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10 October 2022

### **HGV Investment Portfolio Report - September 2022**

**HGV Limited (ASX: HGV) ("HGV")** is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium term from investments in listed and unlisted equities and other financial assets.

### **HGV Investment Portfolio Report - September 2022**

HGV is pleased to provide the HGV Investment Portfolio Report for September 2022 which includes the disclosure pursuant to Listing Rule 4.12.

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#### **Investor and Media Enquiries**

Announcement authorised for release to ASX by:  
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**About HGV**

HGV Limited (ASX:HGV) ("HGV") ABN 91 601 236 417 is an Australian-listed specialist investment company which concentrates on producing capital growth for shareholders over the medium term from investments in listed and unlisted equities and other financial assets.

**Important Notice**

*This announcement contains reference to certain intentions, expectations, future plans, strategy and prospects of HGV. Those intentions, expectations, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of HGV may be influenced by a number of factors, many of which are outside the control of HGV. No representation or warranty, express or implied, is made by HGV, or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Given the risks and uncertainties that may cause HGV's actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects. HGV does not warrant or represent that the actual results, performance or achievements will be as expected, planned or intended. Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in HGV. This document does not constitute any part of any offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of any "US person" as defined in Regulation S under the US Securities Act of 1993 ("Securities Act"). HGV's shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US person without being so registered or pursuant to an exemption from registration including an exemption for qualified institutional buyers.*



# Investment Portfolio Report

## September 2022

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### About Hygrovest

Hygrovest Limited (“Hygrovest”) (ASX: HGV) is an Australian-listed, specialist investment company that has traded on the ASX since 2015.

Investors in Hygrovest gain exposure to a globally diversified portfolio that concentrates on producing capital growth over the medium term from investments in listed and unlisted equities and other financial assets.

Under its investment mandate, HGV invests in high-growth industries such as but not limited to, natural resources, healthcare and the digital economy. Sub-sectors identified include software as a service, e-sports, online gaming, sports betting, telehealth / virtual medicine, and fintech.

Investments are managed by Parallax Ventures Inc., a specialist management company in Canada.

Since 2015, Hygrovest has created a significant number of investment opportunities from its connections in Canada and Australia in the private investment sector and realised exits to the benefit of Hygrovest and its shareholders.

### Hygrovest Investment Performance<sup>1</sup>

HGV Historical Performance - period ended					30-Sep-22
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	(3)%	7%	7%	(30)%	(18)%

For Hygrovest’s latest investor presentations and news, please visit [www.hygrovest.com.au](http://www.hygrovest.com.au)

#### General Investor Queries

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W: [hygrovest.com.au](http://hygrovest.com.au)

#### Share Registry

Automatic Registry Services

P: 1300 288 664

W: [automatic.com.au](http://automatic.com.au)

### Performance Update

Net Tangible Asset Value Per Share Before Tax<sup>2</sup> as at 30 September 2022

**\$0.1220**

Net Asset Value as at 30 September 2022

**\$26m**

Discount of HGV share price to Net Asset Value as at 30 September 2022

**39% p.a.**

Key Metrics as at	30-Sep-22	AUD
Net Asset Value	m	26
Investee Portfolio (ex cash)	m	21
Cash	m	6
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.1220
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.1114
Net Asset Value per share		0.1118
HGV share price (ASX)		0.068
Market capitalisation	m	16
Number of investments (ex cash)		9
ASX Investment Type		Listed Investment Company
Initial Public Offering Date (inception date)		22-Jan-15
No. of ordinary shares on issue	m	230

### Hygrovest shareholder communications

Webinars and copies of announcements related to Hygrovest’s operations may be found on the Hygrovest website: [www.hygrovest.com.au](http://www.hygrovest.com.au).

Hygrovest will hold a live audio webinar of the Investor Conference Call on 21 October 2022. In the webinar, Michael Curtis, HGV Non-Executive Director and a Partner of Parallax Ventures Inc, the asset manager of Hygrovest’s investments, gave an update on Hygrovest’s major investments.

<sup>1</sup> Inception is 30 June 2018 being the date when Hygrovest commenced accounting for investments as an investment entity.

<sup>2</sup>Net Tangible Asset Value per share – unaudited, before tax on unrealised gains on investment portfolio. The financial information within this report is unaudited.

**HYGROVEST NEWS****Performance of Hygrovest Portfolio - September 2022**

During September 2022, Hygrovest Limited's ("HGV") Net Asset Value (before provision for deferred tax) decreased by 3% (gain of 7% financial year to date).

HGV's negative performance in NAV in September 2022 was primarily due to:

- a) the decline in market value of HGV's investment in Vintage Wines Estates ("VWE" or the "Company") following earnings downgrade by the investment community after the release of the Company's annual results;
- b) the reduction in the fair value of HGV's investment in Weed Me due to the decline of listed Canadian cannabis securities in September 2022 and the negative impact on the valuation multiple applied to value HGV's investment partially offset by the increase in Weed Me's rolling twelve months historical net revenue; and
- c) the increase in the fair value of HGV's investment in Southern Cannabis Holdings ("SCH") due to the increase in comparable listed Australian cannabis securities in September 2022 and the positive impact on the valuation multiple applied to value HGV's investment plus the impact of the increase in SCH's rolling twelve months historical net revenue.

**Portfolio Investment Strategy**

HGV is seeking to reduce the 39% gap of the share price to NAV (four cents per HGV share) by:

- a) working with HGV's largest investment, Weed Me, to achieve a liquidity event during 2022 to provide HGV with the option of realising a material portion of HGV's investment;
- b) realising underperforming and or illiquid investments – investments which fall into this category include BevCanna and VWE;
- c) benefitting from proposed liquidity events for non-cannabis investments (Brainworks and Valo); and
- d) investing surplus funds in companies which provide our Shareholders with higher capital growth potential either derived from sector specific or company specific growth opportunities.

Funds received from divestments would be applied as dividends<sup>3</sup> to HGV Shareholders and/or making investments which the Board considers to be the prospect of higher capital growth and allow HGV to diversify away from the underperforming cannabis sector.

HGV has funds available to deploy in new investments and will also seek to realise existing investments to recycle capital into opportunities which HGV considers having greater potential for capital growth. HGV's current strategy in respect of individual investments is detailed in section 7 of Appendix One. HGV's flexibility in exiting some of its investments remains restricted given the escrow arrangements which will unwind during the next 18 months.

**Extension of HGV's Investment Management Agreement with Parallax**

On 20 September 2022 HGV announced it had executed a new Investment Management Agreement with Parallax Ventures Inc. ("Parallax" or the "Company"), with an initial term to 30 June 2023 (which may be extended by a further 2 years at HGV's option) ("IMA"). The IMA is effectively on the same terms as the previous Investment Management Agreement, entered into with Parallax in 2019.

Parallax was appointed as asset manager of HGV's investment portfolio in July 2019, for an initial period of three years. During this term, the returns<sup>4</sup> have exceeded HGV's benchmark.

The HGV Board believes that entering the IMA is important during the transition of the portfolio from its current concentration in cannabis businesses to a broader range of investment opportunities in sectors such as healthcare, the digital economy and natural resources.

Pursuant to the IMA, the bulk of Parallax's remuneration will continue to be linked to material increases in HGV's share price and/or net asset value and if achieved, paid through the issue of new Performance Rights.

<sup>3</sup> Refer HGV's dividend policy in Appendix One of this publication

<sup>4</sup> Returns from investments before HGV's operating costs and company tax



The HGV Board believes that Parallax's asset management expertise and most importantly, its knowledge of HGV's existing cannabis investments, which still comprises 62% of the HGV portfolio<sup>5</sup>, will be valuable in executing HGV's stated aim to diversify away from the underperforming sector. Equally, the appointment of an external asset manager to manage the existing portfolio and access new investment opportunities is viewed as the best option for HGV.

The operating structure of the HGV business will be reviewed again in 2023 to ensure that the most appropriate structure is in place having regard to investment performance and market conditions.

The bulk of Parallax's remuneration will continue to be linked to material increases in HGV's share price and/or net asset value, through the issue of Performance Rights. There is no change to the base fee remuneration, detailed in the previous 2019 Investment Management Agreement.

Subject to shareholder approval<sup>6</sup>, HGV will issue 6,500,000 performance rights ("**Performance Rights**") to Parallax, under the following terms:

- 1) The Performance Rights shall vest and be convertible by Parallax on a one-for-one basis, into Shares in two (2) tranches upon the Company achieving the following hurdles<sup>7</sup>:
  - a) the first tranche of 4 million Performance Rights ("**First Tranche**") will vest upon achieving a NAVS/SP Average which is a premium of 35% to the NAVS/SP Average on 30 June 2022; or
  - b) in the event that the First Tranche does not vest due to the NAVS/SP Average not being achieved, the second tranche of 2.5 million Performance Rights ("**Second Tranche**") will vest upon achieving a NAVS of a premium of at least 35% to the NAVS on 30 June 2022,

(together, the Milestones).

The key terms of the Performance Rights together with other key terms of the IMA are contained in the 2022 HGV Annual Report which may be found at <https://hygrovest.com.au/investors/annual-reports>.

### **Investor Communications**

HGV released its 2022 Annual Report to the ASX on 21 September 2022 which included the audited financial statements that were released to the ASX on 30 August 2022. Of note, there was no change to the NTA per share previously announced on 11 July 2022.

On 30 August 2022 HGV announced that the 2022 Annual General Meeting of Hygrovest Limited will be held as follows:

Venue: The office of Steinepreis Paganin, Level 4, The Read Buildings, 16 Milligan Street, Perth.

Time: 12:00pm (AEST)

Date: 24 November 2022

Meeting format: HGV is pleased to provide shareholders with the opportunity to attend in person and/or virtually by participating in a hybrid meeting with shareholders participating in an online meeting platform where they cannot attend the physical meeting and will be able to watch, listen, and vote online.

HGV will hold an Investor Conference Call on 21 October 2022. In this webinar, Michael Curtis and Mohan Nair of Parallax, the asset manager of HGV's investments, will provide an update on HGV's major investments. Tim Drury, the Chief Executive Officer of HGV's second largest investment, Southern Cannabis Holdings, will also provide an update on the company's operations and prospects in the same Investor Conference Call.

<sup>5</sup> Sourced from 31 August 2022 Portfolio Update

<sup>6</sup> Approval to be sought at the 2022 HGV Annual General Meeting

<sup>7</sup> Where 'NAVS' is Net Asset Value per Share, and 'SP' is the 20-trading day volume weighted average price for HGV Shares

## Parallax Ventures Inc. Portfolio Update – September 2022

### Volatility is the New Normal

#### ❖ Equity Market Summary

- Stocks have struggled following the disappointing inflation report for August surprised investors looking for some relief from this summer's sky-rocketing price gains.
  - The Fed continued the pressure with another jumbo-sized rate-hike (75bps) at its September meeting eliminating all hopes for an early "pivot" in 2023.
    - ECB, BofC, BofE all followed with similar hikes in hopes of fighting inflation, while attempting to protect their currencies from strong USD appreciation, although the recent CPI numbers from Germany aren't very encouraging.
  - Treasury yields jumped across the board to levels not seen since 2008 that was echoed across European markets with Italian, Spanish, and French yields also rising across the board.
    - UK gilt yields hit the roof sharply on the prospect of escalating public debt and a sharp increase in interest rates after the government slashed taxes by the most since 1972 to support the economy.
    - The BofE announced a QE program last week to attempt to bring some stability to the market as rumours circulated that pension funds were facing significant margins calls that they are unable to cover.
  - Across the US equity and fixed income markets we have seen a total drawdown in market capitalization of \$57.8 trillion to date, which combined with a relatively similar global pullback represents the biggest in history.
    - Elevated inflation remains the driver of market volatility, so continued moderation would be hugely positive for investors both in forming a bottom in equity and debt markets and tempering central banks hawkish rhetoric.
  - While August CPI disappointed, it seems unlikely inflation doesn't continue to slow in North America during the coming months, driven by improved supply-and-demand dynamics, demand destruction and rapidly decreasing prices across all inputs.
    - While slowing demand and rising costs will put pressure on corporate earnings, most major markets have already experienced double-digit declines, suggesting that a significant deterioration in earnings is already priced in.
    - In addition, most investors are now positioned, not just for a recession, but a potential market crash as seen by record breaking put buying in the option market.
    - Generally, these crowded trades don't necessarily work as expected, but time will tell in what is an uncertain market.
  - Housing market
    - In the US, which we assume is illustrative of a global trend, we are seeing the MBS market in free fall, while mortgage rates are touching 7%.
      - ◆ The Fed is no longer buying with falling home prices and rising unemployment.
      - ◆ Investors should expect to see rates continue to rise soon leading to lower mortgage applications as home buyer demand dries up.
      - ◆ Non-bank lenders and home builders will face rising pressures that will lead to additional pressure on home prices as the trend is now pointing downwards.
- A US dollar on steroids.
  - The USD outperforming currencies from the UK and Europe to Japan, India, and China, which have all slumped below long-term levels in recent days.
    - As we have previously discussed, a strong dollar reduces demand for oil and other commodities by making them more expensive for buyers using other currencies.
    - The market seems to be following the same pattern as the 2<sup>nd</sup> half of 2008 when high prices and global recession destroyed demand leading to a collapse of commodity prices.
  - Strong USD combined with rising yields for gold has been the ultimate headwind and investors shouldn't be surprised to see further pressure on gold in the near-term.
  - Historically, extreme USD strength has only been resolved through a global market intervention. We saw the BofJ attempt a small intervention this month, which was quickly rebuffed by the currency market.

- We wouldn't be surprised to see some broader intervention in the coming months as central banks are now following three different policies, none which appear to be working particularly well, so some coordination is warranted.
  - ◆ Suppressing rates at the cost of their currency: BofJ & BofE
  - ◆ Protecting their currency at the cost of their bond market: Fed and Bank of Brazil
  - ◆ Letting their currency and bond market deteriorate: ECB and others
- Key Takeaways
  - North America seems better positioned than the EU, especially as it is becoming a significant energy supply partner, to weather the current storm.
  - Inflation is the primary market driver, and any material reduction should alleviate investor concerns as central banks will be able to temper their hawkish stances.
    - We would expect to see a significant rally in gold as this cycle comes to an end.
  - Volatility seems to be reaching a crescendo and we wouldn't be surprised to see complete capitulation in the coming weeks without some positive news or market intervention.
    - We would expect to deploy the capital during these events into some high-quality liquid names.



## Appendix One

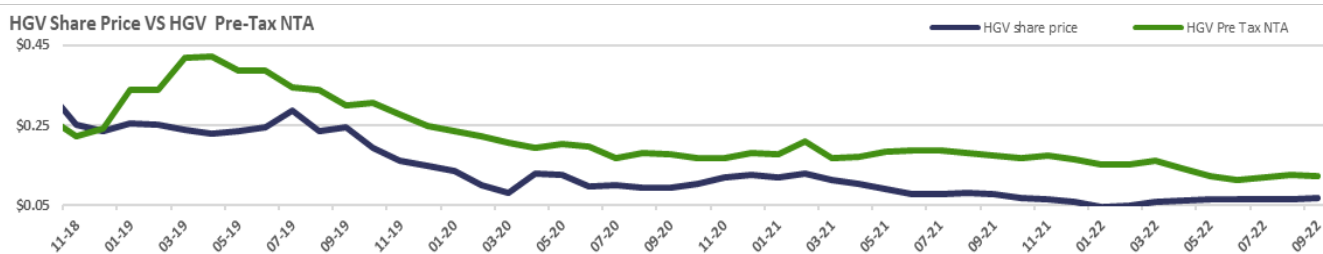
### 1. The year-to-date performance of Hygrovest's NTA is detailed below<sup>8</sup>:

Table One

HGV Historical Performance - financial year to date		30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	31-Jul-22	31-Aug-22	30-Sep-22
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.065	0.067	0.068
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.1111	0.1144	0.1118
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.1107	0.1140	0.1114
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1202	0.1254	0.1220
Net Return - pre tax NTA - year to date		n/a	34%	(49)%	(5)%	(40)%	(36)%	(33)%	(35)%
Premium/(discount) of share price to pre tax NTA		16%	(37)%	(51)%	(59)%	(44)%	(46)%	(47)%	(44)%
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(42)%	(41)%	(39)%

### 2. Chart One demonstrates the current discount of the Hygrovest share price to the pre-tax net tangible asset value (NTA).

Chart One



### 3. Hygrovest's investment portfolio is detailed in Table Two:

Table Two

Investment	Country	Business	MOIC (current portfolio)	Cannabis investments	Non-Cannabis investments	Total Portfolio Book Value (unaudited)	Weight	Book Value (unaudited)	Weight
			30-Sep-22 Times	30-Sep-22 AUDm	30-Sep-22 AUDm	30-Sep-22 AUDm	30-Jun-22 AUDm	30-Jun-22 AUDm	
Delivra Health Brands Inc.	Canada	Health and wellness products	0.2	1.6		1.6	6%	1.9	7%
BevCanna Enterprises Inc	Canada	Cannabis beverages and extracts	n/a	0.3		0.3	1%	0.4	1%
Portfolio of listed small caps	Canada/Australia	various listed small caps			0.2	0.2	1%	0.1	0%
<b>Listed investments</b>				<b>1.8</b>	<b>0.2</b>	<b>2.0</b>	<b>7%</b>	<b>2.4</b>	<b>9%</b>
Weed Me	Canada	Cultivation and sales of branded cannabis products	2.5	11.9		11.9	42%	10.0	38%
Sequoya	Canada/Poland	CBD Extraction	0.2	0.9		0.9	3%	0.9	3%
Southern Cannabis	Australia	Medicinal cannabis clinics and research	2.9	3.0		3.0	11%	1.1	4%
J Supply	Canada	Retailer of cannabis products	n/a	0.3		0.3	1%	0.3	1%
Vintage Wine Estate	Canada	Investment in beverage businesses	0.5		0.7	0.7	3%	2.1	8%
Valo Therapeutics	Finland	healthcare	1.0		1.0	1.0	4%	1.0	4%
Brainworks Foundry Inc.	USA	healthcare	1.0		1.5	1.5	5%	1.5	6%
<b>Unlisted investments</b>			<b>0.6</b>	<b>16.1</b>	<b>3.3</b>	<b>19.3</b>	<b>69%</b>	<b>16.9</b>	<b>64%</b>
Cash					6.1	6.1	22%	6.3	24%
Company tax refund receivable					0.8	0.8	3%	0.7	3%
<b>Total Portfolio</b>				<b>17.9</b>	<b>10.3</b>	<b>28.2</b>	<b>100%</b>	<b>26.2</b>	<b>100%</b>

## Appendix One continued

### 4. Hygrovest listed investments

The details of HGV's listed investments are detailed in Table Three below:

Table Three

Investment	Code	Valuation methodology	Number of securities 30-Sep-22	Market Price 30-Sep-22 Foreign Currency	Book Value (unaudited) 30-Sep-22 Foreign Currency	Book Value (unaudited) 30-Sep-22 AUD000
Delivra Health Brands Inc. - shares	DHB	listed price	55,557,994	0.025	1,389	1,559
<b>Total HGV investment</b>					<b>1,389</b>	<b>1,559</b>
Vintage Wine Estate - shares	VWE.U	Listed price	60,000	2.8	166	256
- warrants	VWE.WT.U	Listed price	666,670	0.450	300	461
<b>Total HGV investment</b>					<b>466</b>	<b>717</b>
Bevcanna Enterprises - shares	BEV	listed price	4,230,212	0.055	233	261
<b>Total HGV investment</b>					<b>233</b>	<b>261</b>
<b>HGV's Listed investments</b>					<b>2,088</b>	<b>2,537</b>

### 5. Divestments by HGV

The details of the investments sold by HGV are detailed below:

Table Four

Divested Investment	Method of Sale	Partial/ Complete	Net Proceeds AUDm	Capital Invested AUDm	MOIC Multiple
Medipharm LABS	Onmarket	Complete	30.3	5.9	5.2
Dosecann	Takeover	Complete	5.9	2.5	2.3
Entourage Health	Repayment	Complete	6.7	5.6	0.8
Fire and Flower Inc	Onmarket	Complete	1.5	1.0	1.5
Embark Health	Takeover	Complete	0.1	7.5	0.0
Axiomm	Takeover	Complete	0.7	0.7	1.0
Bevcanna (1st investment sold 2019)	Onmarket	Complete	0.6	0.8	0.8
ESense	Onmarket	Complete	0.4	0.5	0.8
Hemple	Private Sale	Complete	0.3	1.3	0.2

### 6. Securities held by HGV<sup>9</sup>

#### (a) Weed Me

HGV was a foundation investor in Weed Me in December 2017 which now comprises:

- i. 3.642m shares representing approximately 14% of Weed Me's issued capital (HGV has a book value of CAD2.02 per share);
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024; and
- iii. CAD2m convertible note which is unsecured, bears interest at a rate of 8% per annum, repayable on 29 April 2023 and has an option to convert into 1,197,604 Weed Me shares at CAD1.67 per share.

<sup>9</sup> Information current at the month of this report.

**(b) Southern Cannabis Holdings (SCH)**

HGV became an investor in SCH in April 2018 which now comprises:

- i. 21m shares representing approximately 17% of SCH's issued capital.

**(c) Sequoya Cannabis Ltd (Sequoia)**

HGV was a foundation investor in Sequoya – the investment now comprises:

- i. CAD2.5m convertible note (advanced July 2019) is a first-ranking security bearing interest of 13% per annum and a maturity date of 30 June 2023. The convertible note is convertible (at HGV's option) into Sequoya ordinary shares at CAD0.05 each.
- ii. CAD2.5m convertible note facility (executed April 2020) drawn to CAD1.2m, has first ranking security bearing interest of 13% per annum and a maturity date of 30 June 2023. The convertible note is convertible (at HGV's option) into ordinary shares at CAD0.10 per share.
- iii. 19m ordinary shares (27% shareholding) in Sequoya.

**(d) Delivra Health Brands Inc. (DHB)<sup>10</sup> (formerly known as Harvest One Cannabis Inc.)**

HGV was a foundation investor in DHB – the investment now comprises:

- i. 55,557,994 common shares of DHB representing an approximately 22% shareholding.

**(e) Vintage Wine Estates, Inc. (VWE)**

HGV was a foundation investor in VWE (formerly known as Bespoke Capital Acquisition Corp) (TSX: VWE, VWE.WT.U) through its investment in Bespoke A LP – HGV's investment has an indirect economic interest in the Founder's Shares and Founder's Warrants as follows:

- i. 60,000 Founder's Shares which are equivalent to 60,000 listed common shares of VWE (the "Common Shares").
- ii. 666,667 Founder's warrants which are equivalent to the listed Share purchase warrants (the "Warrants"). Each Warrant entitles the holder to purchase one listed Common Share at a price of CAD11.50 at any time until five years after completion of the Qualifying Transaction.

The Founder's Shares and Founder's Warrants are subject to a lock-up agreement for 18 months from the closing of the transaction on 7 June 2021. The investment decisions of Bespoke A LP, including the timing of any sale of shares and / or warrants, are controlled by the General Partner, which is Bespoke Capital Partners LLC. Additionally, as part of the merger agreement with VWE, the shares and warrants controlled by Bespoke Capital Partners LLC are subject to a complete lock-up for the first 18 months from the closing of the transaction (from June 7, 2021 to December 7, 2022), with the lock-up gradually unwinding in the following 17 months before all shares and warrants become freely tradeable.

**(f) Brainworks Foundry Inc. (Brainworks)**

HGV's investment was made in August 2021 and comprises:

- i. 1,234,568 shares representing approximately 7% of Brainworks' issued capital.

**(g) Valo Therapeutics Oy (Valo)**

HGV's investment was made in November 2021 and comprises:

- i. 1,000,000 notes.

**(h) BevCanna Enterprises Inc (BEV)**

HGV received its investment in BEV in January 2022 as a result of accepting a takeover offer by BEV for all the issued capital of Embark Health Inc. – the investment comprises:

- i. 4.2m common shares of BEV (2% shareholding).

<sup>10</sup> The name change will take effect at the open of market on or about September 8, 2022 (the "Effective Date"), with the common shares of DHB Company (the "Common Shares") trading under the symbol "DHB" on the TSXV

## 7. Securities held by HGV<sup>11</sup>

Outlined in the table below is the current strategy for HGV's Portfolio of investments:

Investee	Book Value (unaudited) 30 September 2022 AUDm	Current Portfolio Strategy
Weed Me	11.9	Weed Me is the best performing investment in HGV's portfolio. The company is in the high revenue growth stage – it has generated sufficient sales growth to more than offset the decline in market valuation multiples and HGV remains optimistic for future capital growth from its investment. HGV is working with the company to maximise exit value with the option of realising a material portion of HGV's investment during the next 12 months.
Delivra Health Brands Inc.	1.6	HGV's is the largest shareholder with 22% holding in the restructured listed cannabis business.
Sequoia	0.9	HGV has extended its loan facilities and is working with the company to materially improve performance
Vintage Wine Estate (VWE)	0.7	HGV is a small investor in VWE – the investment is held through Bespoke A LP and is in escrow until December 2022 <sup>12</sup> – HGV is not a long-term holder.
Southern Cannabis Holdings (SCH)	3.0	SCH is diversifying its products to continue sales growth – HGV is working with SCH's management to produce a liquidity event in the next 12 months.
Brainworks Foundry Inc. (Brainworks)	1.5	Brainworks is a new investment in digital healthcare made in September 2021.
BevCanna	0.3	HGV is a small investor in BevCanna as a result of the takeover by BevCanna of Embark Health in January 2022. HGV's listed BevCanna shares are being progressively released from escrow in the next 12 months. HGV is not a long-term holder.
Valo Therapeutics Oy (Valo)	1.0	Valo is a new investment in healthcare made in November 2021. HGV is supportive of the company's targeted public listing in 2023.
Cash and company tax refund	6.8	Funds for new investment and operating costs.

## 8. Valuation of Assets

HGV values its investments by applying the following principles:

- (a) Listed securities – the book value is based on the closing share prices for public companies at period end converted into Australian dollars at the relevant prevailing foreign exchange rates at month-end.
- (b) Unlisted equity securities - HGV's preference is to value its unlisted investments by applying an Enterprise Value to Net<sup>13</sup> Revenue Multiple (Canadian multiple of 2 (prior month 2.3) and Australian multiple of 3.4 (prior month 2.4) provided these valuations are materially consistent with any recent capital raises by the investee. HGV also applies a discount of 15% on the valuation to account for the unlisted company status of these investments. In the absence of material historical revenue, the book value is based on the most recent material funding round share prices for private companies converted into Australian dollars at the relevant prevailing foreign exchange rates. In the absence of a recent capital raise or arm's length transaction, management considers all available information, including benchmarking of instruments to market movements indicated by relevant indices. HGV also takes into account the

<sup>11</sup> Information current at the month of this report

<sup>12</sup> The lock-up gradually unwinds in the following 17 months after December 2022 before all shares and warrants become freely tradeable (the investment decisions of the Bespoke A LP are controlled by the General Partner which is Bespoke Capital Partners LLC)

<sup>13</sup> Gross sales less government excise taxes



recommendations of its asset manager, Parallax Ventures Inc., where it is considered that the fair value should be less than book value in the absence of other valuation indicators due to the outlook for the individual business.

- (c) Convertible debentures and loan instruments – the book value is based on HGV’s assessment of the capacity of the investee to repay principal and interest.
- (d) Unlisted warrants and note conversion options - the book values also include the unrealised gain arising from valuation of unlisted warrants using the Black-Scholes pricing model. The Black-Scholes attributes a value to warrants which may be “out of the money” at month end. The Black Scholes model is commonly used to determine the fair price or theoretical value for a call, or a put option based on six variables such as volatility, type of option, underlying stock price, time to expiry, strike price, and the risk-free rate. The warrant valuation ascribed through Black Scholes assumes that the warrant is exercised on the expiry date of the warrant which may not be the actual outcome e.g. HGV decides to exercise the warrant prior to expiry.

The Net Asset Value or NAV is calculated after deducting a provision for company tax on any net unrealised gains that may arise on such theoretical disposal. HGV does not hedge the carrying value of existing investments denominated in non-AUD currencies. HGV’s financial statements are subject to statutory audit or review by our independent auditor BDO Audit (WA) Pty Ltd, at 31 December and 30 June each year.

**Note:**

- a) All information within this release is unaudited unless stated otherwise.
- b) The book value includes shares, convertible notes, options, loans, warrants and accrued interest.

**9. Dividend Policy**

On 7 June 2019, HGV announced its intention to distribute 20% of its annual profit after tax, after excluding unrealised gains and losses on investments (Annual Profit). The policy was first applied in respect of the Annual Profit for the year ended 30 June 2020. The dividend would be payable within three months of each half year after the completion of the half year and annual financial statements. It is HGV’s intention that any dividend would benefit from available franking credits held by HGV. HGV updated shareholders that there was no dividend payable in respect of the half year ended 30 June 2022 in the Appendix 4E released on 30 August 2022.

**10. Investment Policy**

HGV Limited (ASX: HGV) is an Australian-listed, specialist investment company that has traded on the ASX since 2015. Investors in Hygrovest gain exposure to a globally diversified portfolio that concentrates on producing capital growth over the medium term from investments in listed and unlisted equities and other financial assets.

Currently, HGV’s investments are largely minority holdings in Australian and offshore cannabis-related businesses reflecting the company’s early focus. HGV has expanded its investment mandate to other high growth industries such as natural resources, healthcare and the digital economy.

In December 2021, HGV’s Shareholders approved the broadening of the HGV investment mandate by removing the restriction that limited HGV’s investments in non-cannabis assets to 25% of its total assets. HGV believes that there are opportunities to enhance the returns for Shareholders by further diversifying its investment portfolio to include strategic investments in sectors outside of cannabis.



### Glossary

ABBREVIATION	Definition
<b>AUD</b>	means Australian dollars.
<b>AASB</b>	Australian Accounting Standards Board.
<b>ACMPR</b>	means Access to Cannabis for Medical Purposes Regulations.
<b>ASX</b>	means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.
<b>ASX Listing Rules</b>	means the Listing Rules of ASX.
<b>B2B</b>	Business to business
<b>CAD</b>	means Canadian dollars.
<b>CBD</b>	means Cannabidiol (CBD) is a crystalline, nonintoxicating cannabinoid in cannabis and hemp.
<b>CBG</b>	means Cannabigerol is the non-acidic form of cannabigerolic acid, the parent molecule from which other cannabinoids are synthesized.
<b>Company or HGV</b>	means Hygrovest Limited (ACN 601 236 417).
<b>DNA</b>	deoxyribonucleic acid
<b>EBITDA</b>	means Earnings before Interest, Tax, Depreciation and Amortisation.
<b>GMP</b>	GMP stands for Good Manufacturing Practices and refers to a system of manufacturing that guarantees reproducibility of product quality to set specifications.
<b>IPO</b>	Initial public offering of securities on a recognised securities exchange
<b>LPs</b>	Canada's Licensed Producers of Cannabis Products
<b>M</b>	means million
<b>MMPR</b>	means Marihuana for Medical Purposes Regulation
<b>MOIC</b>	means multiple on invested capital
<b>NTA</b>	means net tangible assets.
<b>PCR</b>	polymerase chain reaction
<b>Covid19</b>	CO' stands for corona, 'VI' for virus, and 'D' for disease.
<b>Option</b>	means an option to acquire a Share usually at predetermined price.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a registered holder of a Share.
<b>TGA</b>	Means the Therapeutic Goods Administration
<b>THC</b>	means THC is the principal psychoactive constituent of cannabis
<b>TSXV</b>	Toronto Stock Exchange Venture
<b>Warrant</b>	means an option to acquire a Share usually at predetermined price.
<b>WST</b>	means Western Standard Time as observed in Perth, Western Australia.