

10 September 2024

HGV Investment Portfolio Performance - August 2024

Hygrovest Limited (ASX: HGV) ("HGV" or the "Company") 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

HGV is pleased to provide the portfolio performance for August 2024 which includes the disclosure pursuant to Listing Rule 4.12.

Investor and Media Enquiries

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About HGV

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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 2024

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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.

Hygrovest’s investment manager is HD Capital Partners Pty Ltd (“HD”). HD was appointed to that role 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 including:

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

Hygrovest Investment Performance^{1 2}

HGV Historical Performance - period ended					31-Aug-24
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	3%	(2)%	6%	(13)%	(15)%

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

General Investor Queries

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Share Registry

Automatic Registry Services

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Performance Update

Net Tangible Asset Value Per Share Before Tax³ as at 31 August 2024

\$0.1097

Key Metrics as at		31-Aug-24	31-Jul-24
Net Asset Value - pre tax	\$m	24	22
Investee Portfolio (ex cash)	\$m	22	21
Cash and cash equivalents	\$m	0	0
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)	\$	0.1097	0.1062
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)	\$	0.0956	0.0927
Net Asset Value per share	\$	0.0978	0.0931
HGV share price (ASX)	\$	0.039	0.042
Market capitalisation	\$m	8	9

	Listed
	Investment
ASX Investment Type	Company
Initial Public Offering Date (inception date)	22-Jan-15
No. of ordinary shares on issue	m 210

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 2024**

During August 2024, HGV's Net Asset Value (before provision for deferred tax) increased by 3% which was primarily due to an 11% increase in the Enterprise Value to Net Revenue Multiple (EV/NRM) used by HGV when valuing its investment in Weed Me Inc ("Weed Me"). This 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.

Shareholders should always, including but not limited to this month, be mindful that HGV's reported month-end NTA is a point-in-time assessment only and that HGV's NTA is constantly fluid.

HGV also applies a 15% discount to the derived valuation multiple applied to its Weed Me holding to account for the fact that Weed Me is unlisted.

Investment Manager Update

The listed Australian portfolio performed well in the August reporting season. In aggregate, these businesses are all cash flow positive and trading at attractive valuations, with outlooks provided at results that give us confidence in their future prospects.

HD intends to present a more detailed presentation of the HGV portfolio and our progress towards achieving our stated objectives at the 2024 AGM. This will be done with the intention of providing more transparency to shareholders as we continue to focus our energies on closing the large discount to NTA.

HD Capital Partners

Appendix One

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

Table One

HGV Historical Performance - financial year to date					
		30-Jun-23	30-Jun-24	31-Jul-24	31-Aug-24
Share price \$	AUD	0.042	0.046	0.042	0.039
Net Asset Value	AUD	0.0922	0.0933	0.0931	0.0978
NTA Post Tax \$	AUD	0.0918	0.0929	0.0927	0.0956
NTA Pre Tax \$	AUD	0.1028	0.1037	0.1062	0.1097

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

Table Two

Investment	Cannabis investments	Non-Cannabis investments	Total Portfolio Book Value	Weight	Total Portfolio Book Value	Weight
	31-Aug-24 AUDm	31-Aug-24 AUDm	(unaudited) 31-Aug-24 AUDm		(unaudited) 30-Jun-24 AUDm	
Listed investments:						
Delivra Health Brands Inc.	1.5	0.0	1.5	7%	2.1	10%
Portfolio of listed small caps	0.0	4.7	4.7	20%	3.8	17%
Total Listed Investments	1.5	4.7	6.2	27%	5.9	27%
Unlisted investments:						
Weed Me	11.1	0.0	11.1	48%	9.2	42%
Emerging Therapeutics	4.0	0.0	4.0	17%	4.0	18%
Portfolio of unlisted debt securities	0.0	0.3	0.3	1%	0.8	3%
Total Unlisted Investments	15.1	0.3	15.3	66%	13.9	64%
	16.6	4.9	21.6	93%	19.8	91%
Cash	0.0	0.3	0.3	1%	0.3	2%
Receivables from investment divestments	0.2	0.0	0.2	1%	0.8	4%
AAA ETF	0.0	1.1	1.1	5%	0.9	4%
	0.2	1.3	1.6	7%	2.1	9%
Total Portfolio	16.9	6.3	23.1	100%	21.9	100%

Note:

The reference to Cash Equivalents refers to the investment in higher yielding cash on call deposits via an investment in ASX:AAA.

3. Significant investments held by HGV⁴

(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% of Weed Me's issued capital (as at month end, HGV had ascribed to these shares a valuation of CAD2.35 per share); and
- ii. 460,830 warrants each convertible at CAD2.17 with an expiry date of 29 October 2024.

(b) Emerging Therapeutics ("ETG")⁵

HGV's investment in ETG currently comprises 21m shares representing approximately 18% of ETG's issued capital (at month end, HGV had ascribed to these shares a valuation of AUD0.19 per share).

⁴ Information current at the month of this report.

⁵ Previously known as Southern Cannabis Holdings.

(c) **Delivra Health Brands Inc. (“DHB”)**

HGV was a foundation investor in DHB. Its investment in DHB currently comprises 55.5m common shares of DHB representing an approximately 18% shareholding.

4. **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** – Generally, HGV’s preference is to value its unlisted investments by applying an Enterprise Value to Net⁶ Revenue Multiple (EV/NRM) provided these valuations are materially consistent with any recent capital raises by the given investee. The Canadian multiple of 2 (prior month of 1.8) 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 1.3 and 3.7. The Australian multiple of 0.8 (prior month of 0.9) 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 ETG. The applied multiple represents the average of these multiples which range between 0.4 and 1.1. 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 generally 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, or if intervening events or information suggest that applying one of those valuation metrics is inappropriate, 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.
- (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 (“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 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.

5. **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 any available franking credits held by HGV. Currently, HGV does not have a material franking credit balance.

⁶ Gross sales less government excise taxes and sales discounts

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>