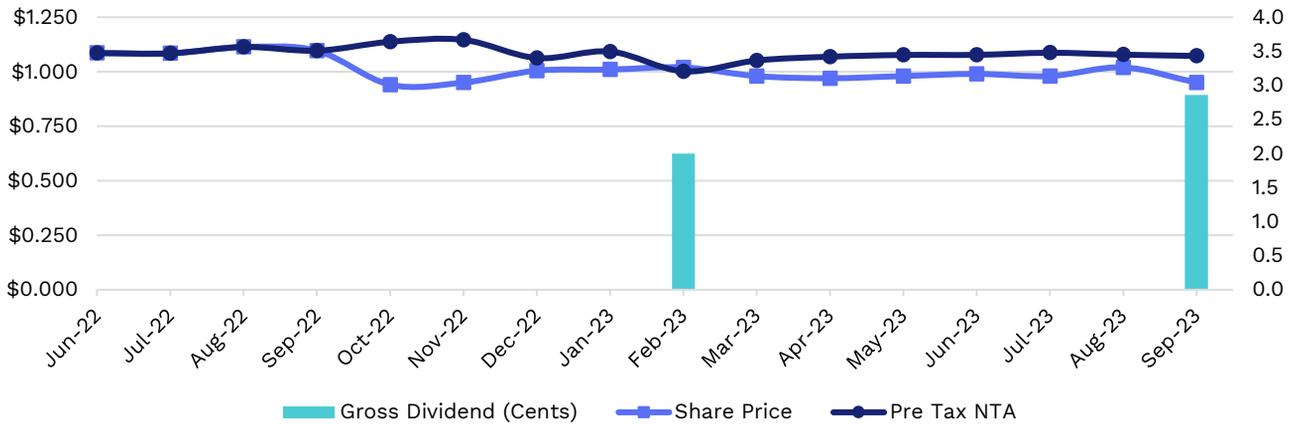


- Real Estate/Land, 29%
- Information Technology, 24%
- Financials, 21%
- Energy, 11%
- Consumer Staples, 5%
- Industrials, 5%
- Communication Services, 5%
- Utilities, 1%
- Agriculture, 0%



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Share Price vs Pre-Tax



Company Details	H&G High Conviction Limited
ASX Code	HCF
Company Type	Listed Investment Company
ISIN	AU0000236218
Shares on issue	25,059,428
Investment Manager	H&G Investment Management Limited
Management Fee	1% plus GST p.a.
Performance Fee	20% of benchmark outperformance, with a high watermark
Benchmark	5% compounding annually, absolute

**The Team:**



David Groves

Chair – H&G High Conviction



Nick Atkinson

Director



Joseph Constable

Portfolio Manager & Director



Sandy Beard

Chair – H&G Investment Management



Nishantha Seneviratne

CFO – H&G Investment Management



Arthur Fokschaner

Investment Manager

**Disclaimer:** This performance report has been prepared by H&G Investment Management Ltd (ACN: 125 580 305; AFSL: 317155) on behalf of H&G High Conviction Limited to provide you with general information only.

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