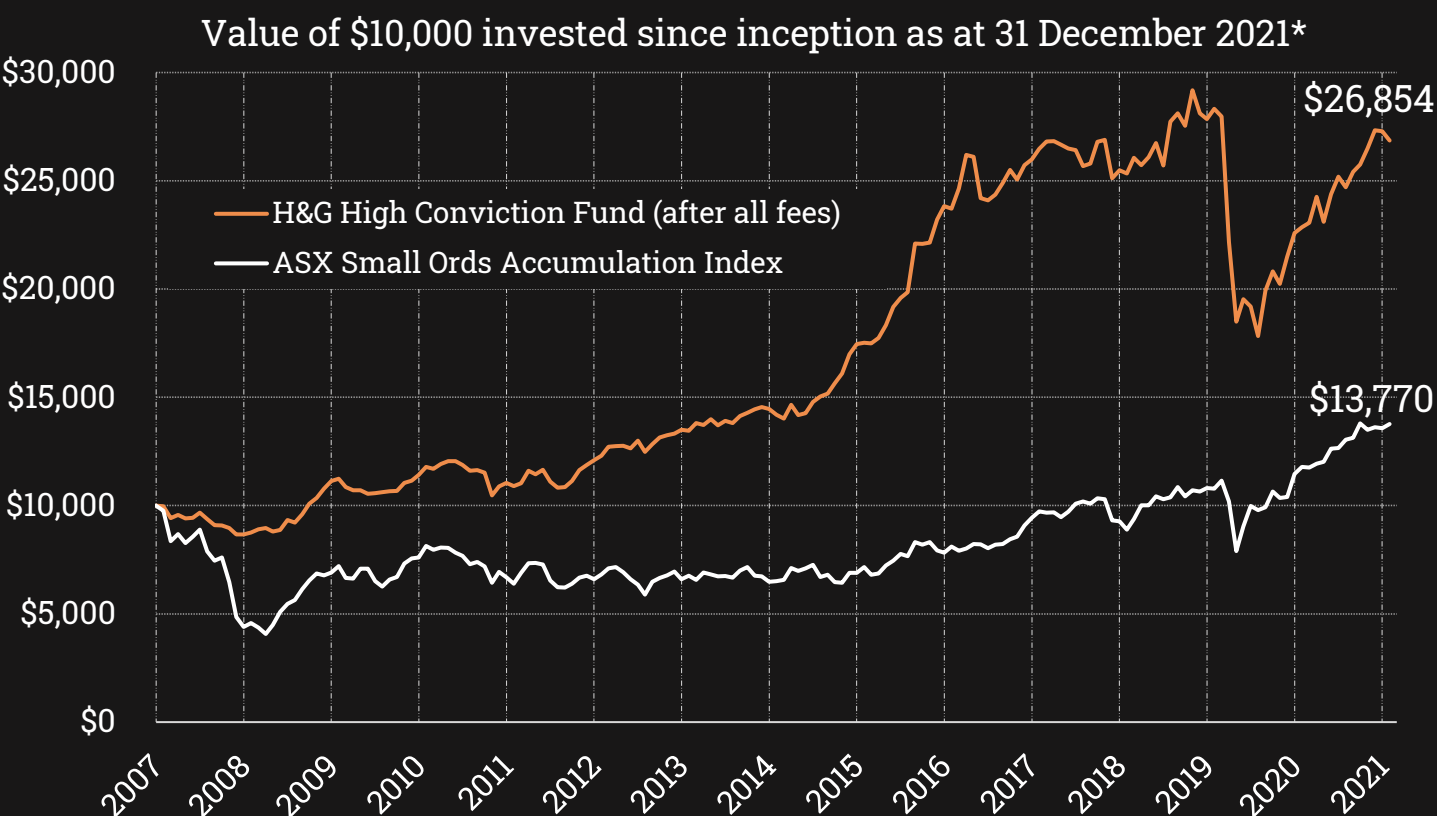


Objective: We invest in and actively engage with companies that have superior fundamental prospects but are priced at a discount relative to inherent value, usually resulting from non-operating, external events driving a flight of investors. We have significantly outperformed the Australian share market over 14 years.



**Includes the original vehicle, The Supervised Fund, launched in November 2007 by Supervised Investments Australia Limited (SIAL). SIAL was sold in March 2021 to HGL Limited (trading as Hancock & Gore), and The Supervised Fund subsequently rebranded as H&G High Conviction Fund.*

The strategy of investing in micro capitalisation listed equities has remained consistent.



Performance to 31 December 2021 (after all fees)	1 month	Last quarter	Financial year-to-date	Calendar year-to- date	Since inception (1 Nov 2007)
H&G High Conviction Fund	-1.6%	1.4%	8.7%	17.5%	8.3% p.a.
ASX Small Ordinaries Accumulation	1.4%	2.0%	5.5%	16.9%	2.6% p.a.

2021 COMMENTARY

Dear unit holder,

2021 was a successful year for the H&G High Conviction Fund, which returned **17.5% after all fees**, outperforming the ASX Small Ordinaries' 16.9%.

From a corporate perspective, 2021 saw some significant changes. In April, HGL Limited assumed management of the Fund. It has been extremely beneficial having the resources of an ASX-listed company with an experienced investment team driven by Sandy Beard and assets of \$64m. There has been considerable cross-pollination of ideas and since HGL assumed management the Fund has returned 16.2% net of fees.

In addition, Joseph Constable assumed the position of Portfolio Manager in April, having worked as an analyst at the Fund since 2016. Arthur Fokschaner also joined the team as a consultant research analyst.

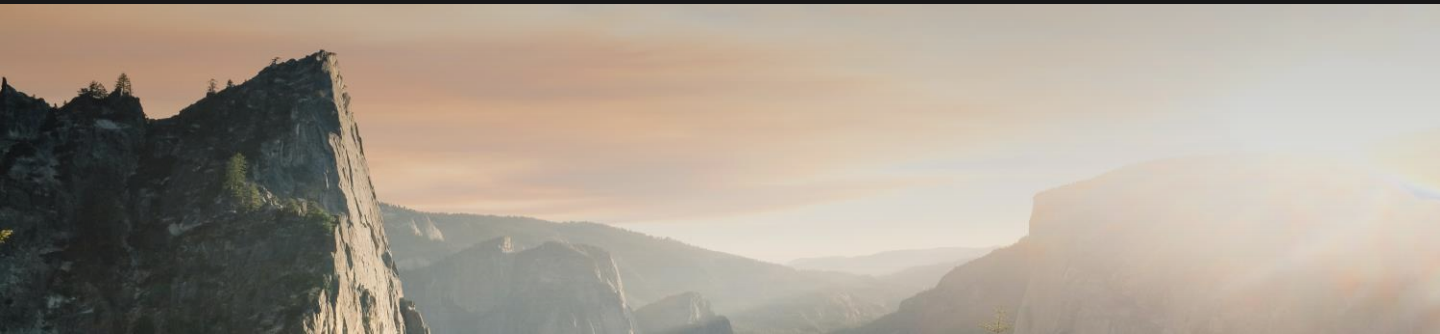
During the year, we relaunched the Fund and held a series of presentations, which can be viewed on our website [here](#).

From a markets perspective, 2021 was characterised by three main concerns:

1. Inflation, which during the year reached 3.8% in Australia, its highest rate since 2008.
2. Interest rates, which remain near 0% but are expected to rise, at least in the US, in 2022.
3. Covid-19, which lingered in 2021 despite the rollout of vaccinations around the world.

With interest rates still at all-time lows and economic growth and inflation unclear due to Covid-19, markets remain uncertain for 2022.

We continue to seek and invest in companies with superior business models that can be bought at attractive prices. Our healthy cash position will allow us to take advantage of opportunities that arise in 2022.



Key contributors to performance during 2021

Positive Kiland (KIL)
 Bisalloy Steel Group (BIS)

Negative Po Valley Energy (PVE)
 Veris (VRS)

Kiland had a pivotal year, which saw the company restructure its operations from forestry to agricultural land development. Following the devastating bushfires of 2019/20, it became apparent that forestry was not the best use of the company's land. Accordingly, in late 2021 the company began remediating the timberland into farmland (a process that will take several years). We were proponents of this new strategy and support the current management. The Fund took the opportunity to sell half of its holding in Kiland in December in an off market buyback. We retain considerable exposure to the company, representing 9% of our portfolio. Given the desire for high rainfall agricultural land in Australia, we remain optimistic shareholders, especially considering Kiland still trades at a discount to its book value.

Bisalloy Steel Group also had a successful year, posting its largest earnings per share in over ten years and paying a correspondingly record-high dividend, which translates into a current dividend yield of 6%. Given this cheap

valuation and the positive outlook for commodities, we remain confident in Bisalloy's prospects for 2022.

Po Valley Energy shares fell by 17% during 2021, a disappointing outcome considering the meteoric rise in European natural gas prices in the second half of the year. In early December, Joseph Constable joined the company's board. We look forward to working closely with the existing directors and management to help Po Valley realise the inherent value of its natural gas fields in Italy at a time when these assets are of strategic importance as Europe faces an energy crisis.

Downside protection: also during the year the firm implemented some cost effective risk mitigation using out of the money put options on the S&P 500. We believe these contracts were sold to us at an implied volatility that significantly underestimates the inherent probability distribution of extreme, external events.

In the event of a major and rapid correction, this position should rapidly increase in value leaving us with further dry powder with which to buy our shopping list of great businesses at attractive prices.

We would like to take this opportunity to thank you for your ongoing support and wish you a prosperous 2022,

The team at H&G IM

Top 8 Stock Positions

% of Fund

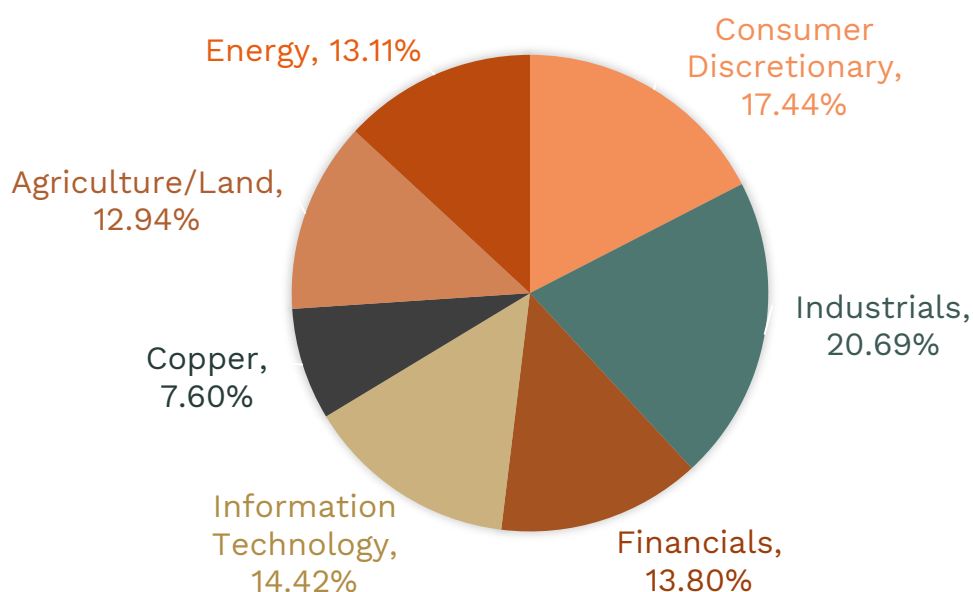
Kiland (KIL)	9%
Po Valley Energy (PVE)	9%
Bisalloy Steel Group (BIS)	8%
Centrepont Alliance (CAF)	5%
Evolve Education Group (EVO)	5%
Hillgrove Resources (HGO)	5%
Ensurance (ENA)	4%
Comms Group (CCG)	4%

Key Portfolio Metrics

% of Fund

Equities with market cap < \$100m	69%
Value investments	43%
Growth investments	15%
Asymmetric investments	8%
Cash/hedged	34%
Number of holdings	19

% OF FUND EQUITY HOLDINGS





Sandy Beard
Chair



Joseph Constable
Portfolio Manager



Iain Thompson
Compliance Manager



Arthur Fokschaner
Consultant/Analyst

FUND INFORMATION

Fund name	H&G High Conviction Fund
Investment Manager	H&G Investment Management Limited
Fund inception	November 2007 (relaunched April 2021)
Fund pricing	Monthly
Fund type	Open-end unit trust
Investor eligibility	Wholesale and sophisticated investors
Trustee	Equity Trustees
Custodian and sub-custodian	Mainstream Fund Services and JP Morgan
Auditor	Ernst & Young
Management fee	1% plus GST p.a. + fund costs capped at 1% plus GST p.a.
Performance fee	20% of benchmark outperformance, with a high watermark
Benchmark	5% p.a.
Buy/sell spread	0.4%

DISCLAIMER

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Trustee for H&G High Conviction Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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