



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 November 2022

HGV Investment Portfolio Report - October 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 - October 2022

HGV is pleased to provide the HGV Investment Portfolio Report for October 2022 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

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

October 2022

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About Hygrovest

Hygrovest Limited (“Hygrovest” or “HGV”) (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 Performance¹

HGVS Historical Performance - period ended					31-Oct-22
	1 month	3 months	Financial year to date	12 months	Since inception
Pre tax return	28%	30%	38%	(7)%	(13)%

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

Automatic Registry Services

P: 1300 288 664

W: automic.com.au

Performance Update

Net Tangible Asset Value Per Share Before Tax² as at 31 October 2022

\$0.1564

Net Asset Value as at 31 October 2022

\$32m

Discount of HGV share price to Net Asset Value as at 31 October 2022

50% p.a.

Key Metrics as at	31-Oct-22	AUD
Net Asset Value	m	32
Investee Portfolio (ex cash)	m	30
Cash	m	6
Net Tangible Asset per share - pre-tax (issued pursuant to LR 4.12)		0.1564
Net Tangible Asset per share - post tax (issued pursuant to LR 4.12)		0.1372
Net Asset Value per share		0.1376
HGV share price (ASX)		0.069
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.

Hygrovest held 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.

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

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

HYGROVEST NEWS**Performance of Hygrovest Portfolio – Year to date 31 October 2022**

Highlights during the period:

- a) HGV's Net Asset Value (before provision for deferred tax) increased by 38% for the four months ended 31 October 2022 ("the Financial Period").
- b) HGV's profit after tax was \$7.3m³ for the Financial Period (four months ended 31 October 2021 loss of \$4.3m).
- c) Net Asset Value grew from \$24m to \$32m.
- d) Net Asset Value per share grew 30% from 10.6 cents to 13.8 cents.
- e) Cash and taxation receivables remained at \$6m and includes an Australian company tax refund which is expected by December 2022.
- f) HGV share price grew 8% from 6.4 cents to 6.9 cents.

The main drivers of the financial performance in the year to date were the recovery in listed Australian and Canadian cannabis investment markets and the positive impact on HGV's two main investments, Weed Me and Southern Cannabis Holdings ("SCH"). This recovery in listed cannabis security valuations when combined with the continued growth in the revenues of Weed Me and SCH accounted for most of the growth in NAV during the Financial Period.

HGV is valuing its investment in Weed Me at an enterprise value to net revenue multiple of 3.2 times historical net revenue. This multiple is based on a basket of comparable listed Canadian cannabis companies. It should be noted that it represents the average of these multiples which range between 1 and 4.9⁴.

The 28% growth in pre-tax NAV in October 2022 was primarily due to the impact of the valuation multiple applied to Weed Me from the increase in the listed Canadian cannabis securities⁵. The valuation multiple⁶ has increased from 1.9 to 3.2 during the Financial Period based on the performance of the pool of listed Canadian cannabis companies that HGV uses to derive the multiple⁷.

Market commentary attributed to the rise in October in part to President Biden issuing an official White House statement calling for comprehensive cannabis reform, primarily in relation to criminal record removal and removal from Schedule 1 controlled substance. Whilst the regulatory process to achieve removal from Schedule 1 is somewhat uncertain in its timing and execution, it seems that investment markets remain optimistic that there is a viable path forward.

While HGV expects that valuations will continue to fluctuate on a monthly basis, HGV's investment in Weed Me (53% of HGV's portfolio) provides our shareholders with the opportunity to benefit from any further gains in Canadian valuations and also from Weed Me's continued growth in revenue.

Portfolio Investment Strategy

On page 5 of this Investment Portfolio Report, HGV's asset manager, Parallax Ventures Inc., has provided commentary on:

1. The investment outlook for HGV.
2. The three factors they believe should increase the growth in NAV and have a positive impact on reducing the discount which HGV's shares trade to NAV: 1) Liquidity events, 2) Portfolio revitalisation, and 3) in the short term deployment of cash in liquid high-quality names or inflation-resistant growth names.
3. The outlook for the major global economies, including Australia.

Investment Management Agreement with Parallax Ventures Inc

HGV executed an Investment Management Agreement with Parallax Ventures Inc ("Parallax"), 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.

³ Unaudited per HGV management accounts

⁴ The enterprise value to net revenue multiple is derived from security analysts report at end of the respective month

⁵ As measured by the S&P/TSXV Cannabis Index (SPTXCAN)

⁶ The enterprise value to net revenue multiple is derived from security analysts report at end of the respective month

⁷ The process and outcome is reviewed by HGV's auditor's every six months

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 returns⁸ exceeded HGV's benchmark.

The HGV Board believes that entering the IMA was 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. The HGV Board considers Parallax's asset management expertise and importantly, its knowledge of HGV's existing cannabis investments, which still comprise 72% of the company's portfolio, will be valuable realising the value in the existing asset portfolio during the current financial year. 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 recovery in Canadian and Australian cannabis markets during the past four months underlines HGV's decision to extend the contract with Parallax who work closely with HGV's two main investments, Weed Me and SCH to enhance the value of HGV's investments and provide liquidity events within the portfolio. The bulk of Parallax's remuneration continues to be linked to material increases in HGV's share price and/or net asset value, through the proposed issue of Performance Rights.

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

The HGV Board considers that the issue of the Performance Rights to Parallax incentivises the manager to achieve material gains during the current financial year and encourages all shareholders to vote in favour of the issue of the Performance Rights to Parallax and the other resolutions (refer below) at the forthcoming HGV Annual General Meeting.

Access to 2022 Annual General Meeting Documentation and Voting

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) / 9:00am (AWST)

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.

Shareholders are able to obtain AGM documentation and cast their votes by clicking on this link <https://hygrovest.com.au/agm/> - please contact HGV at info@hygrovest.com.au if you require assistance to vote and ask questions.

⁸ Returns from investments before HGV's operating costs and company tax

Parallax Ventures Inc. Portfolio Update – October 2022

A. Investment Outlook

- As we start to see glimpses of optimism from USD peaking, EU energy crisis resolution, and the potential for slowing US interest rate hikes, investors should expect to see the large cash balance at HGV begin to be deployed in high quality liquid names that offer significant upside return without the inherent risk and volatility of today's market.
- HGV has overweight exposure to a wide variety of high growth names across various sectors, private and public, so capturing returns without forfeiting liquidity will remain our primary focus in cash deployment.
 - Investing in growth stocks in today's environment means financial growth with strong operating margins combined with a large market opportunity, not just taking on additional risk.
 - Failure to acknowledge this investment thesis is best illustrated by Ark Funds negative performance (down 70%) in 2022.
 - While the EU / UK / Japan still face structural issues, we are seeing inflation data in the US beginning to moderate and discussion / confirmation beginning on the Fed tempering its aggressive rate hike policy.
 - Generally, as the market rebounds from such a destructive bear cycle, investors will see the large cap names leading the way, while the mid and small cap names tend to lag until the trend is confirmed.
 - In 2008, the industry leaders tended to lead the rally, while mid/small caps followed.
 - There are still lots of global issues outstanding, so we believe the risk / reward of moving down-market into "riskier" names isn't warranted if we see liquidity pulled out of the market again.
 - The lack of performance by the tech leaders is being replaced by "meat and potato" stalwarts as we continue to see the Dow and S&P performing well.
 - HGV investors already have significant exposure to the rapidly rerating cannabis market (detailed below) along with existing investments in non-cannabis growth names, such as Medio Labs, that provide substantial upside potential to NAV as their sales continue to accelerate and they begin to seek liquidity options in 2023.
 - As we wrote a couple month ago, it appeared the bottom was in sight for cannabis stocks. This turned out to be prescient as positive government legalization trends in both US and Germany have reinvigorated the sector, which is materially positive for HGV's legacy cannabis positions.
 - As the sector re-rates due to government deregulation, short covering and underweight global investors, HGV shareholders can expect a material increase in NAV as our private positions are valued using public company multiples from a basket of market leaders, such as Canopy Growth that was up 36% in the last month.

B. Portfolio Strategy – Goals for 2023

- The HGV portfolio continues to trade at a discount to NAV that will be narrowed through 2023 with: **1) Liquidity events, 2) Portfolio revitalisation, and 3) Cash deployment in liquid high-quality names or inflation resistant growth names.**

1. Increased liquidity

- HGV shareholders should expect liquidity events from:
 - Legacy Cannabis Positions
 - ◆ Weed Me (HGV's largest position)
 - HGV is valuing its investment in Weed Me at an enterprise value to net revenue of 3.2 times historical net revenue. This multiple is based on a basket of comparable listed Canadian cannabis companies. It should be noted that it represents the average of these multiples which range between 1 and 4.9.
 - Parallax considers that there may be scope for Weed Me to secure a premium to the average multiple on listing given the company's stronger rate sales growth and market offering that positions it within the top cannabis LP's, especially considering lower end comparables are generally facing financial restructuring or capital issues.
 - Lastly, leading LP's have attracted interest from other large corporations, such as Altria's investment in Chronos Group, focused on entering the cannabis market with established market positions.

- The breadth of offering combined with strong sales growth offered by Weed Me suggests that they should garner partnership interest in the form of capital investment and resource allocation, especially with the current shift US regulations, potentially enhancing its valuation as investors tend to gravitate towards these types of synergistic situations.
- ◆ Southern Cannabis Holdings (“SCH”)
 - The company continues operate its business across various parts of the pharmaceutical value chain.
 - The company with strong month on month revenue growth and EBITA margins improving with scale, thereby in our view enhancing their value as an acquisition target.
 - SCH have received significant interest from various parties who are interested in exploring further strategic alternatives.
- New Investments
 - ◆ Medio Labs
 - HGV made an investment in Medio Labs in 2021 based on its next generation gene sequencing pathology technology that has the ability to diagnose multiple disease panels in dramatically reduced cost and time frame versus current standard of care.
 - Medio has generated over \$5 mm in revenues in its first year of commercial operations; it has multiple growth streams as Covid/influenza testing ramps up in the 2022 season along with additional modalities across sexual transmitted diseases and respiratory diseases.
 - The company is currently completing a well-received \$2 mm pre-IPO round and preparing for a 2023 ASX IPO.
 - Investors should use Medio Labs as a template for future private investments; investment horizon of approximately 18 months in growth stocks that can change industry standards.

2. Portfolio Revitalisation

- ◆ Delivra Health Brands Inc (formerly Harvest One)
 - Once HGV’s largest position, financial and operational mismanagement along with a lack of access to capital almost forced the company into insolvency.
 - HGV/Parallax, in conjunction with new management, has completely restructured the business by dramatically reducing expenses, eliminating capex, reducing payables, refocusing it into a CPG company focused on recognized brands led by Dream Water and LivRelief.
 - Recent financials illustrate the success of this restructuring with growing revenues as covid restrictions ease on Dream Water’s revenues and the efficacy of LivRelief drives demand.
 - With such a large ownership position (>20%), Delivra could begin to make a material impact as investors rediscovery the new entity.
- ◆ Vintage Wine Estates (“VWE”)
 - VWE’s stock has been negatively impacted in 2022 by investor distaste for SPAC-based companies along with accounting issues related to inventory restates as they continue to integrate small wineries into the corporation.
 - As these issues don’t materially impact the underlying business, we believe under the leadership of Chairman Pat Walsh, former CEO of Diageo, the company will move higher as it trades more in line with spirit company multiples that continue to perform in this recessionary environment.
- ◆ Sequoya
 - Sequoya management have focused on growing monthly revenues and this has yielded results.
 - The company’s top line has been growing nicely since we made a C\$150k follow on investment in the summer (first tranche of a two tranche C\$300k facility approved by the HGV Board).
 - We would be amenable to providing management with more runway to growth by hiring more salespeople, marketing etc. and will likely recommend the board release the second C\$150k tranche of the previously agreed facility.

- The company can use these additional funds and materially grow the business (from current revenue of ~C\$120-150k/month level). This would be an exciting prospect as we have noted companies tend to have some level of revenue stickiness above that level.
- The company has made good progress targeting mainstream consumer goods industries in the EU and seen strong demand of its new Hemp Terpenes products. Opportunities are contingent on hiring staff in roles supporting sales & lab staff. In this segment Sequoia is currently the only mass-producer of Hemp Terpenes in EU and able to garner substantial market size among major CPG clients.
- Most importantly, the company has a THC handling permit which could prove to be valuable in context of recent moves to legalization in neighboring Germany. Combined with potential GMP Pharma certification, Sequoia could prove to become a major player in European pharma cannabis.
 - Financing conditions in Europe for cannabis companies have improved as illustrated by Sanity Group's recent \$37.5 mm Series B round.
 - The advanced nature of Sequoia vis a vis its European peers on a regulatory, production and distribution basis should position it well for a financing round in 2023 as it continues to scale its business.

3. **Cash deployment in liquid high-quality names or inflation resistant growth names**

- Since the return of the capital from Entourage debentures, Parallax has consistently recommended remaining in an overweight cash position (20%+) as inflation was rapidly increasing and significant central bank intervention was expected. While we recognised a pullback would be material, even we are surprised by the amount of value destruction across both the equity and fixed income markets.
 - ◆ We were ahead of most managers who continued to buy “quality” names in the face of a rapidly deteriorating macro environment, but cash has become a crowded trade with fund managers running the highest levels since 9/11.
 - ◆ Cash deployment into indices with trading stops will allow HGV investors to capture performance combined with our existing growth portfolio of legacy and non-cannabis growth names with limited downside risk until the macro environment further clarifies.
- Parallax has proposed to the HGV Board that HGV would allocate some cash reserves into indices / large cap names as they are extremely liquid, thereby allowing HGV to transition into individual names as the leaders begin to define themselves in the new trend or revert to cash in the event of material unforeseen events.
 - ◆ Parallax's recommendations will combine:
 - Fundamental analysis regarding market position, operating margins, future capex expenditures and debt structure in the rising interest rate environment.
 - Technical analysis as a substantial amount of trading is focused on clearly defined indicators supported by CTA (managed futures) trend buying.
 - Quantitative analysis that indicates earnings have bottomed and the forward estimates are beginning to trend higher.
 - This combination was extremely successful in 2008 to generate solid returns as its starts to highlight winners/losers and appears effective in today's market.
- We will continue to pyramid into these markets as early purchases have been profitable both in indices and corporates, such as Intel and Air Canada in the last month, while providing liquidity in the event of further events.
- To be clear, HGV is not proposing to transition into a large cap index fund but will continue to invest in high growth profitable and recessionary resistant names as illustrated by our recent small, but poised to grow larger, investment in Reclaim Ltd.⁹, while capturing returns from liquid investments.
 - ◆ **Reclaim Investment Thesis**
 - ◆ Over the past 20 years, the data industry (\$245 billion in the US) has been built on the foundation of harvesting and exploiting consumer data with no consumer inclusion.
 - Legal and regulatory roadblocks are rapidly evolving placing the consumer at the center of new privacy policies.

⁹ Included in “other listed securities” in Table Three on page 12

- The General Data Protection Regulation (GDPR) in Europe.
- Followed in the USA with the California Privacy Rights Acts (CPRA)
- ◆ Those relying on unconsented data will experience a regulated disruptive migration forcing them to use only fully consented data sources.
 - We have seen this impact in large technology companies as Apple implementing major protocol changes and others that have relied on this unconsented data, such as Snap, face rapidly declining revenues
- ◆ Reclaim has built a foundation of 320 mm consented profiles across 15 platforms, such as T-Mobile, with further validation coming from major Fortune 500 customers, such as Microsoft and BP, already integrated into the platform with long-term and growing contracts.
 - Strong revenue growth will be augmented by rollup acquisitions of current data providers looking for a solution to an increasing litigious regulatory environment.
- ◆ As Reclaim is already a public company, HGV investors will realize public market appreciation as investors digest the significant impact regulatory changes have on the \$600 billion tech exposure to data privacy.
- ◆ Investors should expect to see similar type growth investments as market stability returns, but, as described above, there already exist multiple high return opportunities, so we will remain prudent as we invest the current cash balance in highly liquid options to garner additional performance.

C. Macro Overview: Sparks of Optimism?

- ❖ Oversold markets rebounded against extremely bearish sentiment with economic data beginning to bifurcate between the energy haves / have-nots and East vs West. The month saw volatility remain higher, but earnings quality, capital structure (i.e. debt burden) and position in the economic cycle directed investment flows.
 - United States
 - We saw stocks begin to rally at the end of the month, as investors digested solid earnings from some prominent companies, such as J.P. Morgan, Coca-Cola and MacDonald's, and augmented by dovish comments from Fed members. Big tech (Meta et al) had disappointing earnings generally driven by challenging a revenue environment (FX/macro) and poor cost/expense controls causing increased stock pressure. It is difficult to discern where this money flows in a high cash/low leverage environment which is already defensively positioned.
 - It wouldn't be surprising to see earnings further soften in the quarters ahead, particularly 2023 estimates, but with a massive repricing in many stocks, the worst may be over for many high-quality companies.
 - As we have previously written about the overcrowded trade related to puts and short sales, more upwards pressure could be emerging as corporate buybacks are starting. At the same time earning season ends along with CTA trend buying, which could put a significant floor in stock prices in shortened trading days in November and December including major vacation weeks and low liquidity with November being front end loaded.
 - As the last three months of CPI data highlights moderating inflation (3 month annualised ~2%), a glimpse of Treasury yields peaking would increase our mildly bullish stance.
 - Rates have repriced at an explosive pace, but it appears the market has digested the Fed's policy guidance and its inflation-fighting priorities.
 - ◆ The hawkish Fed comments pushed the yield on the benchmark 10-year U.S. Treasury note to 14-year highs, but it is starting to appear oversold and it seems, at least short-term, we are due for a pullback along with the super charged USD, which we started to see at the end of the month.
 - ◆ Seeing a peak and stabilization would increase the likelihood of more durable market rally.
 - Lower yields would bring further relief to equity and bond markets as they indicate lower discount rates and cheaper cost of capital for companies.
 - The U.S. consumer continues to remain resilient, although facing economic headwinds and a falling housing market.
 - Recent housing data has showed considerable weakening as the impact from higher rates has been most acutely felt in interest-rate-sensitive parts of the market, but rents, a big component of CPI are finally trending downwards.
 - Housing starts are declining; however, today's housing market is very different then 2008 as many borrowers sought long term fixed rate mortgages, while avoiding subprime mortgage lending.

- ◆ We don't expect the slowdown to cause the number of forced sales and resulting financial crisis that was seen in 2008, just a healthy decline from the Covid sugar rush buying.
- ◆ Thankfully, rents along with the secondary / "used" market, both big components of CPI, are rapidly retreating from Covid heights.
- USD appears to have peaked short-term and should provide additional support to both the rally and future offshore earnings, while buoying the cyclical commodities.

➤ Europe

- Political and economic confusion deepened across Europe highlighted by Britain as PM Truss resigned after 45 tumultuous days in office, making her the shortest-serving prime minister in history, while UK, German et al inflation continued to surge higher.
 - Fortunately, European countries have filled that their gas storage facilities to overcapacity before the start of winter. Yet more LNG cargos are arriving in Europe at such rates that they are jamming ports.
 - ◆ Nat gas is a physical asset and with the tsunami of LNG cargos there is no storage and it is being reflected in price collapses that could remain negative until winter utilization begins.
 - We have seen a rapid rise in credit and equity protection in the last few months due to the energy crisis, but Europe is so much more than that. With the implosion in gas prices, that elevated credit protection looks like it will alleviate bringing some relief to both markets.
- Contrary to the position of governments, the BoE and the ECB are less likely to be able to offer support to their economies given soaring inflation.
 - European consumers are in for a tough winter as prices remain very elevated, although fiscal intervention will prevent the full passthrough of energy costs to households which should somewhat dampen the hit to growth.
- At a sector level, earnings from corporates that are vulnerable to gas disruption, such as chemicals, will face serious winter headwinds along with a squeeze to those reliant on the consumer.

➤ Japan

- Japanese equities ended a choppy month of trading due to global recessionary fears and further currency weakness remaining prevalent themes.
- Japan has maintained its central bank's steadfast pledge to mega-loose policy, which sticks out like a sore thumb in the past year of aggressive rate hikes.
 - The BoJ's unlimited fixed rate buying and broader QE has maintained a Japanese yield curve that would likely be significantly higher.
- Japan has been conducting yen-buying interventions to defend the yen against sharp declines, which have been driven by the widening divergence between Japanese and U.S. interest rates. The BOJ is set to maintain ultra-low interest rates to support the fragile economy, which appears to cause further divergence.
- Japan appears to have spent a record 5.5 trillion yen (USD\$37 billion) in its effort to rein in the falling yen that would dwarf the 2.8 trillion-yen intervention made in September.
 - Following the massive intervention, it pushed the currency from 149.7 to the low 145 range against the dollar from its 32-year record of 152.
- The results of these types of strategies are usually temporary for the exchange rate, unless managed globally, with firepower limited to the amount of foreign reserves. If the BoJ really wants to curb Yen weakness it will have to wean off its yield curve control policy, that keeps its yields artificially low vs. other currencies.
- After 30+ years of accommodative policy, nobody knows what happens if the BoJ turns.

➤ China

- At the CCP Congress, Xi Jinping secured an unprecedented 3rd term.
 - Stocks slumped, and Hong Kong stocks collapsed the most since 1994.
- Data following the Congress indicated that China's economy rebounded in the third quarter to recover all of output lost during Covid-19 lockdowns earlier this year. Output expanded by a seasonally-adjusted 3.9% in the three months to 30 September.

- The result was better than had been expected by analysts as the unusual delay of the national accounts had raised suspicions that growth would be weaker than generally expected, although skeptics still question the validity of the numbers.
- China will now rely on domestic demand to drive future growth. As hope springs eternal, analysts predict the domestic economy will start to benefit from a cyclical improvement from late-Q3 onwards combined with tentative signs of stabilization in the real estate sector after additional targeted policy.

➤ Australia

- Australia's Labor government used its first budget in a decade to emphasise sense and stability, keen to avoid a repeat of the market mayhem that followed Britain's fiscal fiasco, although they maintained significant deficits.
 - Inflation is expected to hit 7.75% by the end of the year, suggesting Australia could enter a recession sooner rather than later, but certainly signaling more rate hikes to come.
- Australia's private sector saw renewed contraction in October with the key service sector showing signs of stress. A fall in demand for services was underpinned by higher interest rates and prices, altogether reflective of the detriments of aggressive monetary policy tightening and capacity constraints upon business activity.
- Crucially, there were no nasty surprises for investors as all the main deficit and economic forecasts were well within analysts' expectations.

Appendix One

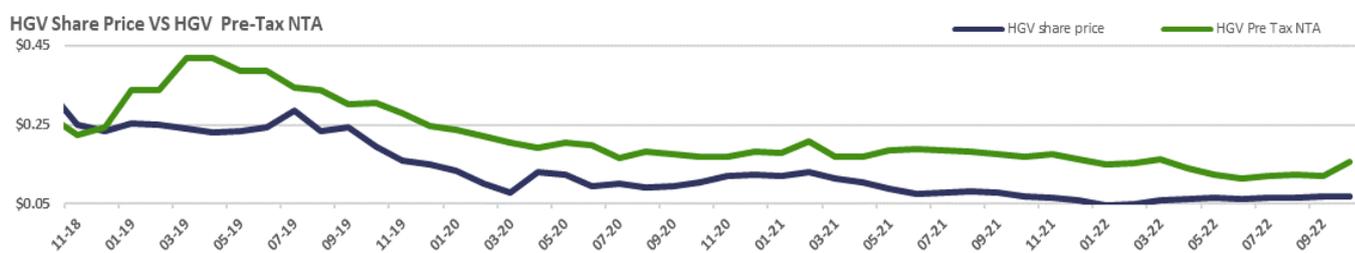
1. The year-to-date performance of Hygrovest's NTA is detailed below¹⁰:

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	31-Oct-22
Share price \$	AUD	0.335	0.245	0.096	0.077	0.064	0.065	0.067	0.068	0.069
Net Asset Value	AUD	0.2879	0.3721	0.1924	0.1750	0.1059	0.1111	0.1144	0.1118	0.1376
NTA Post Tax \$	AUD	0.2860	0.3718	0.1925	0.1747	0.1055	0.1107	0.1140	0.1114	0.1372
NTA Pre Tax \$	AUD	0.2900	0.3874	0.1976	0.1885	0.1136	0.1202	0.1254	0.1220	0.1564
Premium/(discount) of share price to NAV		16%	(34)%	(50)%	(56)%	(40)%	(42)%	(41)%	(39)%	(50)%

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
			31-Oct-22 Times	31-Oct-22 AUDm	31-Oct-22 AUDm	31-Oct-22 AUDm		30-Jun-22 AUDm	
Delivra Health Brands Inc.	Canada	Health and wellness products	0.2	1.9		1.9	5%	1.9	7%
BevCanna Enterprises Inc	Canada	Cannabis beverages and extracts	n/a	0.2		0.2	1%	0.4	1%
Portfolio of listed small caps	Canada/Australia	various listed small caps			0.5	0.5	1%	0.1	0%
Listed investments				2.2	0.5	2.7	7%	2.4	9%
Weed Me	Canada	Cultivation and sales of branded cannabis products	3.8	19.1		19.1	53%	10.0	38%
Sequoia	Canada/Poland	CBD Extraction	0.2	0.9		0.9	3%	0.9	3%
Southern Cannabis	Australia	Medicinal cannabis clinics and research	3.4	3.4		3.4	9%	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	0.4		0.6	0.6	2%	2.1	8%
Valo Therapeutics	Finland	healthcare	1.0		1.0	1.0	3%	1.0	4%
Brainworks Foundry Inc.	USA	healthcare	1.0		1.6	1.6	4%	1.5	6%
Unlisted investments				23.7	3.1	26.9	75%	16.9	64%
Cash			0.7	25.9	3.7	29.6	82%	19.2	73%
Company tax refund receivable					5.7	5.7	16%	6.3	24%
					0.8	0.8	2%	0.7	3%
Total Portfolio				25.9	10.1	36.0	100%	26.2	100%

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 31-Oct-22	Market Price 31-Oct-22 Foreign Currency	Book Value (unaudited) 31-Oct-22 Foreign Currency	Book Value (unaudited) 31-Oct-22 AUD000
Delivra Health Brands Inc. - shares	DHB	listed price	55,557,994	0.030	1,667	1,910
Total HGV investment					1,667	1,910
Vintage Wine Estate - shares	VWE.U	Listed price	60,000	2.8	165	257
- warrants	VWE.WT.U	Listed price	666,670	0.300	200	311
Total HGV investment					365	568
Bevcanna Enterprises - shares	BEV	listed price	4,230,212	0.050	212	242
Total HGV investment					212	242
Other listed securities		Listed price			464	532
Total HGV investment					464	532
HGV's Listed investments						3,253

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 HGV¹¹

(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 CAD3.24 per share);

¹¹ Information current at the month of this report.

- 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.

(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) Sequoia Cannabis Ltd (**Sequoia**)

HGV was a foundation investor in Sequoia – 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 Sequoia 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 Sequoia.

(d) Delivra Health Brands Inc. (**DHB**)¹² (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).

¹² 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 HGV¹³

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

Investee	Book Value (unaudited)	Current Portfolio Strategy
	31 October 2022 AUDm	
Weed Me	19.1	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.
Southern Cannabis Holdings (SCH)	3.4	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.
Delivra Health Brands Inc.	1.9	HGV's is the largest shareholder with 22% holding in the restructured listed cannabis business.
Brainworks Foundry Inc. (Brainworks)	1.6	Brainworks is a new investment in digital healthcare made in September 2021.
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.
Sequoia	0.9	HGV has extended its loan facilities and is working with the company to materially improve performance
Vintage Wine Estate (VWE)	0.6	HGV is a small investor in VWE – the investment is held through Bespoke A LP and is in escrow until December 2022 ¹⁴ – HGV is not a long-term holder.
Cash and company tax refund	6.5	Funds for new investment and operating costs.

8. 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 Net¹⁵ Revenue Multiple (Canadian multiple of 3.2 (prior month 2.0) and Australian multiple of 3.5 (prior month 3.4) 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 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.
- 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.

¹³ Information current at the month of this report

¹⁴ 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)

¹⁵ Gross sales less government excise taxes

- (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.

11. Investment Management Agreement

HGV executed an Investment Management Agreement with Parallax Ventures Inc (“**Parallax**”), 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 returns¹⁶ 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.

The HGV Board considers that Parallax’s asset management expertise and importantly, its knowledge of HGV’s existing cannabis investments, which still comprise 72% of the HGV portfolio¹⁷, is 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.

¹⁶ Returns from investments before HGV’s operating costs and company tax

¹⁷ Sourced from 31 August 2022 Portfolio Update

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

Parallax Remuneration

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 approval¹⁸, the Company 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 hurdles¹⁹:
 - a) the first tranche of 4 million Performance Rights ("**First Tranche**") will vest upon achieving a NAVS/SP Average of 11.47 cents 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 14.3 cents which is 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 may be found in on page 61 of the 2022 Hygrovest Annual Report <https://hygrovest.com.au/investors/annual-reports/>

¹⁸ Approval to be sought at the 2022 HGV Annual General Meeting

¹⁹ Where 'NAVS' is Net Asset Value per Share, and 'SP' is the 20-trading day volume weighted average price for HGV Shares

Glossary

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