

**Highlights during the year:**

- HCF post tax NTA returned **5.2%** for FY24.
- Since HCF IPO, the portfolio generated returns of **8.8% p.a.** outperforming the ASX Small Ordinaries Accumulation Index return of 7.0% p.a.
- HCF added two new high conviction holdings to the portfolio over the year: **Veem Ltd and Coventry Group Ltd.**
- HCF deployed capital in the June quarter, with a closing cash weighting of 8.8% as at June 30, 2024 – the lowest level since IPO.
- Post-tax NTA per share of **\$1.042** (before dividend) as at 30 June 2024, compared to **\$1.030** as at 30 June 2023.
- We observed renewed interest in microcap equities, driven by recent takeovers and increased investor confidence.

**Pre-Tax NTA Per Share\*:**  
**\$1.073**

**Post-Tax NTA Per Share:**  
**\$1.042**

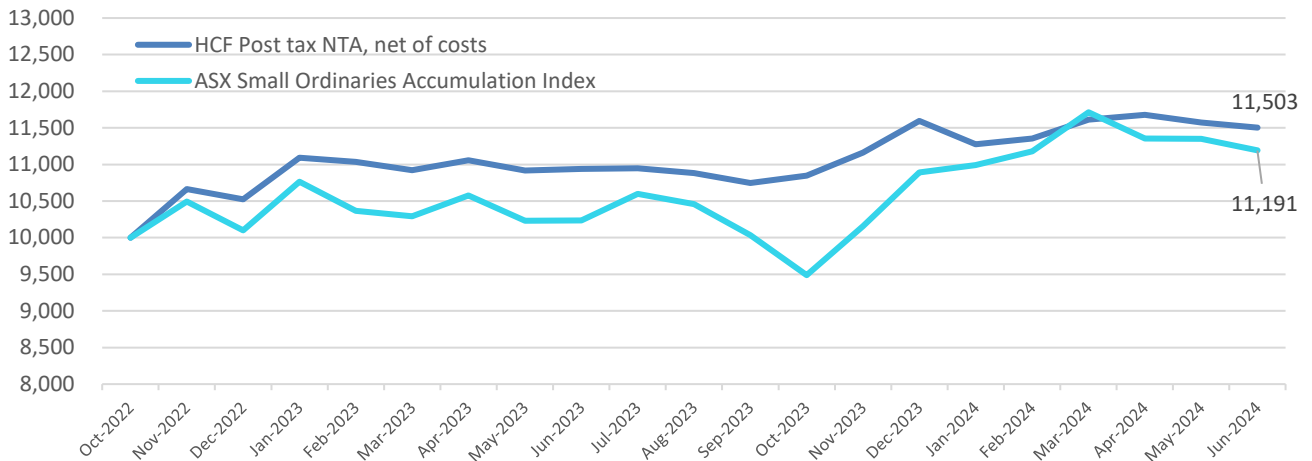
As at 30 June 2024

**Share Price:**  
**\$0.92**

As at 30 June 2024

\*before deferred tax on unrealised gains

**Value of \$10,000 invested since IPO as at 30 June 2024**



\*If \$10,000 was invested at IPO in Oct 2022, and if dividends were re-invested at post tax NTA over the period, the value of the investment at 30 June 2024 would be worth \$11,503. Past performance is no guarantee of future returns..

**Performance**

H&G High Conviction Limited (ASX: HCF, "HCF") post tax NTA for the June quarter returned negative 1% compared to the ASX Small Ordinaries Accumulation Index which returned negative 4.5%, outperforming by 3.5%.

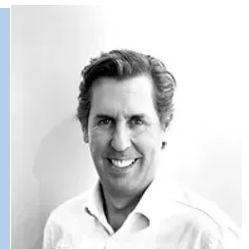
For the 2024 financial year, HCF delivered a return of 5.2%, compared to the ASX Small Ordinaries Accumulation Index return of 9.3%, underperforming by 4.1%. Whilst we acknowledge it is a disappointing result, this is also characteristic of the potential short-term volatility in select investments associated with HCF's strategy of a concentrated portfolio of Micro and Small caps investments. An overweight cash position throughout the year (average cash weighting 18%) also weighed on relative & absolute performance.

More detailed analysis of the portfolio is contained in this report.

**Top 5 Holdings (in alphabetical order)**

Code	Name
CVW	Clearview Wealth Ltd
CYG	Coventry Group Ltd
EDC	Eildon Capital Ltd
UBI	Universal Biosensors Ltd
VEE	VEEM Ltd

**Nicholas Atkinson**  
 Executive Director,  
 H&G High Conviction Ltd (HCF), H&G Investment Management  
 Portfolio Manager HCF



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## Commentary – June Quarter 2024

The June quarter proved to be a volatile period for the ASX. HCF decreased 1.0% over the period compared to the ASX Small Ordinaries Accumulation Index which returned negative 4.5%, outperforming by 3.5%.

Key contributors for the quarter included: long-held position **Po Valley Ltd (ASX: PVE +33%)** up on buoyant global energy prices and improving gas volumes/sales; **FOS Capital (ASX: FOS +33%)** rallied on upgraded profit FY24 profit guidance; and **Eildon Capital Group Ltd (ASX: EDC +7%)** returns from dividend income.

Key detractors for the quarter included: **Anagenics Ltd (ASX: ANI -44%)** weak due to tax loss selling negating positive news flow; **ARN Media Ltd (ASX: ARN -25%)** fell on weaker sentiment around the economy, challenges around advertising revenues & uncertainly around consolidation; and **Adrad Holdings Ltd (ASX: AHL -23%)** weaker on the back of a profit downgrade.

## Commentary – Financial Year 2024

For the 2024 financial year, HCF delivered a disappointing return of 5.2%, compared to the ASX Small Ordinaries Accumulation Index return of 9.3%, underperforming by 4.1%. Whilst we acknowledge it is a poor result, this is also characteristic of the potential short-term volatility in select investments associated with HCF's strategy of a concentrated portfolio of Micro & Small caps equities. An overweight cash position throughout the year (average cash weighting 18%) also weighed on relative & absolute performance.

Our strategic approach to portfolio management and a keen focus on high-conviction investments yielded sound results despite market volatility. Following the profitable realisation of some holdings & reinvestment into existing and new holdings, we ended FY24 with an 8.8% cash weighting. Portfolio cash position was the lowest level since HCF listed on the ASX. Following are more detailed insights on the key contributors and detractors for the year.

## Noteworthy contributors & detractors for FY24:

**VEEM Ltd (ASX: VEE +128%):** VEEM, a manufacturer of high-technology marine propulsion and stabilisation systems, was a very strong performer, driven by increased demand for its innovative products and the new Sharrow propeller opportunity. See more details on VEE in the "New High Conviction Holdings" section.

**Cirrus Networks Holdings Ltd (ASX: CNW +79%):** Our investment in Cirrus Networks, a managed service and IT solutions provider, paid off well after it was taken over by peer ASX-listed IT solutions business Atturra Ltd (ASX: ATA).

**Centerpoint Alliance Ltd (ASX: CAF +42%):** A provider of financial services, delivered strong returns, benefiting from favourable market conditions and strategic growth initiatives. CAF upgraded profit guidance and we view it as a logical takeover target or consolidator in an industry ripe for rationalisation.

For the full year, the following investments were notable detractors:

**Po Valley Ltd (ASX: PVE -46%):** long held position Po Valley, a relatively illiquid small cap Northern Italian gas producer, was the HCF's largest detractor. PVE's share price tends to be driven by sentiment around global oil and gas prices as opposed to its fundamentals. Energy prices are influenced by macro geopolitical issues beyond management's control. Importantly, the current share price is supported by cash flows from PVE's producing PM-1 well. While PVE has a strong balance sheet and generates good cash flow, its next leg of growth requires successful execution of development of wells to drive gas production over the next 18 months.



**Anagenics Ltd (ASX: ANI -52%):** Wellness & Beauty play appointed a new CEO to drive scale and improve the range of products. The new management team was active in cost-cutting and new sales initiatives to target business break-even in the near-term.

**Kiland Ltd (ASX: KIL -13%):** Owner of 18,600 Ha of prime agricultural land and Biochar carbon removal project on Kangaroo Island, privatised during the year. We decided to exit the HCF's long-held position in December 2023.

Our investment process has demonstrated resilience and adaptability. While some positions underperformed, our high-conviction strategy and thorough research process have largely been validated.

We acknowledge areas for improvement and remain committed to refining our approach. A summary and reminder of HCF's investment philosophy follows.

## **HCF's Investment Philosophy**

H&G High Conviction Limited (HCF) invests on a multi-year horizon in a concentrated portfolio of ASX-listed microcap companies, a niche segment of the market.

Microcaps are overlooked by most institutions due to size, meaning frequent inefficiencies in security prices and opportunities to buy stakes in businesses at attractive valuations.

By maintaining unwavering discipline in acquiring undervalued companies with aligned management, HCF aims for double-digit risk-adjusted returns over the market cycle.

As a key differentiator, HCF actively engages with investee companies. This is crucial for microcaps, where success is heavily reliant on a small group of key people.

HCF leverages this strategic approach to help unlock the full value of management teams and core assets.

HCF's primary goals are to minimise capital loss and focus on long-term capital growth and income from portfolio companies.

Over the year, HCF added two new high conviction investments that fit our disciplined approach to investing; **Veem Ltd & Coventry Group Ltd**. We provide more detail on the above forementioned names below.



**VEEM (ASX: VEE)**

VEEM (VEE) is a global leader in designing and manufacturing precision high-technology marine propulsion and stabilisation systems, serving the luxury motor yacht, fast ferry, commercial workboat, and defence industries. VEE was founded by the Miocevic Family in 1968 and today they continue to own 50.2% of VEE. We like investing in family-led businesses with strong aligned interests.

VEEM's standout HCF contribution over FY24, was a function of management's strong execution in the existing core divisions, Marine Stabilisers and Propulsion. Additionally, VEEM inked a global licensing agreement with US-based Sharrow Engineering to manufacture and sell a collaborative high-end propeller, branded "Sharrow by VEEM". Together, the businesses will create a groundbreaking, cutting-edge line of SHARROW by VEEM propellers that are significantly quieter and more fuel-efficient than any inboard propeller now available. The new propeller's green credentials and fuel savings are a compelling value proposition for customers, which we expect to drive strong market penetration in an addressable market of US\$2.6bn.

We value the core Stabilisation & Propulsion business of VEE at \$1.50+, with ~\$2.00 of latent value in the Sharrow by VEEM opportunity. We expect the Sharrow valuation to be reflected in the VEE share price upon evidence of sales traction and respective profitability. We think that VEE has the potential to double over the next few years if our thesis plays out.



Sharrow by Veem propeller. Source: Veem Ltd



Konnect Australia Branch – Fastener store. Source: Coventry Group Ltd

**Coventry Group Ltd (ASX: CYG)**

Coventry Group Ltd, founded in 1929, primarily engages in the distribution of industrial products in Australia and New Zealand. The Trade Distribution segment imports, distributes, and markets fasteners. The Fluids Systems segment designs and installs lubrication systems. CYG underwent a management and board restructure in 2017. We like the new team & understand it takes time to right a business. We believe CYG is at a key inflection point, where shareholders will benefit from positive operating momentum in the business.

The key to our investment thesis is based on margin expansion in the Australian Fastener division, Konnect Australia, via efficiencies, scale, and accretive acquisitions. Konnect currently has 42 locations in ANZ versus 100 branches at its peak. CYG management has publicly stated an EBITDA margin target of 10% in three years, which equates to 100% upside from FY24 earnings.

The business model demonstrates a high ROIC & strong cash generation. Coventry commands only ~7% market share in ANZ today is well placed to drive organic growth and M&A in a fragmented ~\$4Bn Fastener and ~\$3Bn Fluids market.

On our numbers, CYG is trading on an undemanding EV/EBITDA multiple of ~5x FY26. We think that CYG share price has the potential to double.



**Outlook**

The macroeconomic environment for small-cap investing has shown signs of improvement, with expectations of interest rate cuts providing a supportive backdrop. The equity capital markets are stabilising, evidenced by recent IPOs such as Guzman and Gomez Ltd (ASX: GYG) and Tasma Ltd (ASX: TEA), indicating renewed investor interest.

We are identifying opportunities with intrinsic value discounts and plan to continue to invest our cash balance in these prospects over the coming months. We will maintain discipline by focusing on enterprises with clear catalysts for driving shareholder returns.

We extend our gratitude to our investors, the broader H&G investment team, and our broker networks for their continued support and trust in our investment strategy.

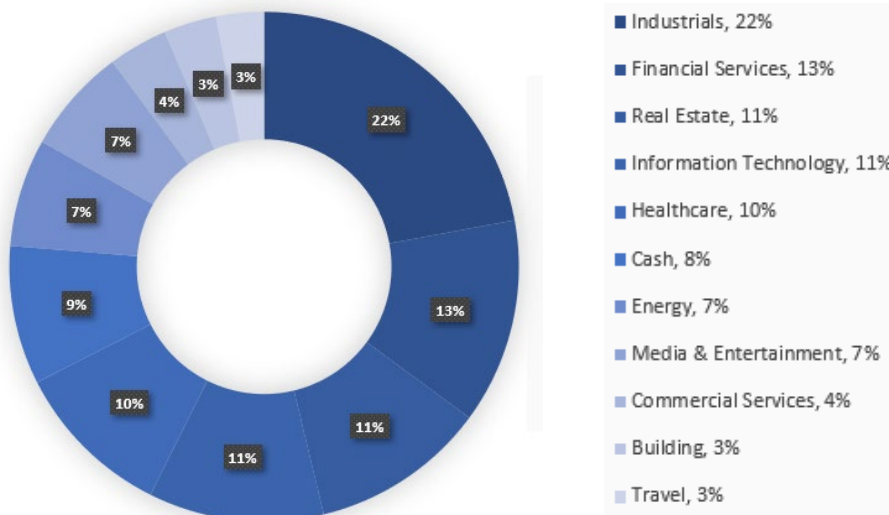
We look forward to a year of growth and success & look forward to presenting to both existing and new shareholders, post the release of the HCF FY24 results expected late August 2024.

In the meantime, please do not hesitate [to get in contact with any questions.](#)

Post tax performance as of Friday, 30 June 2024	1 month	3 months	6 months	12 months	Since IPO
HCF total portfolio return*	-0.6%	-1.0%	-0.8%	5.2%	8.8%
ASX Small Ordinaries Accumulation Index	-1.4%	-4.5%	2.8%	9.3%	7.0%
<i>Over / (Under) Performance</i>	0.8%	3.5%	-3.6%	-4.1%	1.8%

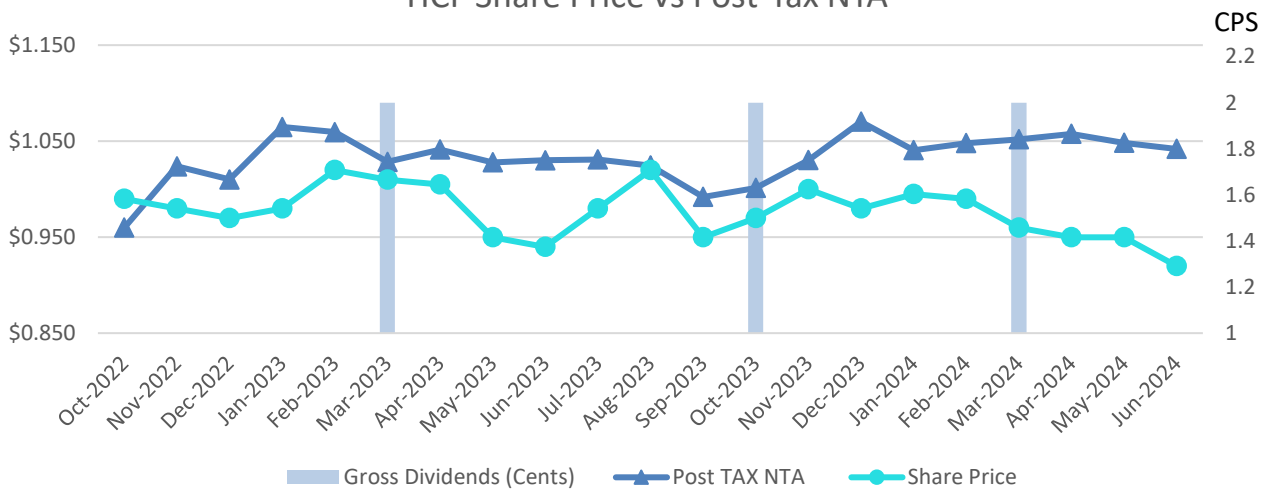
\*HCF total portfolio return (TPR) combines the change in value of the post-tax NTA per share with dividends reinvested. Above TPR calculation do not take into account franking credits which may be of benefit to certain shareholders. Past performance is no guarantee of future returns.

**Exposures as % of Equities at 30 June 2024**



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**HCF Share Price vs Post-Tax NTA**



<b>Company Details</b>	<b>H&amp;G High Conviction Limited</b>
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 Investment Team:**

**H&G Investment Management**



**Nick Atkinson**

Executive Director  
HCF & H&G Investment Management, Portfolio Manager HCF



**Sandy Beard**

Chair – H&G Investment Management



**Stefan Piruze**

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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