



Hygrovest Limited
Suite 5706, Level 57, MLC Centre
19-29 Martin Place
Sydney NSW Australia 2000

www.hygrovest.com.au
info@hygrovest.com.au

8 September 2023

HGV Investment Portfolio Performance - August 2023

Hygrovest 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 debt securities.

HGV Investment Portfolio Performance – August 2023

HGV is pleased to provide the portfolio performance for August 2023 which includes the disclosure pursuant to Listing Rule 4.12.

Investor and Media Enquiries

Announcement authorised for release to ASX by:
Jim Hallam
Chief Financial Officer and Company Secretary
E: Compsec@hygrovest.com.au

About HGV

Hygrovest 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 debt securities.

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

August 2023

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About Hygrovest

Hygrovest Limited (“Hygrovest”, “HGV” or the “Company”) (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 seeks to produce capital growth over the medium term from investments in listed and unlisted equities and debt securities.

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^{1 2}

HGV Historical Performance - period ended					31-Aug-23
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	8%	17%	22%	0%	(15)%

For Hygrovest’s latest investor presentations and news, please visit www.hygrovest.com.au

General Investor Queries

E: info@hygrovest.com.au

W: hygrovest.com.au

Share Registry

Automic Registry Services

P: 1300 288 664

W: automic.com.au

Performance Update

Net Tangible Asset Value Per Share Before Tax³ as at 31 August 2023

\$0.1256

Net Asset Value as at 31 August 2023

\$23m

Key Metrics as at		31-Aug-23	31-Jul-23
Net Asset Value	\$m	23	22
Investee Portfolio (ex cash)	\$m	23	21
Cash	\$m	4	4
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)	\$	0.1256	0.1165
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)	\$	0.1085	0.1020
Net Asset Value per share	\$	0.1089	0.1024
HGV share price (ASX)	\$	0.053	0.045
Market capitalisation	\$m	11	9
Number of investments (ex cash)		6	8
ASX Investment Type		Listed Investment Company	
Initial Public Offering Date (inception date)		22-Jan-15	
No. of ordinary shares on issue	m	210	

Hygrovest shareholder communications

Webinars and copies of announcements related to Hygrovest’s operations may be found on the Hygrovest website: www.hygrovest.com.au.

¹ Inception is 30 June 2018 being the date on which Hygrovest commenced accounting for investments as an investment entity.

² The quoted returns for 1 and 3 months and financial year to date are absolute, i.e., not annualised. The quoted returns for 12 months and since inception are annualised.

³ Excludes tax on unrealised gains on the investment portfolio. The financial information within this report is unaudited.

HYGROVEST NEWS**HGV Financial Results for August 2023**

During August 2023, HGV's Net Asset Value (before provision for deferred tax) increased by 8%. The improvement in HGV's Net Asset Value was primarily due to the increase in the Enterprise Value to Net Revenue Multiple (EV/NRM) valuation multiple applied by HGV to Weed Me Inc ("Weed Me"). That multiple is derived from the end of month market valuations of various listed Canadian companies, each of which HGV considers to be broadly comparable to Weed Me. HGV also applies a 15% discount to the derived valuation multiple to account for the fact that Weed Me is unlisted.

HGV appoints HD Capital Partners as Investment Manager

On 23 August 2023, Hygrovest advised that it has executed an Investment Management Agreement ("**IMA**" or "**Agreement**") appointing HD Capital Partners Pty Ltd⁴ ("**HD**") to act as Investment Manager of HGV's investment portfolio. The appointment is for a term of five years commencing 1 July 2023.

HD is a value-oriented, fundamental bottom-up stock picker focussing on opportunities in listed small cap equities markets that arise from:

- a) undervalued, well-managed growth companies, often founder-led, that are off the radar of the broader investment community;
- b) investments in undervalued securities where HD seeks to realise value; and
- c) investment situations that are dependent on a specific corporate action, such as mergers, liquidations, tender offers and divestments.

HD's appointment follows an invitational tender process and negotiation. HGV's Board expects that HD's appointment will:

- facilitate access to new investment opportunities;
- help HGV to maximise the value of its existing investments; and
- minimise HGV's fixed cost structure.

The HGV Board believes that entering into an IMA is key to transitioning HGV's portfolio from its current concentration in cannabis businesses to a broader range of investment opportunities, primarily in the listed securities sector.

The IMA incentivises HD's performance through remuneration that is amplified upon HD delivering material increases in HGV's net asset value beyond its high water mark. HD's interests are further aligned with those of HGV's shareholders via its Capital H Inception Fund and Capital H Active Fund, which together hold approximately 10.8% of the issued capital of HGV.

A summary of key terms of the IMA with HD is included in the announcement to the ASX which may be found at <https://hygrovest.com.au/investors/asx-announcements/>.

Profiles of HD's management team may be found at <https://hygrovest.com.au/our-investment-manager/>.

HGV Annual Report for year ended 30 June 2023

On 30 August 2023, Hygrovest released its Annual Report for the year ended 30 June 2023. The audited net tangible asset backing per share of 9.18 cents as at 30 June 2023 reduced from the 9.78 cents reported in HGV's 14 July 2023 release to the ASX pursuant to listing rule 4.12. The reduction was due to a write down of HGV's investment in Sequoya Cannabis Inc. ("Sequoya") to nil as at 30 June 2023 following a review of the prospects for the Sequoya business consequent upon HGV, in August 2023, receiving new information about those prospects.

Shareholders may download the 2023 Annual Report at <https://hygrovest.com.au/investors/annual-reports/>

2023 HGV Annual General Meeting

On 30 August 2023, Hygrovest announced that the HGV's 2023 Annual General Meeting (AGM) will be held on 22 November 2023 at 12.30pm (AEDT). November 2023. HGV shareholders are able to download the AGM Notice of Meeting at <https://hygrovest.com.au/agm/>

⁴ HD Capital Partners Pty Ltd (CAR No.001301512) is a Corporate Authorised Representative of SLM Corporate Pty Ltd (AFSL: 224 034).

Appendix One

1. The year-to-date performance of Hygrovest is detailed below:

Table One

HGV Historical Performance - financial year to date									
		30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23	31-Jul-23	31-Aug-23
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.042	0.045	0.053
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.0922	0.1024	0.1089
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.0918	0.1020	0.1085
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1028	0.1165	0.1256
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(54)%	(56)%	(51)%

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

Table Two

Investment	Cannabis investments	Non-Cannabis investments	Total Portfolio Book Value (unaudited)	Weight	Total Portfolio Book Value (unaudited)	Weight
	31-Aug-23 AUDm	31-Aug-23 AUDm	31-Aug-23 AUDm		30-Jun-23 AUDm	
Delivra Health Brands Inc.	1.3		1.3	5%	0.6	3%
Portfolio of listed small caps		0.2	0.2	1%	0.1	0%
Listed investments	1.3	0.2	1.4	5%	0.7	3%
Weed Me	14.9		14.9	55%	10.2	44%
Southern Cannabis	3.9		3.9	14%	4.0	17%
Vintage Wine Estates		0.1	0.1	0%	0.1	0%
Valo Therapeutics		0.5	0.5	2%	0.5	2%
Medio Labs		2.0	2.0	7%	2.0	8%
Unlisted investments	18.8	2.6	21.4	79%	16.8	73%
	20.1	2.8	22.9	84%	18.8	81%
Cash		3.8	3.8	14%	3.7	16%
Company tax refund receivable		0.6	0.6	2%	0.6	3%
Total Portfolio	20.1	7.2	27.3	100%	23.1	100%

Note: As detailed in HGV's audited Appendix 4E released to the ASX on 30 August 2023, HGV's investment in Sequoia Cannabis Inc. ("Sequoia") was written down to nil as at 30 June 2023 following a review of the prospects for the Sequoia business consequent upon HGV, in August 2023, receiving new information about those prospects.

3. Significant investments held by HGV⁵

(a) Weed Me Inc. ("Weed Me")

HGV was a foundation investor in Weed Me in December 2017. Its investment in Weed Me comprises:

- i. 4.24m shares representing approximately 13.9% of Weed Me's issued capital (as at month end, HGV had ascribed to these shares a valuation of CAD2.58 per share);
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024; and
- iii. a CAD1m convertible note, which is unsecured, bears interest at a rate of 8% per annum, is repayable on 29 October 2023 and has an option to convert into 598,802 Weed Me shares at CAD1.67 per share.

⁵ Information current at the month of this report.

(b) Southern Cannabis Holdings (“SCH”)

HGV became an investor in SCH in April 2018. Its investment in SCH currently comprises:

- i. 21m shares representing approximately 18% of SCH’s issued capital (at month end, HGV had ascribed to these shares a valuation of AUD18.6 cents per share).

(c) Delivra Health Brands Inc. (“DHB”) (formerly known as Harvest One Cannabis Inc.)

HGV was a foundation investor in DHB. Its investment in DHB currently comprises:

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

(d) Medio Labs Inc (“Medio Labs”) (formerly Brainworks Foundry Inc.)

HGV’s investment was made in August 2021. Its investment in Medio Labs currently comprises:

- i. 1,234,568 shares representing approximately 8.6% of Medio Labs’ issued capital (as at month end, HGV had ascribed to these shares a valuation of USD40 cents per share);
- ii. USD0.75m convertible note (the Note), which is secured and repayable upon the earliest of (i) December 31, 2024, (ii) an Event of Default, and (iii) a Change of Control⁶ (such earliest date, the “Maturity Date”).

The Note is automatically converted into common stock of Medio Labs upon the occurrence of a “Qualified Listing”⁷ (the “Conversion Stock”). In the event of such automatic conversion, this Note shall be converted into that number of common stock equal to the lesser of (i) fifty percent (50%) of the price per share of the Conversion Stock in the Qualified Listing or (ii) the per share value of the Conversion Stock at an aggregate valuation of the Company’s issued and outstanding capital stock (i.e., not taking into account issued but unexercised warrants and stock options) of Two Million Dollars (\$2,000,000) (or an equivalent valuation in Australian currency),

- iii. 375,000 warrants to purchase one common stock following a Qualified Listing with an exercise price equal to 120% of the per share price of the common stock set forth in the Qualified Listing with a maturity date of three years following the date of the Qualified Listing.

(e) Valo Therapeutics Oy (“Valo”)

HGV’s investment was made in November 2021. Its investment in Valo currently comprises:

- i. 1,000,000 convertible notes at AUD1 each (the Convertible Notes).

The Convertible Notes are secured and repayable on the earlier of 30 June 2023 or an event of default (Repayment Date).

If Valo completed a further equity raising of a minimum of AUD10m between the date of issue of the Convertible Notes and 31 March 2023 (Second Raising), the Convertible Notes were to automatically convert into Valo shares (Automatic Conversion) at the lower of:

- a 25% discount to the price at which shares are issued under the Second Raising; and
- a pre-money undiluted equity value for Valo of AUD40m.

The Automatic Conversion did not occur by 31 March 2023 and interest became payable on the face value of the Convertible Notes outstanding at 10% per annum from Drawdown Date⁸ until the Repayment Date.

HGV is also entitled to receive warrants equal to 25% of the number of common shares of Valo Therapeutics Inc. (an associate of Valo) that HGV will receive in exchange for the conversion of its Convertible Note Agreement. The exercise price per share under the common share purchase warrants will be equal to 110% of the price at which shares are sold concurrently with the anticipated public listing, and the expiry date will be 30 calendar days after the

⁶ “Change of Control” means (i) the closing of the sale, transfer or other disposition of all or substantially all of the Company’s assets, (ii) the consummation of the merger or consolidation of the Company with or into another entity (except a merger or consolidation in which the holders of capital stock of the Company immediately prior to such merger or consolidation continue to hold at least 50% of the voting power of the capital stock of the Company or the surviving or acquiring entity), (iii) the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons (other than an underwriter of the Company’s securities), of the Company’s securities if, after such closing, such person or group of affiliated persons would hold 50% or more of the outstanding voting stock of the Company (or the surviving or acquiring entity) or (iv) a liquidation, dissolution or winding up of the Company.

⁷ “Qualified Listing” means either (i) the Company’s receipt, prior to the Maturity Date, of written conditional approval for its securities to be admitted to quotation on the ASX; provided however, that the Maturity Date shall be automatically extended by up to 90 calendar days if the Company is then actively negotiating or responding to regulators regarding the completion of the registered listing on the ASX or (ii) an equity financing that does not meet the criteria described in Subsection (i) above but is otherwise specifically approved in writing by the holders of a majority in interest of the Notes as a Qualified Listing.

⁸ Drawdown date was 2 November 2021.

issuance by Valo Therapeutics Inc. of a press release announcing full data (safety and efficacy) for the first 6 patients in Valo's Phase 1 PeptriCRAAd-1 Clinical Studies.

Valo advised Noteholders that it will seek the consent of the holders of Valo Convertible Note Agreements to receive common shares of Valo Therapeutics Inc. instead of Valo Therapeutics Oy, because it is intended that the common shares of Valo Therapeutics Inc. be listed for public trading in Canada.

4. Securities held by HGV⁹

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

Investee	Book Value (unaudited)	Current Portfolio Strategy
	31 August 2023 AUDm	
Weed Me Inc (Weed Me)	14.9	Weed Me is the best performing investment in HGV's portfolio. 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.
Southern Cannabis Holdings (SCH)	3.9	SCH is diversifying its products to continue sales growth. HGV is working with SCH's management to seek to produce a liquidity event in the next 12 months.
Medio Labs Inc. (Medio Labs)	2.0	Medio Labs is an investment in digital healthcare made in September 2021 which is seeking public listing in 2023.
Delivra Health Brands Inc. (Delivra)	1.3	HGV is Delivra's largest shareholder with a 22% shareholding.
Valo Therapeutics Oy (Valo)	0.5	Valo is an investment in healthcare made in November 2021.
Cash and company tax refund	4.4	Funds for new investment and operating costs.

5. Valuation of Assets

HGV values its investments by applying the following principles:

- 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.
- Unlisted equity securities - HGV's preference is to value its unlisted investments by applying an Enterprise Value to Net¹⁰ Revenue Multiple (EV/NRM) provided these valuations are materially consistent with any recent capital raises by the given investee. The Canadian multiple of 2.17 (prior month 1.87) is derived from the end of month market valuations of various listed Canadian companies, each of which HGV considers to be broadly comparable to Weed Me. The applied multiple represents the average of these multiples which range between 1.0 and 3.4. The Australian multiple of 1.91 (prior month 2.0) is derived from the end of month market valuations of various listed Australian cannabis companies each of which HGV considers to be broadly comparable to SCH. The applied multiple represents the average of these multiples which range between 1.51 and 2.57. HGV also applies a liquidity discount of 15% to the EV/NRM valuation, to account for these investments' unlisted status. 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 as necessary). 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 considers the recommendations of its investment manager.
- 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.

⁹ Information current at the month of this report.

¹⁰ Gross sales less government excise taxes

- (d) Unlisted warrants and note conversion options (“Convertible Securities”) - the book values also include the unrealised gain arising from valuation of unlisted Convertible Securities using the Black-Scholes pricing model. Black-Scholes attributes a value to Convertible Securities 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 option or a put option based on six variables: volatility, type of option, underlying stock price, time to expiry, strike price, and the risk-free rate. The Convertible Securities valuation ascribed through Black Scholes assumes that the Convertible Security is exercised on the expiry date of the Convertible Securities which may not be the actual outcome e.g., HGV may decide to exercise the Convertible Securities 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.

6. 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.

7. Investment Policy

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

Glossary

ABBREVIATION	Definition
AUD	<i>means Australian dollars.</i>
ASX	<i>means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.</i>
ASX Listing Rules	<i>means the Listing Rules of ASX.</i>
CAD	<i>means Canadian dollars.</i>
Company or HGV	<i>means Hygrovest Limited (ACN 601 236 417).</i>
EBITDA	<i>means Earnings before Interest, Tax, Depreciation and Amortisation.</i>
IPO	<i>Initial public offering of securities on a recognised securities exchange.</i>
NAV	<i>means net asset value.</i>
Option	<i>means an option to acquire a Share usually at predetermined price.</i>
Share	<i>means a fully paid ordinary share in the capital of a company.</i>
Shareholder	<i>means a registered holder of a Share.</i>
USD	<i>means United States dollars.</i>