



Prospectus

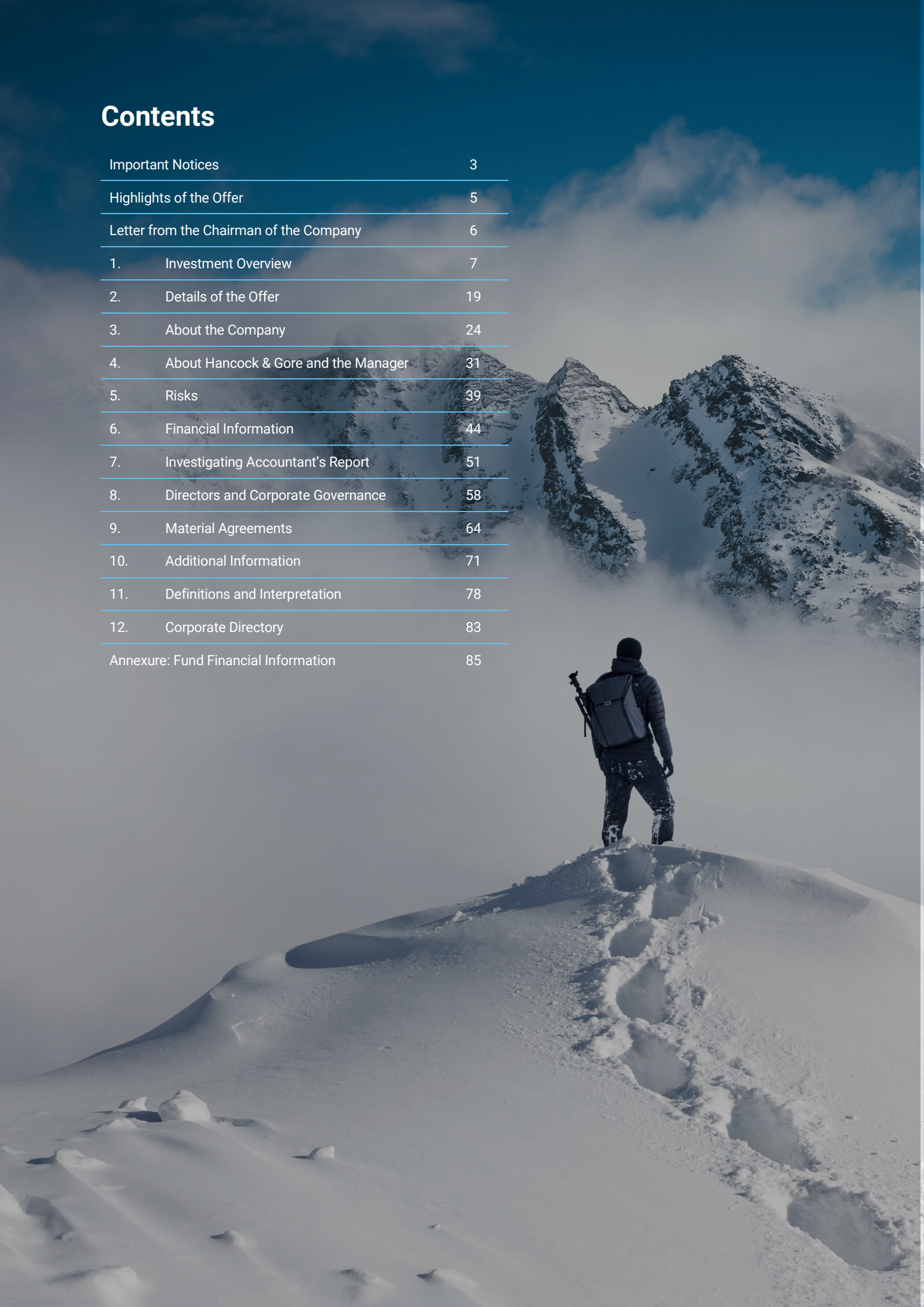
H&G High Conviction Limited
ACN 660 009 165

An Offer to raise up to \$20,000,000 through the issue of fully paid ordinary shares in H&G High Conviction Limited, with the ability to accept Oversubscriptions of up to \$10,000,000.

This document is important. Carefully read this Prospectus in full and consult your licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser if you are in any doubt as to what to do.

Contents

Important Notices	3
Highlights of the Offer	5
Letter from the Chairman of the Company	6
1. Investment Overview	7
2. Details of the Offer	19
3. About the Company	24
4. About Hancock & Gore and the Manager	31
5. Risks	39
6. Financial Information	44
7. Investigating Accountant's Report	51
8. Directors and Corporate Governance	58
9. Material Agreements	64
10. Additional Information	71
11. Definitions and Interpretation	78
12. Corporate Directory	83
Annexure: Fund Financial Information	85



Important Notices

Offer of Shares

The offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares in H&G High Conviction Limited ACN 660 009 165 (**Company**) (**Shares**) (the **Offer**). This Prospectus is issued by the Company for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (*Corporations Act*). Refer to Section 2 for further information.

Lodgement

This Prospectus is dated 26 August 2022 (**Prospectus Date**) and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

Application for listing

Within seven days after the Prospectus Date, the Company will lodge an application with ASX for admission of the Company to the Official List of ASX and quotation of its Shares (including new Shares issued pursuant to this Prospectus) on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

As set out in Section 2.10, it is expected that the Shares will be quoted on ASX. The Company, the Directors, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry date

This Prospectus expires on the date which is 13 months after the Prospectus Date. No Shares will be issued or sold on the basis of this Prospectus after this date.

Shares offered pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

Note to applicants

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

An investment in the Shares offered under this Prospectus should be considered highly speculative. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, you should consider the risk factors (refer to Section 5) that could affect the business, financial condition and financial performance of the Company.

You should carefully consider these risks in light of your personal investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares. There may be risks in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company, the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, the Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information in this Prospectus.

Licensed Dealers

The issuer of the Prospectus is the Company. The Company does not hold an Australian Financial Services Licence (**AFSL**) under the *Corporations Act*. Accordingly, offers under this Prospectus will be made under an arrangement between the Company and the Lead Manager, the holder of an AFSL (AFSL number 235407) and other AFSL holding brokerage firms, under Section 911A(2)(b) of the

Corporations Act (**Licensed Dealers**). The Company will only authorise Licensed Dealers to make offers to people to arrange for the issue of Shares by the Company under this Prospectus and the Company will only issue Shares in accordance with such offers if they are accepted.

The Lead Manager and any Licensed Dealers' functions should not be considered as an endorsement of the Offer, or a recommendation of the suitability of the Offer for any investor. The Lead Manager and each Licensed Dealer does not guarantee the success or performance of the Company or the returns (if any) to be received by investors. The Lead Manager and each Licensed Dealer are not responsible for, and has not authorised or caused the issue of, this Prospectus.

Information about the Manager and Hancock & Gore

This Prospectus contains certain information about the Manager and Hancock & Gore, and each of their directors, senior executives and business. It also contains details of the Manager's investment approach, strategy and philosophy.

To the extent that the Prospectus includes statements by the Manager or Hancock & Gore or includes statements based on any statement of, or information provided by, the Manager or Hancock & Gore, the Manager and Hancock & Gore consent to each such statement being included in the Prospectus in the form and context in which it is included and has not withdrawn that consent at any time prior to the lodgement of this Prospectus.

No offer where the Offer would be illegal

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The Offer is not being extended to any investor outside Australia.

Notice to United States residents

The Shares being offered pursuant to this Prospectus have not been registered under the *United States Securities Act of 1933*, as amended (**US Securities Act**) or any US State securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable State securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares or distribution of this Prospectus or other offering material or advertisement in connection with the Offer in any State or other jurisdiction in which such offer, solicitation, distribution or sale would be unlawful under applicable law, including the US Securities Act and applicable State securities laws. In addition, any hedging transactions involving the Shares or any Shares into which the Shares may be converted may not be conducted unless in compliance with the US Securities Act or any US State securities laws.

Representations

No person is authorised to give any information or make any representations in connection with the Offer other than as contained in this Prospectus. Any information or representation in connection with the Offer not contained in this Prospectus is not, and may not be relied on as having been, authorised by the Directors or any other person involved in the preparation of the Prospectus or the making of the Offer.

Forward looking statements

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as 'aim', 'anticipate', 'assume', 'believe', 'could', 'due', 'estimate', 'expect', 'goal', 'intend', 'may', 'objective', 'plan', 'predict', 'potential', 'positioned', 'should', 'target', 'will', 'would' and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the Prospectus Date.

These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors, many of which are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 5. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements set out in this Prospectus and are cautioned not to place undue reliance on such forward-looking statements.

This Prospectus includes information regarding the past performance of the Company and the Manager. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Exposure Period

The Corporations Act prohibits the Company from processing the Applications received under the Offer in the 7 day period after the Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further 7 days (i.e. up to a total of 14 days).

The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Obtaining a copy of the Prospectus

During the Offer Period, this Prospectus is available in electronic form at www.highconviction.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons within Australia. It is not available to persons in any other jurisdiction (including the United States). The website and its contents do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

During the Offer Period you may obtain a paper copy of this Prospectus (free of charge) by calling the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) from 9.00am to 5.00pm (Sydney time), Monday to Friday during the Offer Period.

Applications for Shares may only be made during the Offer Period on an Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application Form once it has been accepted.

Defined terms and time

A number of defined terms are used in this document. Unless expressly specified otherwise, defined terms have the meaning given in Section 11. Section 11 also includes certain rules of interpretation which apply to this document. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney, Australia time.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this document are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this document.

Photographs and diagrams

Photographs and diagrams used in this Prospectus which do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Privacy

The Company, the Share Registry on its behalf, and the Lead Manager may collect, hold, use and disclose personal information provided by investors to allow them to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the securities that you hold). Under the Corporations Act some of this information must be included in the Company's securities register, which will be accessible by the public. This information must remain in the register even if you cease to be a Shareholder.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process your Application.

The Company and the Share Registry may also share your personal information with agents and service providers of the Company or others who provide services on its behalf, some of which may be located outside of Australia where personal information may not receive the same level of protection as that afforded under Australian law.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy located at www.highconviction.com.au. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form, or by providing your personal information to the Company, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Share Registry if any of the details you have provided change.

No underwriting

The Offer is not underwritten.

Consent not sought for certain statements

Unless specifically noted in Section 10.11, statements made by, attributed to or based on statements by third parties have not been consented to for the purpose of section 729 of the Corporations Act and are included in this Prospectus on the basis of *ASIC Corporations (Consents to Statements) Instrument 2016/72* relief from the Corporations Act for statements used from books, journals or comparable publications.

Company websites

Any references to documents included on the Company's websites are for convenience only, and none of the documents or other information available on the Company's websites are incorporated into this Prospectus by reference.

Questions

If you have any questions about how to apply for Shares, call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) from 9.00am to 5.00pm (Sydney time) Monday to Friday during the Offer Period. Instructions on how to apply for Shares are set out in Section 2.5 and on the Application Form. If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

Highlights of the Offer

Important Dates

Lodgement of Prospectus with ASIC	26 August 2022
Opening Date of Offer	5 September 2022
Closing Date of Offer	30 September 2022
Issue of Shares under the Offer	10 October 2022
Expected dispatch of holding statements	10 October 2022
Shares expected to commence trading on ASX	18 October 2022

The above timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company reserves the right to vary any and all of the above dates and times without notice, subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to close the Offer early, to extend the Closing Date, to accept late Applications or bids (either generally or in particular cases), or to cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Prospectus or any Applicants.

If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as early as possible after the Offer opens.

Key Offer Statistics

Company	H&G High Conviction Limited
Proposed ASX code	HCF
Total number of Shares held by Existing Shareholders as at the Prospectus Date	16,768,037 Shares
Shares offered	Fully paid ordinary shares
Issue Price	NAV per Share as at 5.00pm (Sydney time) on the Closing Date
Maximum proceeds from the Offer	\$20,000,000 (with the ability to accept Oversubscriptions of up to a further \$10,000,000)

Letter from the Chairman of the Company



26 August 2022

Dear Investor

On behalf of the Board, I am pleased to present this Prospectus and to offer you the opportunity to become a shareholder in H&G High Conviction Limited, an active investment company managed by H&G Investment Management Ltd, an entity owned by Hancock & Gore Ltd (ASX:HNG).

The Company has constructed a concentrated investment portfolio of primarily ASX-listed micro capitalisation companies, which align with our strategy as a fundamentals-based, value investor. We foresee further compelling emerging investment opportunities where the Company and Manager can continue to implement their deep fundamental and technical research-driven appraisal of inherent value to provide investors with attractive returns in the form of both capital growth and income over the long-term. The Board and the Manager have extensive experience in the active identification, management, growth and realisation of investee companies to provide investors with the potential for attractive returns.

In line with the strategy, the Company is seeking to raise up to \$20,000,000 under the Offer, which will be allocated to investments to grow the Portfolio. In the event that Applications under the Offer exceed \$20,000,000, the Company reserves the right to accept Oversubscriptions of up to an additional \$10,000,000. The Issue Price of Shares issued under the Offer will be the NAV per Share as at 5.00pm (Sydney time) on the Closing Date, which is expected to be 30 September 2022.

You are encouraged to read this Prospectus carefully as it contains detailed information about the Company, the Offer and the Manager and provides insight into the Company's investment strategy and philosophy and how this will be reflected in the construction of the Company's Portfolio by the Manager.

It is particularly important for potential investors to review the risks associated with an investment in the Company, including the risks associated with the types of underlying investments in which the Company may invest. These risks are described in detail in Section 5.

On behalf of the Board, and personally, I look forward to welcoming you as a new Shareholder.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'David Groves'.

David Groves
Non-Executive Chairman
H&G High Conviction Limited



The Board and the Manager have extensive experience in the active identification, management, growth and realisation of investee companies to provide investors with the potential for attractive returns



1. Investment Overview

1. Investment Overview

The information in this section is a summary only and should be read in conjunction with the information set out in the remainder of this Prospectus.

1.1 Introduction and overview of the Company

Topic	Summary	Further detail
What are the key highlights of the Offer?	<p>The Offer aims to provide Shareholders with access to:</p> <ul style="list-style-type: none"> a highly experienced and active Manager with deep knowledge of Australian equities; a concentrated portfolio of approximately 20 to 25 investments in ASX-listed micro capitalisation companies (with market capitalisations under \$300 million at the time of the initial investment); an actively managed, fundamentals-based investment approach with a focus on capital preservation, long term capital growth and income from its investments; targeting attractive investment performance of at least 10% per annum (after all fees); an Investment Team and a Board with significant experience in funds management, listed equities, alternative assets and corporate governance; and the benefits of the LIC structure, which provides investors with liquidity, experienced corporate governance and the ability to pay fully franked dividends. <p>Please refer to Section 5 for the risks to investors in relation to an investment in the Company.</p>	Sections 3 and 4
What is the business model of the Company?	<p>The Company is an Australian public company incorporated on 8 June 2022 for the purpose of acquiring the Initial Portfolio and conducting the Offer.</p> <p>Upon completion of the Offer, the Company will be listed on ASX as a LIC.</p> <p>The Company's Portfolio will be managed by the Manager pursuant to the Management Agreement.</p> <p>The Manager has a mandate to construct a concentrated portfolio of approximately 20 to 25 investments, in predominantly ASX-listed securities, which have a significant discount in the share price relative to perceived inherent value.</p>	Sections 3 and 4
What are the investment objectives of the Company?	<p>The Company is aiming to provide its Shareholders with access to:</p> <ul style="list-style-type: none"> a highly experienced and active investment manager with expertise and a strong track record in ASX-listed equities; a concentrated portfolio of approximately 20 to 25 investments in ASX-listed micro capitalisation companies (with market capitalisations under \$300 million at the time of the initial investment); an actively managed, fundamentals-based investment approach with a focus on capital preservation, long-term capital growth and income from its investments; and targeting attractive investment performance of at least 10% per annum (after all fees). <p>The stated target returns are an investment objective of the Company and not intended to be a forecast. The Company may not be successful in meeting this objective.</p>	Section 3.2

Topic	Summary	Further detail
Will the Company pay dividends?	<p>The Company intends to pay dividends to Shareholders, where and when available, from dividends received from underlying Portfolio Companies, and a portion of realised profits from the sale of securities in Portfolio Companies, provided that the Company has sufficient profit reserves and franking credits, and it is within prudent business practices to do so.</p> <p>As the investment strategy of the Company includes long term capital growth through investments in ASX-listed companies with a market capitalisation of up to \$300 million, it is possible that dividends may be low (or nil) in any given period. In particular, there is a risk that dividends received from underlying Portfolio Companies may be low (or nil) during initial investment years due to the nature of the Portfolio Companies and their stage of commercialisation, which may impact on the Company's ability to pay dividends to Shareholders and the size and level of franking on any such dividend.</p> <p>No assurances can be given about the payment of any dividend and the level of franking on any such dividend. The Company's ability to pay any dividend may be impacted by various factors outside of its control and is subject to the risks described in Section 5.</p>	Section 3.7
What are the key risks associated with the business model and the Offer?	<p>An investment in the Company should be considered speculative and is subject to a variety of risks. The key risks identified by the Company include:</p> <ul style="list-style-type: none"> • Strategy risk – the Company's success and profitability is reliant on the Manager's ability to construct and maintain an investment portfolio consistent with the Company's Investment Objectives and Investment Guidelines. A failure by the Manager to meet these expectations may adversely impact the Company and its Shares. • Manager performance risk – the Company's success and profitability is reliant on the continued performance of the Manager. If the Manager cannot successfully identify, monitor and capitalise on investment opportunities within its guidelines, there is a risk that the Company and the Shares will be negatively impacted. The Company will have no right to terminate the Management Agreement for an initial period of 10 years (except in limited circumstances including for material breach of contract), meaning that even if the Manager fails to perform in accordance with the Investment Objectives, it may be difficult for the Company to remove and replace the Manager. • Licensing risk - the Manager operates under an AFSL in order to manage the investments. The Manager's continued oversight of the investments and implementation of the investment strategy is contingent on it maintaining its AFSL. There is a risk that if the Manager's AFSL is restricted, suspended or terminated in the future, it would be prevented from overseeing the Company's investments and from carrying out the investment strategy. • Market risk – the prices of individual securities listed on share markets such as ASX may fluctuate and underperform over extended periods of time. The value of listed securities may rise and fall depending on a range of factors beyond the control of the Company; for example, as a result of general domestic and international economic conditions, such as movements in inflation rates, interest rates, foreign exchange rates, and commodity prices, changes to government policy or legislation, and impacts from events such as natural disasters, pandemics, global hostilities and acts of terrorism. While the Manager will seek to manage market risk, unexpected market conditions could negatively affect the value of the Portfolio or the return of the Company's investments. Shareholders are exposed to this risk both through their Shareholding as well as through the Company's Portfolio. 	Section 5

Topic	Summary	Further detail
<p>What are the key risks associated with the business model and the Offer? (cont'd)</p>	<ul style="list-style-type: none"> • Key personnel risk – the performance and success of the Company is contingent on its continued relationship with the Manager and, importantly, the personnel within the Investment Team. The Company is reliant on the expertise of the Investment Team to carry out the investment strategy. If the relationship with the Manager were to cease, or key personnel within the Investment Team were to leave, there is a risk that the investment strategy would not be successfully implemented in the future. • Incentives Risk – the Management Fee and Performance Fee may create an incentive for the Manager to overstate the value of investments, or make investments that are more speculative than would be the case in the absence of a fee based on the performance of the Company, which may add to the risk and volatility of the Portfolio's underlying investments. • Company risk – the Company is a newly incorporated entity. It does not have any long-term operating history or proven track record which may be used by investors to assess the ability of the Company or the Manager to achieve the Investment Objectives. The Company does not provide any guarantee that it or the Manager will achieve the Investment Objectives. • Capitalisation risk – there is no minimum subscription. There is a risk that the funds raised under this Offer may not be sufficient to optimise the performance of the Portfolio and the Company may need to raise additional equity capital. There is no guarantee or assurance that the Company will be able to raise such additional equity, either at all, or on favourable terms and conditions. If the Company is unable to achieve an optimum size, it may be required to reduce the scope of its proposed investments which could adversely affect the Company. • Concentration risk – there may be more volatility in the Portfolio as compared to the broader market because the Portfolio will be comprised of a smaller number of securities than the broader market. • Leverage risk – it is open to the Manager under the Management Agreement to increase the scale of the Portfolio through the use of debt. This exposes the Company to risks associated with leverage, including amplifying the volatility of the Portfolio, as well as the risk that investments may be liquidated at a loss and not at a time deemed appropriate by the Manager. • Industry risk – the Company and its underlying investments are subject to industry risk factors such as increased regulatory burdens, and the adverse effects of any changes to legislation and government policies generally. These factors cannot be controlled by the Company. Risk factors specific to the industry of a Portfolio Company may arise which may adversely impact the performance of the underlying investments and the Company. • Micro capitalisation companies risks – the Company intends to invest in ASX-listed entities which it considers to be 'micro capitalisation companies'. That is, listed companies with a market capitalisation of less than \$300 million. Micro capitalisation companies tend to be of higher risk than companies with a greater market capitalisation for a variety of differing factors. For example, a micro capitalisation company may still be in an early stage of its development. The Company is exposed to the speculative risks which are inherent in micro capitalisation companies. • Conflicts of interest – conflicts of interest may arise in relation to the Manager because it manages funds other than the Portfolio and because of the fee structure under the Management Agreement (which comprises a Management Fee and Performance Fee). The Company's Directors also hold a number of interests and positions which have the potential to give rise to conflicts of interest. Their interests and positions are described in detail in Section 8.11 and the Company's approach for managing directors' conflicts of interest is set out in Section 8.12. The Company may be adversely affected if these conflicts of interest are not managed effectively. 	<p>Section 5</p>

Topic	Summary	Further detail
What are the key risks associated with the business model and the Offer? (cont'd)	<ul style="list-style-type: none"> • Corporate governance and related parties risk – the majority of the Company's Directors are not independent (per the ASX Corporate Governance Council's criteria for independence). Without a majority of independent directors on the Board, there is a risk that the Board will not be able to properly oversee the Company's management. There is also a risk that conflicts of interest may arise. Despite these risks, the Company considers that the current Board has adequate skills, expertise and experience appropriate to achieve the Company's stated objectives and strategy given its nature, size and complexity. • Financial market volatility – a fall in domestic or global equity markets, bond markets or the rate of change in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may negatively affect the value of Portfolio Companies, the Portfolio as a whole and the price at which the Company's Shares trade. <p>Investors should bear the above risks in mind when considering whether to participate in the Offer. It is strongly advised to consider any investment in the Company as a long-term proposition and be aware that, as with any equity investment, substantial fluctuations in the value of your investment may occur over that period and beyond.</p> <p>A more detailed list and explanation of the risks associated with investments is set out in Section 5.</p>	Section 5

1.2 Key information about the Company's Portfolio and Investment Strategy

Topic	Summary	Further detail
What is the Company's investment strategy?	<p>The Company adopts a fundamentals based, 'value investor' strategy and invests in target companies with the following characteristics:</p> <ul style="list-style-type: none"> • target company's share price trading at a significant discount relative to perceived inherent value; • negative external events or market sentiment have led to investor sell-downs, rather than target company fundamentals; • strong fundamental prospects over the near and medium terms; and • willingness to demonstrate, grow and realise the target company's inherent value. <p>The Company expects to invest in predominantly Australian companies that are listed on ASX. The Portfolio, which is likely to consist of approximately 20 to 25 investments, may, from time to time, also include unlisted and foreign securities.</p> <p>The Company has engaged a highly experienced and active investment manager, to construct and manage the Company's investment portfolio in accordance with the investment strategy.</p> <p>The Manager will utilise its significant experience and expertise in funds management and equity investment to identify opportunities to realise value. Proactive engagement with boards, management teams, investors, and other stakeholders will be an essential part of the process.</p> <p>Further information on the Manager is set out in Section 4.</p>	Section 3.5
What is the Company's current Portfolio?	<p>The Company acquired its Initial Portfolio of cash and ASX-listed securities on 23 June 2022, pursuant to the Asset Swap Deeds.</p> <p>Consistent with its operations as a LIC, the investments which form part of the Portfolio have changed since this date and are likely to change further before the Offer Period closes. The Portfolio will remain comprised of predominantly cash and ASX-listed securities.</p> <p>As at 18 July 2022, the Net Asset Value was \$16,821,000, which equates to a Net Asset Value per Share of \$1.0032.</p> <p>A reviewed pro forma statement of financial position of the Company as at 18 July 2022 is set out in Section 6.2.</p>	Section 3.3

Topic	Summary	Further detail
What will happen to the Portfolio after completion of the Offer?	<p>The Manager is responsible for the construction and ongoing management of the Portfolio.</p> <p>The Manager will deploy the proceeds from completion of the Offer to expand the Portfolio in accordance with the Investment Guidelines and with regard to the Investment Objectives.</p> <p>Consistent with its operations as a LIC, the investments which form part of the Portfolio are likely to change from time to time.</p>	Sections 3 and 6.1
Can the Company hold cash?	<p>Yes, as at 18 July 2022 the Company held 23% of its Portfolio in cash, and will continue to hold cash at any given time.</p> <p>The Company will invest only when the Manager can identify appropriate investment opportunities and the Company will hold cash when opportunities are not identified by the Manager. This disciplined approach to capital deployment means the Company is prepared to accept lower investment returns in the short-term, for the benefit of achieving attractive long-term performance.</p> <p>While there is no limitation to the level of cash which can be held by the Company, the Company will endeavour to hold a minimum cash weighting of 5% of net assets, and a maximum cash weighting of 50% of net assets, at any given time.</p>	Section 3.6
What is the investment term?	<p>The Company's Investment Objectives include providing Shareholders with capital growth over the medium to long-term. For this reason, investors are advised to regard any investment in the Company as a long-term proposition (which the Company considers to be a period over 5 years) and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur over that period and beyond.</p> <p>Investors are encouraged to contact their stockbroker, financial adviser, accountant, lawyer or other professional adviser before deciding whether to apply for Shares, after investing and before making any investment decisions in relation to the Company.</p>	Section 3
What is the Company's leverage policy?	<p>The Company may use debt to increase the scale of the Portfolio where it is consistent with the Investment Objectives and Investment Guidelines.</p> <p>However, it is generally not intended that the Company will borrow funds for investment or invest in derivatives where it would be speculative (unless made for risk management purposes) or use other debt because the Manager is not authorised under its AFSL to advise the Company in relation to debt except basic deposit products, derivatives, foreign exchange contracts, debentures, stocks or bonds issued or proposed to be issued by a government, interests in managed investment schemes (excluding investor directed portfolio services) and securities.</p>	Section 3.6
What is the Company's valuation policy?	<p>The Company's valuation policy is set out at Section 3.9. The assets of the Company will be valued monthly using a framework that is consistent with market accepted practices to accurately and fairly price all securities and other assets within the Portfolio from time to time.</p>	Section 3.9
What is the Company's derivative policy?	<p>The Manager may use futures, options, swaps, forwards and other derivative instruments for investment purposes and for the purposes of hedging against either price or currency fluctuation. However, it is generally not intended that the Company will make derivative investments where it would be speculative (unless made for risk management process).</p>	Section 3.6
Will the Company participate in Short Selling?	<p>The Manager will not short sell any securities, or engage in securities lending in relation to the Portfolio, without the approval of the Board. This is consistent with the Company's fundamentals-based investment approach with a focus on capital preservation.</p>	Section 3.6

1.3 Key information about the Company's Portfolio and Investment Strategy

Topic	Summary	Further detail																				
Who are the Company's Directors	<p>The Directors of the Company are:</p> <ul style="list-style-type: none">• David Groves (Independent, Non-Executive Chairman)• Joseph Constable (Executive Director)• Nicholas Atkinson (Executive Director) <p>See Section 8.2 for further information regarding the background of the Directors.</p>	Section 8																				
What is the financial position of the Company?	<p>The Company was incorporated on 8 June 2022 for the purpose of acquiring the Initial Portfolio and conducting the Offer and therefore has very limited performance history.</p> <p>As at 18 July 2022, the Net Asset Value of the Portfolio was \$16,821,000, which equates to a Net Asset Value per Share of \$1.0032.</p> <p>A reviewed pro forma statement of financial position of the Company as at 18 July 2022 is set out in Section 6.2.</p>	Section 6																				
What is the Company's existing capital structure and what will it be on completion of the Offer?	<p>On the date of this Prospectus, the Company has 16,768,037 Shares on issue which are held by 17 Shareholders. Shares were issued for \$0.9677 per share.</p> <p>The pro forma capital structure of the Company immediately after completion of the IPO is set out in the table below, based on:</p> <ul style="list-style-type: none">• an indicative Issue Price of \$1.0032 per Share, being the reviewed NAV per Share as at 18 July 2022; and• completion of the Offer based on a \$1 million raise, a \$10 million raise, the target raise of \$20 million, and a maximum raise (with Oversubscriptions) of \$30 million. <table><tr><th></th><th>\$1 million subscription</th><th>\$10 million subscription</th><th>\$20 million subscription</th><th>\$30 million subscription</th></tr><tr><td>Shares on issue at 18 July 2022</td><td>16,768,037</td><td>16,768,037</td><td>16,768,037</td><td>16,768,037</td></tr><tr><td>Shares issued under the Offer*</td><td>996,810</td><td>9,968,102</td><td>19,936,204</td><td>29,904,306</td></tr><tr><td>Estimated total Share capital</td><td>17,764,847</td><td>26,736,139</td><td>36,704,241</td><td>46,672,343</td></tr></table> <p><small>* The Shares issued under the Offer in the table above reflect an indicative NAV per Share of \$1.0032, based on the reviewed NAV per Share as at 18 July 2022. The actual Issue Price at which Shares will be issued under the Offer will be determined based on the NAV per Share as at 5.00pm (Sydney time) on the Closing Date.</small></p>		\$1 million subscription	\$10 million subscription	\$20 million subscription	\$30 million subscription	Shares on issue at 18 July 2022	16,768,037	16,768,037	16,768,037	16,768,037	Shares issued under the Offer*	996,810	9,968,102	19,936,204	29,904,306	Estimated total Share capital	17,764,847	26,736,139	36,704,241	46,672,343	Section 6.4
	\$1 million subscription	\$10 million subscription	\$20 million subscription	\$30 million subscription																		
Shares on issue at 18 July 2022	16,768,037	16,768,037	16,768,037	16,768,037																		
Shares issued under the Offer*	996,810	9,968,102	19,936,204	29,904,306																		
Estimated total Share capital	17,764,847	26,736,139	36,704,241	46,672,343																		

Topic	Summary	Further detail
Who will manage the Portfolio?	<p>The Portfolio will be managed by H&G Investment Management Limited ACN 125 580 305 (AFSL 317 155), an entity owned by Hancock & Gore Ltd (ASX: HNG).</p> <p>The Manager was established as Supervised Investments Australia Limited in 2007, before being acquired by Hancock & Gore and rebranded in March 2021. In November 2007, the Manager established The Supervised Fund, an open-ended wholesale unit trust, which was also rebranded in March 2021 as the H&G High Conviction Fund.</p> <p>The Manager has been the investment manager of the H&G High Conviction Fund since its inception and over this period has adopted a fundamentals-based investment strategy focused on investment in micro capitalisation companies, which is consistent with the Company's investment strategy set out in Section 3.5. During the period from 1 December 2007 to 23 June 2022, the H&G High Conviction Fund generated returns net of all fees (pre-tax) in excess of 8% per annum and substantially outperformed the S&P/ASX Small Ordinaries Accumulation Index which achieved returns of 0.4% per annum over the same period. The H&G High Conviction Fund also generated returns net of all fees (pre-tax) of approximately 10% per annum for the 10 year period from 1 July 2012 to 23 June 2022 and approximately 13.3% per annum for the 1 year period from 1 July 2021 to 23 June 2022.¹ All of the assets, including all cash and ASX-listed securities, held by the H&G High Conviction Fund were acquired by the Company on 23 June 2022 and form part of the Initial Portfolio.</p> <p>The Manager also has access to the resources of the broader Hancock & Gore group, including the Investment Team, which has deep experience in ASX-listed equity investments, listed market dealing, transaction structuring and quantitative analysis across a wide range of industry sectors, as well as in the transactional requirements for undertaking investments.</p> <p><i>1. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio could be significantly different to the past performance of the H&G High Conviction Fund.</i></p>	Section 4
Who is Hancock & Gore?	<p>Hancock & Gore Limited (ASX:HNG) is the parent company of the Manager. Hancock & Gore is an ASX-listed, diversified investment company incorporated in 1904, and one of the oldest publicly listed companies in Australia.</p> <p>Hancock & Gore's core objective is to deliver long term investment returns from a portfolio of companies and investment strategies with differing maturity profiles, which combine to both maximise short term income generation and longer-term capital profits.</p> <p>Hancock & Gore derives profitability through a number of key components:</p> <ul style="list-style-type: none"> • Direct investment - investments in small to medium size listed and unlisted businesses via debt and equity, and other asset classes including direct real estate and real estate backed securities. • Investment management – provision of investment management services to investee companies including board representation, strategic input, investment banking, merger & acquisition advice and capital markets expertise. • Funds management – a wholly owned funds management business operated through the Manager offering access to a range of different investment strategies including ASX Listed Investments and Private Investments and derives profitability from funds management fee income and performance fees. 	Section 4.1
Does the Board approve investments?	<p>Board approval is not required for the investments undertaken by the Manager that are in accordance with the Investment Objectives and Investment Guidelines and the Manager's mandate under the Management Agreement. Any investments that the Manager proposes which are outside of these parameters must be approved by the Board.</p>	Section 3.6

Topic	Summary	Further detail
What are the key terms of the Management Agreement?	<p>The Manager will be responsible managing the Portfolio in accordance with the terms of the Management Agreement and the Investment Guidelines, with regard to the Investment Objectives.</p> <p>The Management Agreement provides for the appointment of the Manager for an initial term of 10 years, subject to ASX granting a waiver of ASX Listing Rule 15.16 (Initial Term). ASX has indicated to the Company, on an in-principle and non-binding basis, that it is likely to approve the Company's waiver request for the Initial Term of the Management Agreement to run for 10 years. If approved, even if the Manager fails to perform in accordance with the objectives as set out in this Prospectus, it may be difficult for the Company to remove and replace the Manager for 10 years.</p> <p>The Initial Term will automatically extend for successive 5-year periods unless terminated earlier in accordance with the Management Agreement.</p> <p>The Manager may terminate the Management Agreement at any time after the Initial Term by giving not less than 6 months' written notice to the Company.</p> <p>The Company may terminate the Management Agreement at any time after the Initial Term by giving not less than 3 months' written notice to the Manager, if the Company's Shareholders have resolved by ordinary resolution to remove the Manager.</p>	<p>Section 9.2</p>
What fees will the Manager receive?	<p>Management Fee</p> <p>In return for the performance of its duties as Manager of the Portfolio, the Manager will receive a Management Fee equal to 1% per annum (plus GST) of the gross value of the Portfolio, calculated on the last day of each month and paid within 5 business days of the end of each month.</p> <p>The Management Fee is to be paid to the Manager regardless of the performance of the Company. Management Fees would increase if the gross value of the Portfolio increases, and decrease if the gross value of the Portfolio decreases, over the period.</p> <p>Performance Fee</p> <p>In addition to the Management Fee, the Manager will be entitled to a Performance Fee equal to 20% per annum (plus GST) of the excess in the pre-tax performance compared to a 5% per annum benchmark over each Performance Calculation Period (every 6 month period ending on 30 June and 31 December each year), subject to a high water mark mechanism.</p> <p>Refer to Section 9.2 for work examples and further details in relation to the amount and calculation of the Management Fee and Performance Fee.</p>	<p>Section 9.2</p>

Topic	Summary	Further detail
<p>Will any related party have a significant interest in the Company or in connection with the Offer?</p>	<p>All Non-Executive Directors will be remunerated for their services which they provide the Company on arm's length terms. The Executive Directors will not receive any remuneration from the Company, as they are separately remunerated by the Manager and/ or Hancock & Gore. The annual salary of each Director (inclusive of superannuation) is summarised in Section 8.8. In addition to their annual salary, each Director is entitled to be reimbursed for costs and expenses incurred in their capacity as Directors of the Company.</p> <p>As at the Prospectus Date, Joseph Constable holds 39,020 Shares. Following completion of the Offer, the Directors are expected to have a relevant interest in the following numbers of Shares:</p> <ul style="list-style-type: none"> • David Groves – 49,841; • Joseph Constable – 88,861; and • Nicholas Atkinson – 49,841.² <p>Joseph Constable is also an executive director of Hancock & Gore and the Manager, and has a relevant interest in 425,872 shares in Hancock & Gore. Joseph is eligible to receive short term incentive, long term incentive and Hancock & Gore performance rights which are each subject to various performance hurdles. Nicholas Atkinson is also an executive of Hancock & Gore, an executive director of the Manager, and has a relevant interest in 4,250,000 shares in Hancock & Gore. Nick is eligible to receive short term incentive, long term incentive and Hancock & Gore performance rights which are subject to various performance hurdles. David Groves has a relevant interest in 378,077 shares in Hancock & Gore. Refer to Section 8.11 for further details.</p> <p>By virtue of these interests, Joseph Constable, Nicholas Atkinson and David Groves may indirectly benefit from the Management Fee and Performance Fee being payable to the Manager (which is a wholly owned subsidiary of Hancock & Gore) in accordance with the Management Agreement. Neither Joseph Constable, Nicholas Atkinson or David Groves control Hancock & Gore or the Manager.</p> <p>Hancock & Gore was a related party of the Company during the period from its incorporation on 8 June 2022 until 23 June 2022, as it was the Company's sole shareholder. Mr Alexander Beard was also a related party of the Company during the period from its incorporation on 8 June 2022 until 18 July 2022, as he was a director of the Company. The Company does not consider that Hancock & Gore (or any entities within the broader Hancock & Gore group) or Mr Beard are presently related parties of the Company. However, for completeness, disclosure of all material arrangements between the Company and Hancock & Gore (and each of its subsidiaries and related parties) and Mr Beard (and his controlled entities) are provided in this Prospectus.</p> <p>Other than as set out above, in Section 8.11, and elsewhere in this Prospectus, there are no other existing agreements or arrangements nor any currently proposed transaction in which any related party of the Company had or will have a direct or indirect interest in the Company or the Offer.</p> <p><small>2. This assumes an Issue Price of \$1.0032, being the NAV per Share as at 18 July 2022. The cash amount to be invested by each Director under the Offer will not change. However, the number of Shares acquired by each Director under the Offer may change depending on the NAV per Share as at 5.00pm on the Closing Date.</small></p>	<p>Sections 8.8 and 8.11</p>

1.4 Overview of the Offer

Topic	Summary	Further detail
Who is the issuer of the Shares under this Prospectus?	The issuer is H&G High Conviction Limited (ACN 660 009 165).	Section 3
What is the Offer?	The Company is offering Shares to raise up to \$20,000,000, with the right to accept up to a further \$10,000,000 in Oversubscriptions if Applications exceed that amount.	Section 2.1
What is the Issue Price?	<p>The Issue Price per Share will be the NAV per Share rounded to the nearest hundredth of a cent) as at 5.00pm (Sydney time) on the Closing Date (expected to be 30 September 2022).</p> <p>This means that the Issue Price, and accordingly the number of Shares investors are subscribing for, will not be known at the time investors make their Applications, but only on the Closing Date of the Offer. Investors will not have an opportunity to withdraw their Application once the Issue Price (and number of Shares) is set.</p> <p>The Company has adopted an Issue Price based on the NAV per Share to ensure that the Issue Price appropriately reflects the value of the Company's Shares as at the issue date, and to capture any movements in the Company's NAV up to that date.</p>	Section 2.1
What is the purpose of the Offer?	The Company is offering the Shares to raise funds to undertake investments consistent with the Investment Objectives and Investment Guidelines and to obtain a listing on ASX.	Sections 3 and 6.1
What is the minimum application size under the Offer?	Each Applicant must apply for a minimum of \$2,000 worth of Shares.	Section 2.5
Who can participate in the Offer?	The Offer is open to persons who have received an allocation from their Licensed Dealer and who have a registered address in Australia only. Applicants should contact their Licensed Dealer to determine whether they may be allocated Shares under the Offer.	Sections 2.1 and 2.13
How do I apply for Shares?	<p>The process for making an investment in the Company are set out in Section 2.5.</p> <p>To participate in the Offer, investors should ensure that their Application Form is received by their Licensed Dealer by 5:00pm (Sydney time) on the Closing Date (expected to be 30 September 2022).</p>	Section 2.5
What do Applicants pay when applying under the Offer?	All Applicants under the Offer must pay a minimum amount of \$2,000, with larger applications in multiples of \$500 for Shares offered under this Prospectus.	Section 2.1
What is the allocation policy?	<p>In allocating Shares to each Licensed Dealer, it is the intention of the Board to ensure that the Company has an adequate spread of Shareholders.</p> <p>The allocation of the Shares under the Offer to each Licensed Dealer will be determined by the Company in consultation with the Lead Manager.</p>	Section 2.6
Will the Shares be quoted on ASX?	<p>Yes, the Company will apply to ASX for admission to the Official List of ASX and for quotation of Shares on ASX under the code 'HCF'.</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 2.9

Topic	Summary	Further detail
Who is the Lead Manager?	The Company has appointed Morgans Corporate Limited as the Lead Manager to the Offer.	Section 2.12
Is the Offer underwritten?	No. The Offer is not underwritten.	Section 2
What are the fees and costs of the Offer?	The costs of the Offer have been estimated at between \$345,000 and \$1,320,000 (excluding GST) assuming a \$1 million subscription and \$30 million subscription (including Oversubscriptions) is achieved respectively. The Manager has agreed to pay all costs in connection with the Offer that the Company would normally be liable for.	Sections 6.6 and 10.6
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 10.10. The tax consequences for an investor of any investment in the Shares will depend upon the investor's particular circumstances. Applicants should obtain their own tax advice before deciding whether to invest in the Shares.	Section 10.10
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched on or around 10 October 2022. Where the number of Shares issued is less than the number applied for, or where no issue is made, the surplus Application Monies will be returned to Applicants (without interest) as soon as practicable after Completion.	'Highlights of the Offer' Section
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any refunded Application Monies.	Section 2.1
Is there a cooling off period?	No, there is no cooling-off period.	
How can I obtain further information?	If you would like more information or have any questions relating to the Offer, please call either the Company on 02 8667 4660 (within Australia) or +61 2 8667 4660 (outside Australia) or the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) from 9.00am to 5.00pm (Sydney time) Monday to Friday during the Offer Period. If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.	

2. Details of the Offer

2. Details of the Offer

2.1 The Offer

The Company is offering Shares to raise up to \$20,000,000, with the right to accept up to a further \$10,000,000 in Oversubscriptions if Applications exceed that amount (see Section 2.4 below).

Shares will be issued at the Issue Price, which will be calculated using the NAV per Share as at 5.00pm on the Closing Date, rounded to the nearest hundredth of a cent. The NAV is the value of the Company's total assets less the value of its liabilities (including the Company's deferred tax liability) as determined by the Board.

For reference, as at 18 July 2022, the Company's NAV was \$16,821,000 and its NAV per Share was \$1.0032.

The Company's NAV per Share as at the Closing Date is subject to the market value of the Company's assets and liabilities at that date, which can both increase or decrease. It is possible that the Company's NAV per Share as at the Closing Date may be materially different from what it was at 18 July 2022, being \$1.0032 per Share.

Applicants will not know the Issue Price when they make their Applications for Shares under this Offer. Applicants will be applying for a dollar value of Shares, rather than a number of Shares (due to the Issue Price being unknown), and will not know the maximum number of Shares they may be issued at the time of their Application.

The rights attaching to the Shares are set out in Section 10.4.

The Offer is open to persons who have received an offer from a Licensed Dealer to arrange for the issue of Shares by the Company under this Prospectus and who have a registered address in Australia only.

To participate in the Offer, your Application Form must be received by your Licensed Dealer by 5:00pm (Sydney time) on the Closing Date (expected to be 30 September 2022). Early lodgement of your Application is recommended as the Directors may close the Offer at any time after the expiry of the Exposure Period. The Directors may also extend the Offer as allowed by the Corporations Act.

The Directors reserve the right to withdraw the Offer at any time.

2.2 No minimum subscription

There is no minimum subscription for the Offer to proceed.

2.3 Offer is not underwritten

The Offer is not underwritten.

2.4 Oversubscriptions

In the event that Applications under the Offer exceed \$20,000,000, the Company has the right (but not the obligation) to accept up to a further \$10,000,000 in Oversubscriptions through the issue of further Shares under this Prospectus. Therefore, the maximum amount that may be raised under this Prospectus is \$30,000,000 through the issue of new Shares.

2.5 How to apply for Shares under the Offer

If you are applying for Shares under the Offer, you should arrange for your Application Form to be lodged with a Licensed Dealer from whom you received your allocation. Application Forms must be completed in accordance with the instructions given to you by your Licensed Dealer and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a copy of this Prospectus.

Applicants under the Offer must complete their Application Form and pay their Application Monies to their Licensed Dealer in accordance with the relevant Licensed Dealer's directions in order to receive their allocation.

Applicants under the Offer must not send their Application Forms to the Company or the Share Registry.

The Offer is expected to close at 5:00pm (Sydney time) on 30 September 2022. Please contact your Licensed Dealer for instructions.

The Company takes no responsibility for a Licensed Dealer failing to submit Application Forms by the close of the Offer.

Each Applicant must apply for a minimum of \$2,000 worth of Shares, with larger applications to be made in multiples of \$500.

Delivery versus payment (**DvP**) settlement is available for Applicants under the Offer. Please contact your Licensed Dealer or the Lead Manager for further details.

2.6 Allocation Policy

The basis of allocation of Shares under the Offer to each Licensed Dealer will be determined by the Company in consultation with the Lead Manager. The Company and the Lead Manager have absolute discretion regarding the allocation of Shares under the Offer to each Licensed Dealer.

It will be a matter for each Licensed Dealer to determine how they allocate Shares amongst their clients, and they (and not the Company) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Shares.

2.7 Application Monies

All Application Monies received by the Company will be held by the Company on trust in a separate account operated by the Lead Manager until the Shares are issued to successful Applicants. The Company will retain any interest earned on the Application Monies held on trust pending the issue of Shares to successful Applicants.

2.8 Exposure Period

The Corporations Act prohibits the Company from processing Applications during the 7 day period after the Prospectus Date (**Exposure Period**). This period may be extended by ASIC by up to a further 7 days (i.e. up to a total of 14 days).

Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

2.9 Issue of Shares

The Company will not issue Shares until ASX has granted permission for quotation of the Shares unconditionally or on terms acceptable to the Company. The Company is not currently seeking quotation of its Shares on any financial market other than ASX.

The fact that ASX may admit the Company to the Official List of ASX and grant official quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for issue under the Offer.

ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the Shares, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If ASX does not grant permission for the Shares to be quoted within three months after the Prospectus Date, the Shares will not be issued and all Application Monies will be refunded (without interest) as soon as practicable.

An Application constitutes an offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Prospectus. A binding contract to issue Shares will only be formed at the time Shares are allotted to Applicants.

Where the number of Shares issued is less than the number applied for or where no issue is made, the surplus Application Monies will be returned to Applicants (without interest) within the time prescribed by the Corporations Act.

2.10 ASX and CHESS

The Company will apply within seven days of the Prospectus Date for admission to the Official List of ASX and for the Shares to be quoted on ASX.

The Company will apply to participate in ASX's CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transaction in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in 1 of 2 sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register.

Following completion of the Offer, Shareholders will be sent a statement of holding that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders, or where applicable, the Security Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

2.11 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

See Sections 6.6 and 10.6 for details of fees that will be paid to the Lead Manager.

2.12 Licensed Dealers

The Offer under this Prospectus will be made under arrangements between the Company and the Lead Manager, the holder of an AFSL (AFSL number 235407) and other AFSL holding brokerage firms, under Section 911A(2)(b) of the Corporations Act (**Licensed Dealers**). The Company has appointed Licensed Dealers to make offers to people to arrange for the issue of Shares by the Company under the Prospectus, and the Company will only issue Shares in accordance with Applications made under such offers if they are accepted.

In consideration for management and authorised intermediary services provided to the Company in relation to the Offer, the Company will pay the Lead Manager a management fee equal to 1% of the gross proceeds of the Offer (plus GST and disbursements). In addition, the Lead Manager will be paid an allocation fee equal to 2.25% of the gross proceeds of the Offer received from wholesale investors (being investors to whom disclosure is not required under the Corporations Act). The Lead Manager and any brokers may charge additional fees, such as brokerage fees, in relation to the Offer on terms agreed, and consented to, by their clients.

The Lead Manager and Licensed Dealers' functions should not be considered an endorsement of the Offer or a recommendation of the suitability of the Offer for any investor. Neither the Lead Manager nor any Licensed Dealer guarantees the success or performance of the Company or the return (if any) to be received by the Shareholders.

Neither the Lead Manager nor any Licensed Dealer is responsible for, or has authorised, or caused, the issue of this Prospectus.

2.13 Overseas investors

(a) Offer to eligible residents

The Offer is an offer to investors with a registered address in Australia and does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

(b) Overseas Ownership and Resale Representation

It is the Applicant's responsibility to ensure compliance with all laws of any country relevant to its Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by the Applicant to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

(c) United States Residents

The Offer is not open to persons in the United States or US Persons.

The Shares being offered pursuant to the Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable State securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these Shares in any State or other jurisdictions in which such offer, solicitation or sale would be unlawful. In addition, any hedging transaction involving these Shares may not be conducted unless in compliance with the US Securities Act.

2.14 Privacy

When you apply to invest in the Company, you acknowledge and agree that:

- (a) you are required to provide the Company with certain personal information to:
 - (i) facilitate the assessment of the Application;
 - (ii) enable the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
 - (iii) carry out appropriate administration; and
- (b) the Company may be required to disclose this information to:
 - (i) third parties who carry out functions on behalf of the Company, including marketing and administration functions, on a confidential basis;
 - (ii) third parties if that disclosure is required by law; and
 - (iii) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Company.

Under the *Privacy Act 1988* (Cth), Applicants may request access to their personal information held by (or on behalf of) the Company. Applicants may request access to personal information by telephoning or writing to the Manager.

2.15 Tax implications of investing in the Company

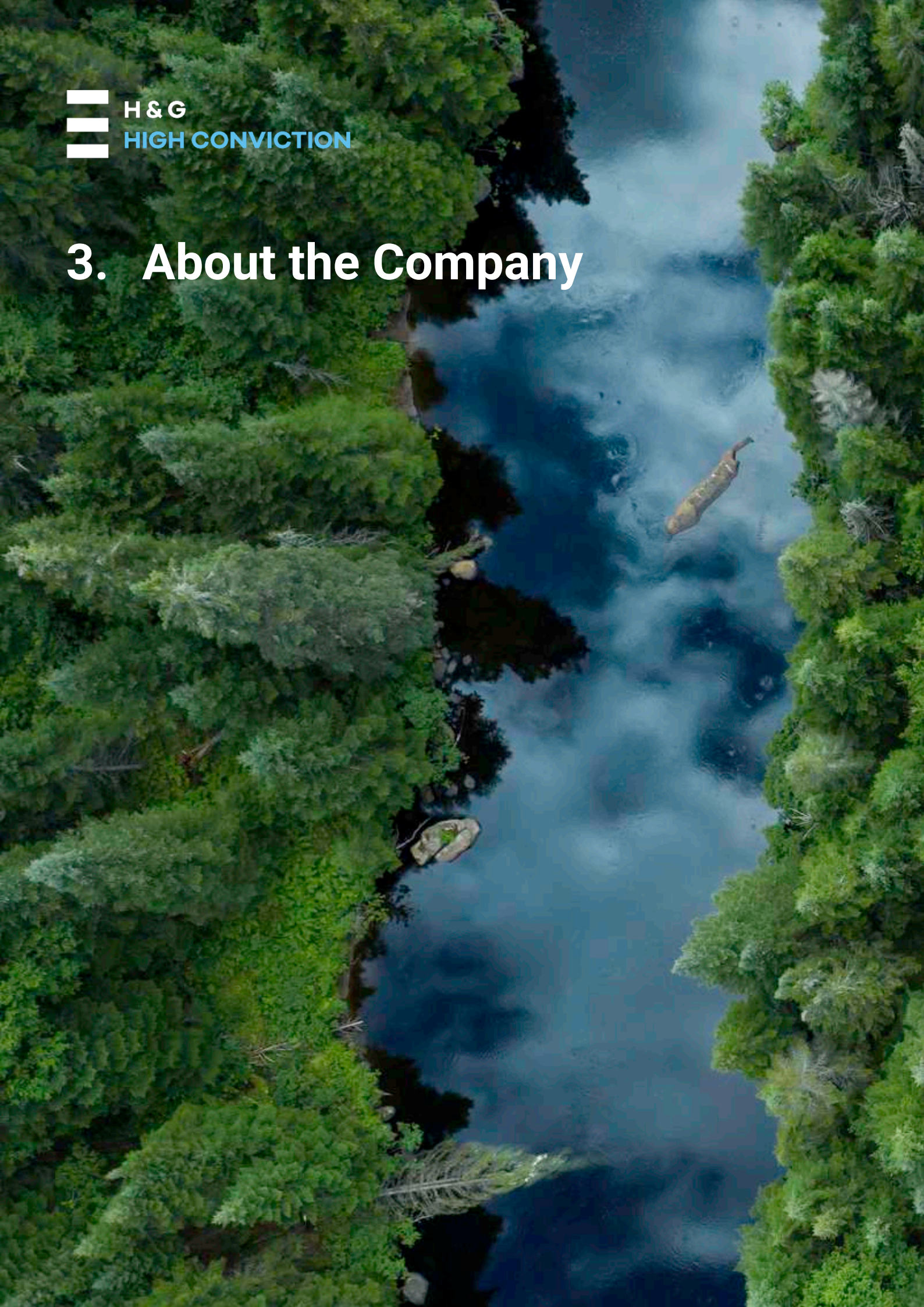
The taxation consequences of any investment in the Shares will depend on an Applicant's particular circumstances. It is the Applicant's responsibility to make their own enquiries concerning the taxation consequences of an investment in the Company. Applicants are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

A general overview of the Australian taxation implications of investing in the Company are set out in Section 10.10 and are based on current tax law and Australian Tax Office tax rulings. The information in Section 10.10 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances. We recommend you seek independent tax advice.

2.16 Anti-Money Laundering/ Counter Terrorism Financing Act 2006

The Company, Manager, Lead Manager or any Licensed Dealer may be required under the *Anti-Money Laundering/ Counter-Terrorism Financing Act 2006* (Cth) or any other law to obtain identification information from Applicants. The Company reserves the right to reject any Application from an Applicant who fails to provide identification information upon request.

3. About the Company



3. About the Company

3.1 Background

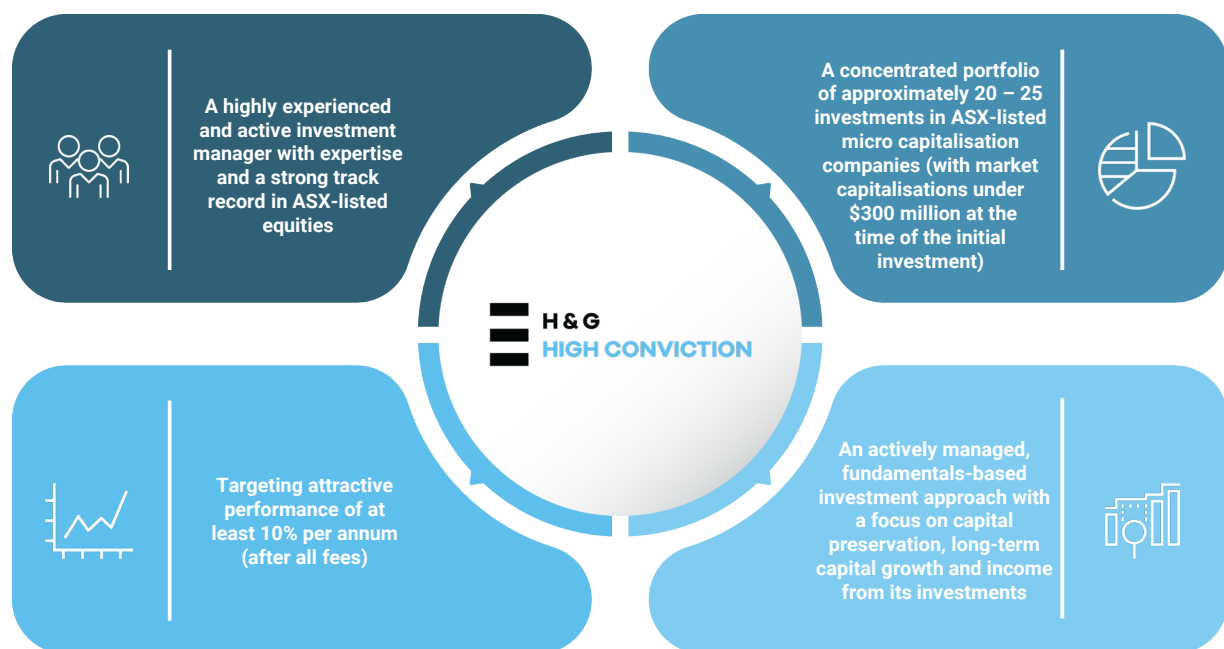
The Company was incorporated as an Australian public company on 8 June 2022 for the purpose of acquiring the Initial Portfolio and conducting the Offer.

The Company completed the acquisition of its Initial Portfolio on 23 June 2022, in exchange for the issue of Shares to the vendors under various Asset Swap Deeds. For more information on the Initial Portfolio and Asset Swap Deeds please refer to Sections 3.3 and 9.3.

Following completion of the Offer, it is proposed that the Company be listed on ASX as a LIC.

3.2 Investment Objectives

The Company is aiming to provide its Shareholders with access to:



3.3 Initial Portfolio

The Company completed the acquisition of its Initial Portfolio on 23 June 2022 in exchange for the issue of 16,768,036 Shares to 17 vendors under the Asset Swap Deeds, which included the unitholders of the H&G High Conviction Fund.

Approximately 75% in value of the Initial Portfolio was acquired under the Asset Swap Deed with the unitholders of the H&G High Conviction Fund. The H&G High Conviction Fund was launched in November 2007 by the Manager (then named 'Supervised Investments Australia Limited').

The Manager has been the investment manager of the H&G High Conviction Fund since its inception and over this period has adopted a fundamentals-based investment strategy focused on investment in micro capitalisation companies, which is consistent with the Company's investment strategy set out in Section 3.5.

During the period from 1 December 2007 to 23 June 2022, the H&G High Conviction Fund generated unitholder returns net of all fees (pre-tax) in excess of 8% per annum and consistently outperformed the S&P/ASX Small Ordinaries Accumulation Index which achieved returns of 0.4% per annum over the same period. The H&G High Conviction Fund also generated returns net of all fees (pre-tax) of approximately 10% per annum for the 10 year period from 1 July 2012 to 23 June 2022 and approximately 13.3% per annum for the 1 year period from 1 July 2021 to 23 June 2022.³

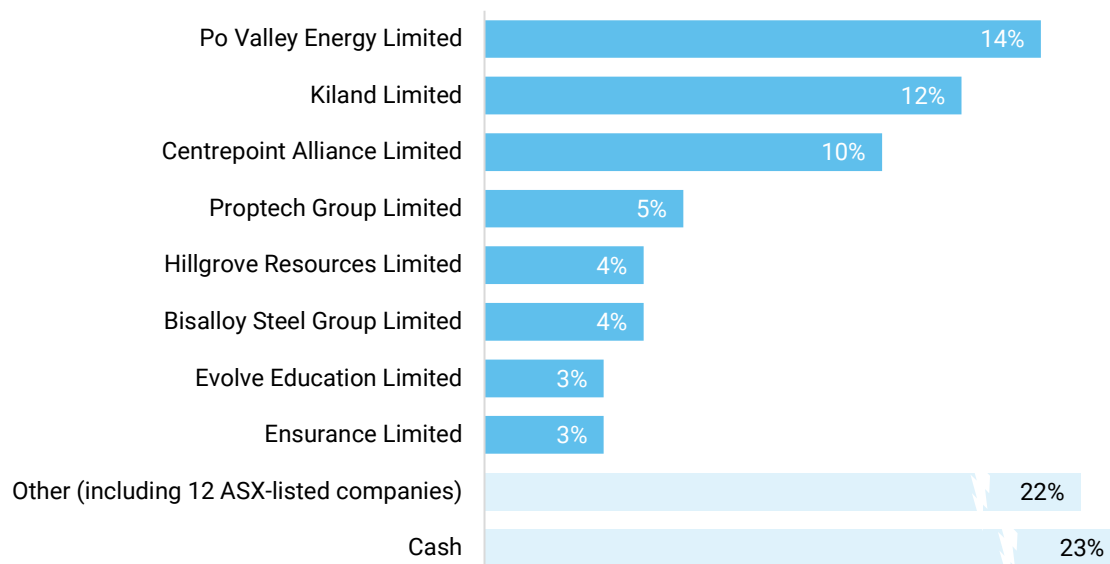
In June 2022, the unitholders of the H&G High Conviction Fund resolved to enter into an Asset Swap Deed with the Company, under which all of the assets, including all cash and ASX-listed securities, held by the fund were acquired by the Company in exchange for Shares in the Company. Shares held by the unitholders of the H&G High Conviction Fund represent approximately 75% of the Shares on issue at the date of this Prospectus. For more information on the terms and conditions of the Asset Swap Deeds please refer to Section 9.3.

3. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio could be significantly different to the past performance of the H&G High Conviction Fund.

The Initial Portfolio was comprised of cash and securities of 20 ASX-listed companies which align with the Investment Objectives and Investment Guidelines set out below. Consistent with its operations as a LIC, the individual investments which form the Portfolio may have changed since the acquisition date and are likely to change further before the Offer Period closes. The Portfolio will remain comprised of predominantly cash and ASX-listed securities.

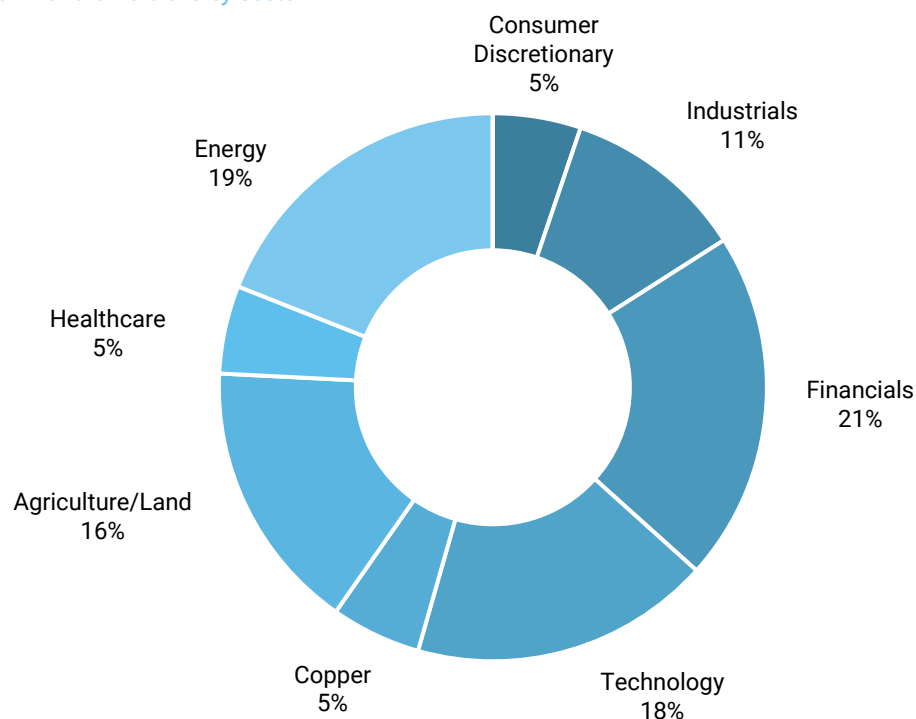
As at 30 June 2022, the portfolio was comprised as follows:

Chart: Percentage of gross assets of the Portfolio



The equities component of the Portfolio was broken down by sector as follows:

Chart: Breakdown of the Portfolio by sector



As at 18 July 2022, the Net Asset Value was \$16,821,000, which equates to a Net Asset Value per Share of \$1.0032.

The funds raised under the Offer will be used by the Company for further investment to expand the Initial Portfolio in accordance with the Company's stated strategy and Investment Guidelines. Further information on the intended use of funds raised under the Offer is set out in Section 6.1.

3.4 Current Capital Structure

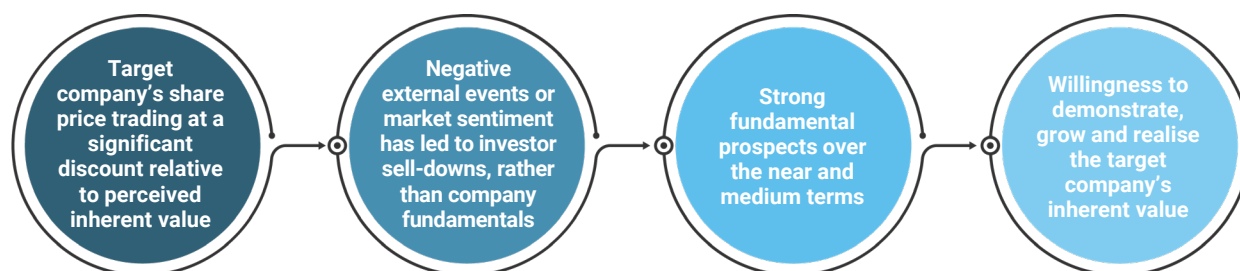
As at the Prospectus Date, the Share capital structure of the Company and particulars of its current substantial Shareholders, are as follows:

Shareholder	Shares	Percentage
Constable Group	5,675,335	33.9%
Perennial Investment Management Limited	3,100,153	18.5%
Fayrsted Pty Ltd	3,113,749	18.6%
Gretta Nominees Pty Ltd	1,379,732	8.2%
Jennifer Ann Hershon	1,349,882	8.1%
Other existing Shareholders	2,149,185	12.7%
Total Shares on issue as at Prospectus Date:	16,768,037	100.0%

The Company has no securities on issue other than fully paid ordinary shares. The Company has no subsidiaries.

3.5 Investment Strategy

The Company adopts a fundamentals-based, 'value investor' strategy and seeks to invest in target companies with the following characteristics:



The Company has engaged a highly experienced and active investment manager to construct and manage the Portfolio. Further information on the Manager is set out in Section 4. The Manager will use these investment strategies and the experience and skill of the Investment Team with a view to achieving the Investment Objectives.

Please note that the investment strategy may be impacted by various factors outside the control of the Company and is subject to the risks set out in Section 5. The Investment Objectives of the Company are not a forecast and there can be no guarantee or assurance provided that the Company will be successful in meeting its Investment Objectives.

3.6 Investment Guidelines

As at the date of the Prospectus, the Investment Guidelines for the construction of the Portfolio are as follows:

(a) Portfolio construction

The Manager is responsible for construction and management of the Portfolio. The following guidelines and parameters apply to the Manager's construction of the Portfolio:

Exposure	Guidelines
Target investments	<p>The Manager may invest in:</p> <ul style="list-style-type: none"> • listed and unlisted securities (Australian and international); • derivatives including futures, forwards, warrants and contracts; • bills of exchange, negotiable investments and debentures; and • cash. <p>Notwithstanding this broad mandate, the investment strategy is focused on investing predominantly in micro capitalisation ASX-listed companies (see Section 3.5). Unlisted securities, international securities, derivatives, bills of exchange, negotiable investments and debentures do not currently form a material component of the Portfolio and the Company's present intention is that these categories of investments will not form a significant component of the Portfolio.</p>
Portfolio weighting	<p>The Manager will endeavour to work within the Portfolio weighting guidelines below:</p> <ul style="list-style-type: none"> • no more than 20% of net assets invested in a single position (by cost value); • between 50% and 95% of the Portfolio invested in publicly listed companies; • specific focus on ASX-listed companies with a market capitalisation of up to \$300m at the time of initial investment; • cash weighting between 5% and 50% of net assets; and • no more than 10% of capital allocated (at cost) to hedging activities. This capital is inclusive of any hedge deposits required. <p>These should be viewed as guidelines only, not as absolute limits. Where the Portfolio weighting guidelines are not complied with for any reason, the Manager will seek to adjust to bring the portfolio back within the limits.</p>
Number of investments	When fully invested, the Portfolio is expected to comprise approximately 20 – 25 investments in predominantly ASX-listed securities in micro capitalisation companies (with market capitalisations under \$300 million at the time of the initial investment).
Geographic limits	None. While the Manager will primarily invest in ASX-listed securities, no geographic limitations apply to the Company's investment strategy.
Term	There is no set term for investments. However, the Manager will seek to value add and realise the inherent value in its investments which may have a multi-year horizon. The Manager will actively manage the investments and seek to exit positions when prudent.
Industry/sector limits	<p>None. There are no limits based on industry/sectors as the Portfolio construction approach is to focus on undervalued investment opportunities which the Manager believes is consistent with the Investment Objectives.</p> <p>The Portfolio is expected to be diversified across a broad range of sectors and industry groups. The Manager will regularly review sector and thematic concentrations and will adjust the Portfolio as necessary.</p>
Leverage, derivatives and short selling	Debt leverage, derivatives and short selling are all permitted. See Sections 3.6(b) – (d) for the Company's policy in relation to each of these items.

(b) Leverage policy

The Company may use leverage and derivatives where consistent with the Investment Objectives and Investment Guidelines. However, it is generally not intended that the Company will borrow funds for investment or invest in derivatives where it would be speculative (unless made for risk management purposes) or use other debt because the Manager is not authorised under its AFSL to advise the Company in relation to debt except basic deposit products, derivatives, foreign exchange contracts, debentures, stocks or bonds issued or proposed to be issued by a government, interests in managed investment schemes (excluding investor directed portfolio services) and securities.

(c) Derivative policy

Generally it is not intended that the Manager will invest in derivatives where it would be speculative. However, investment in financial derivative instruments such as warrants, options and futures contracts is permitted where investment is consistent with the Investment Objectives and Investment Guidelines. This includes investments in derivatives made for risk management purposes.

(d) Short selling policy

The Manager will not short sell any securities, or engage in securities lending in relation to the Portfolio, without the approval of the Board. This is consistent with the Company's fundamentals-based investment approach with a focus on capital preservation, long term capital growth and income from its investments.

3.7 Dividend Policy

The Company intends to pay dividends to Shareholders, where and when available from dividends received from underlying Portfolio Companies, and a portion of realised profits from the sale of securities in Portfolio Companies, provided that the Company has sufficient profit reserves and franking credits, and it is within prudent business practices to do so.

As the investment strategy of the Company includes long term capital growth through investments in ASX-listed companies with a market capitalisation of up to \$300 million, it is possible that dividends may be low (or nil) in any given period. In particular, there is a risk that dividends received from underlying Portfolio Companies may be low (or nil) during initial investment years due to the nature of the Portfolio Companies and their stage of commercialisation, which may impact on the Company's ability to pay dividends to Shareholders and the size and level of franking on any such dividend.

However, the amount of any dividend will be at the complete discretion of the Board and will depend on a number of factors, including expectations of future earnings, capital requirements, financial conditions, future prospects, laws relating to dividends and other factors that the Board deem relevant. It is the current policy of the Board that all dividends paid to Shareholders will be franked to 100% (or to the maximum extent possible without incurring liability to franking deficit tax). However, no assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

The Company's ability to pay any dividend may be impacted by various factors outside of its control and is subject to the risks set out in Section 5.

3.8 Capital Management Policy

The Board will regularly review the capital structure of the Company and, where the Board considers appropriate, undertake capital management initiatives which may involve the issue of Shares (for example, through bonus options issues, placement, pro rata issues) or the buy-back of Shares on-market.

3.9 Portfolio Valuation

The Manager will arrange for the calculation of the Portfolio's value at least once per month and provide such calculations to the Board as soon as practicable after such calculations are made.

The assets of the Company will be valued using generally accepted market practices to accurately value all securities and other assets within the Portfolio from time to time.

The current approach adopted by the Company is to determine the value of the Portfolio by aggregating the value of each investment in the Portfolio in accordance with the following methodology for each asset type:

- (a) **cash (including income)** – the amount of such cash (in Australian dollars);
- (b) **securities** – the market value of securities determined in accordance with Australian Accounting Standards (unless otherwise agreed by the Company and the Manager; and
- (c) **other investments** – if any investment is not included in paragraphs 3.9(a) or (b) above, the value of that investment determined by the Manager in accordance with the Management Agreement (see Section 9.2).

3.10 Risk-management Philosophy and Approach

The Company will manage risk by monitoring the Manager to ensure that the Investment Guidelines are implemented. The Manager will be primarily responsible for managing the risk of the Portfolio. The Manager considers investment risk to be permanent loss of capital.

The Manager has implemented risk policies and controls which are designed to be relevant to the Company's Investment Guidelines and Investment Objectives.

The Manager will monitor the Portfolio to monitor compliance with the Investment Guidelines with regard to the Investment Objectives. The Manager is responsible for, amongst other things, the allocation of trades between relevant service providers and ongoing monitoring of net and gross exposure within the Portfolio.

3.11 Changes to Investment Strategy

The stated strategy, Investment Objectives and Investment Guidelines outlined in this Prospectus are expected to be implemented by the Manager in exercising its rights under the Management Agreement and upon the listing of the Company on ASX.

No material changes to the investment strategy, Investment Objectives or Investment Guidelines are presently contemplated, however, the Company reserves the right to do so. If there are changes to the Investment Objectives or Investment Guidelines, these changes will only be made with the approval of the Board. The Company will notify Shareholders via its website and ASX of any material changes to the Company's Investment Objectives and Investment Guidelines.

3.12 Status as a Listed Investment Company

It is intended that the Company will qualify as a LIC under Australian taxation laws. The major requirements the Company must meet to be a LIC are:

- (a) the Company must be an Australian resident for tax purposes;
- (b) the Company must satisfy the listing requirements in paragraph 115-290(1)(b) of the *Income Tax Assessment Act 1997* (Cth) (which it will satisfy if it is listed for quotation on the Official List of ASX); and
- (c) at least 90% of the portfolio value must comprise certain permitted investments as defined in section 115-290(4) of the *Income Tax Assessment Act 1997* (Cth).

Permitted investments include shares, options, units (provided the Company does not own, directly or indirectly, more than 10% of the entity in which it holds the permitted investment), financial instruments, derivatives and assets that generate passive income such as interest, rent and royalties.

Further general information in relation to the Australian tax treatment of LICs is provided in Section 10.10.

3.13 Reports to Shareholders

Subject to the ASX Listing Rules, within 14 days after the end of each month, the Company will release to ASX a statement of the net tangible asset backing of its Shares as at the end of that month. The calculation of the net tangible asset backing of Shares will be made in accordance with the ASX Listing Rules.

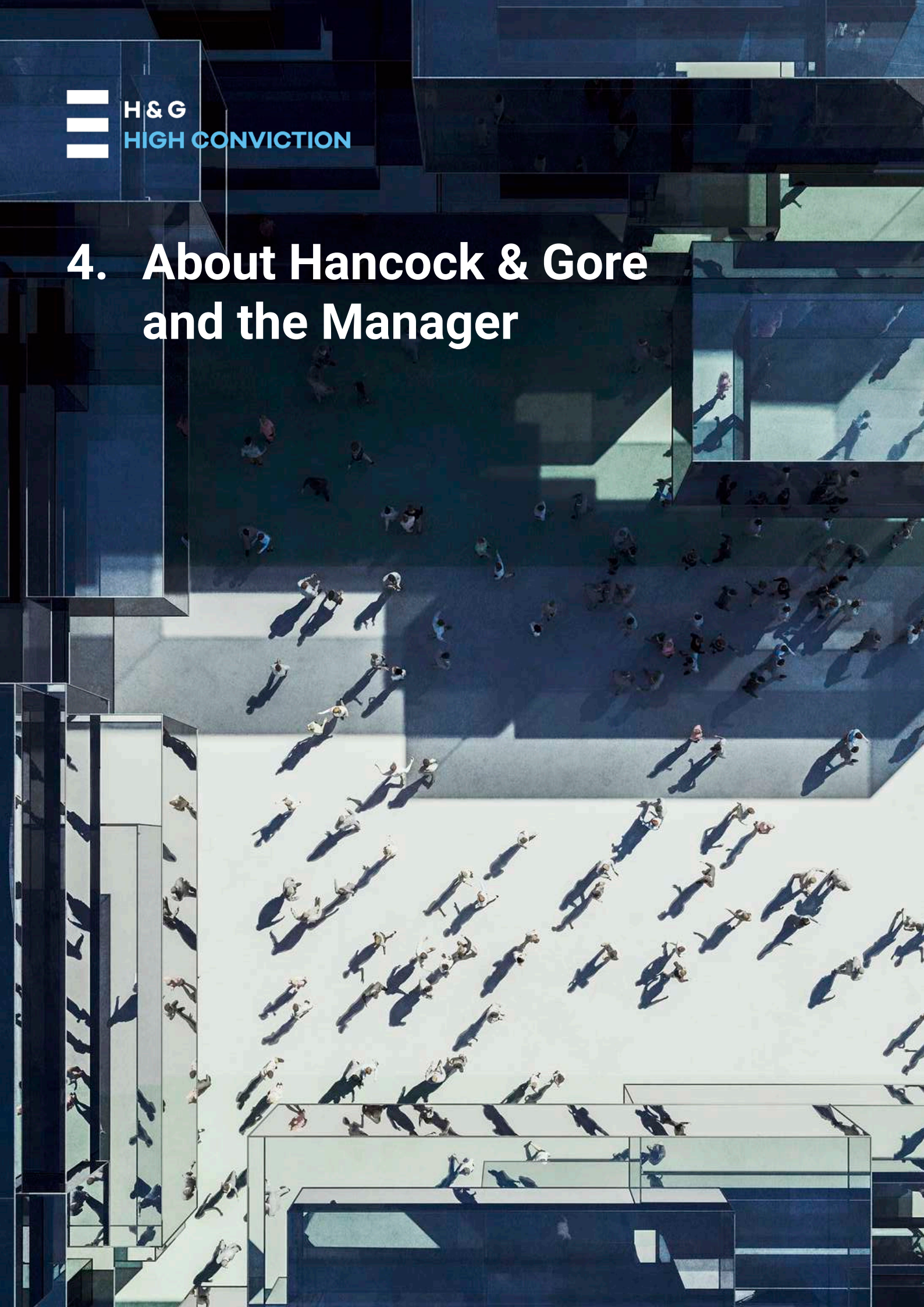
The Company will provide to Shareholders on request, free of charge, a copy of statements released to ASX of the net tangible asset backing of Shares from time to time.

The Company will also release to ASX reports, prepared by the Manager from time to time, to keep Shareholders informed about the current activities of the Company and the performance of the Portfolio. These reports will also be available on the website.



H&G
HIGH CONVICTION

4. About Hancock & Gore and the Manager



4. About Hancock & Gore and the Manager

4.1 Overview of Hancock & Gore

Hancock & Gore is the parent company of the Manager. It is an ASX-listed, diversified investment company incorporated in 1904, and one of the oldest publicly listed companies in Australia.

Hancock & Gore's core objective is to:



deliver long-term investment returns from a portfolio of companies and investment strategies with differing maturity profiles, which combine to both maximise short term income generation and longer-term capital profits



Hancock & Gore derives profitability through a number of key components:

Direct investment	Investment Management	Funds management
Makes investments in small to medium size listed and unlisted businesses via debt and equity, and other asset classes including direct real estate and real estate backed securities	Provides investment management services to investee companies including board representation, strategic input, investment banking, merger & acquisition advice, and capital markets expertise	Wholly owned funds management business operated through the Manager offering access to a range of different investment strategies including ASX Listed Investments and Private Investments and derives profitability from funds management fee income and performance fees

4.2 About the Manager

Background

The Manager, H&G Investment Management Ltd, is an entity owned by Hancock & Gore. The Manager was established as Supervised Investments Australia Limited in May 2007 before being acquired by Hancock & Gore and rebranded in March 2021. The Manager holds an Australian Financial Services Licence (AFSL 317155).

In November 2007, the Manager launched The Supervised Fund, an open-ended wholesale unit trust, which was also rebranded in March 2021 as the H&G High Conviction Fund. The Manager has been the investment manager of the H&G High Conviction Fund since its inception and over this period has adopted a fundamentals-based investment strategy focused on investment in micro capitalisation companies, which is consistent with the Company's investment strategy set out in Section 3.5.

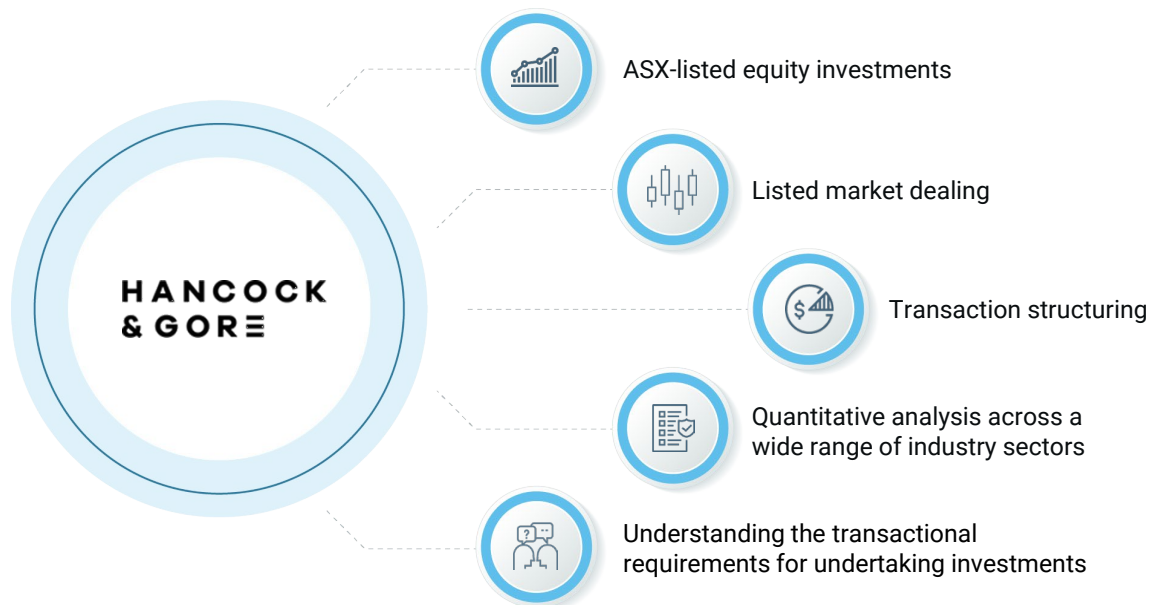
During the period from 1 December 2007 to 23 June 2022, the H&G High Conviction Fund generated unitholder returns net of all fees (pre-tax) in excess of 8% per annum and substantially outperformed the S&P/ASX Small Ordinaries Accumulation Index which achieved returns of 0.4% per annum over the same period. The H&G High Conviction Fund also generated returns net of all fees (pre-tax) of approximately 10% per annum for the 10 year period from 1 July 2012 to 23 June 2022 and approximately 13.3% per annum for the 1 year period from 1 July 2021 to 23 June 2022.⁴ All of the assets, including all cash and ASX-listed securities, held by the H&G High Conviction Fund were acquired by the Company on 23 June 2022 and form a significant part of the Initial Portfolio.

The Company has appointed the Manager to act as its investment manager to construct and manage the Portfolio pursuant to the terms of the Management Agreement and in accordance with the applicable Investment Guidelines from time to time.

4. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio could be significantly different to the past performance of the H&G High Conviction Fund.

Competencies of the Manager

The Manager is well positioned to act as investment manager as it draws upon the resources of the broader Hancock & Gore group, including the Investment Team, who have deep experience in:



For more information on the Investment Team, please refer to Section 4.5.

Role of the Manager






The Manager will:

- (a) source and screen investment opportunities aligned to the Investment Objectives and the Investment Guidelines;
- (b) conduct due diligence on shortlisted investment opportunities as part of its investment process;
- (c) construct and manage the Portfolio and manage the investments held by the Company, having regard to the applicable Investment Objectives and the Investment Guidelines;
- (d) work with Portfolio companies to help them realise their potential;
- (e) manage the Portfolio's exposure to markets;
- (f) calculate the value of the Portfolio at least monthly;
- (g) regularly update the Company in relation to the Portfolio and provide all information necessary for the maintenance of the Company's financial accounts; and
- (h) provide administrative support to assist and ensure the maintenance of the Company's corporate and statutory records, compliance with the ASX Listing Rules and the Corporations Act.

For more information on the Management Agreement, please refer to Section 9.2.

4.3 Advantages of Hancock & Gore and the Manager

By appointing the Manager to execute the Company's investment strategy, the Company believes that Shareholders stand to benefit from:

	Experienced Investment Team	Gaining access to a highly experienced and active Investment Team, with expertise investing in ASX-listed equities and delivering attractive returns
	Portfolio construction and management	The Manager providing Shareholders with exposure to a concentrated portfolio of investments in predominantly ASX-listed securities in micro capitalisation companies (with market capitalisations under \$300 million at the time of the initial investment) consistent with the Investment Guidelines
	Networks	Hancock & Gore and the Manager bringing a wide range of networks and connections that enable Portfolio Companies to connect with customers, service providers and investors
	Investment process	Implementing an active, fundamentals-based investment approach with a focus on capital preservation, long-term capital growth and income from its investments
	Fee structure	A performance fee structure that aligns the interests of the Manager with those of the Company and provides the Manager with incentive to maximise Shareholder returns

4.4 Investment approach

(a) Overview

The Manager will invest using a fundamental, research driven investment strategy. The investment strategy is focused on capital preservation, long-term capital growth and income from its investments, and generating attractive risk adjusted returns over the long term.

The Company believes that long-term capital growth can be achieved by the Manager using a disciplined investment process to construct a Portfolio which has a fundamentals-based approach.

(b) Focus on micro capitalisation companies

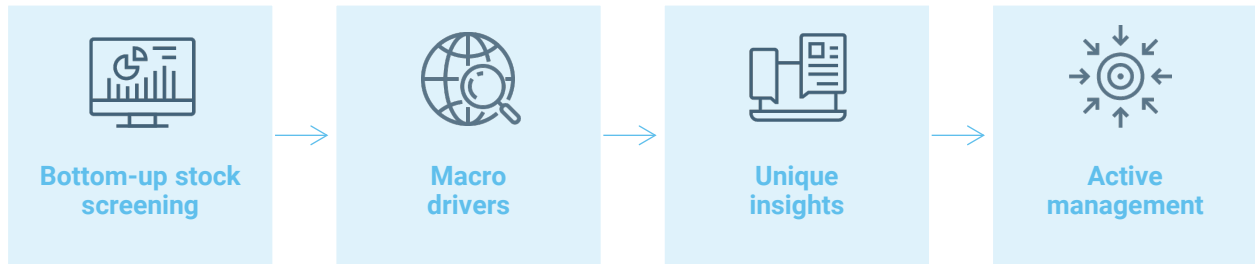
The Manager will focus its attention on ASX-listed companies with a market capitalisation of up to \$300 million at the time of initial investment.

The Company believes that micro capitalisation companies provide the largest dislocation from the efficient market hypothesis for a variety of reasons, including due to lower trading liquidity, less visibility and research coverage, lower institutional ownership, and the added risks associated with emerging or early-stage companies.

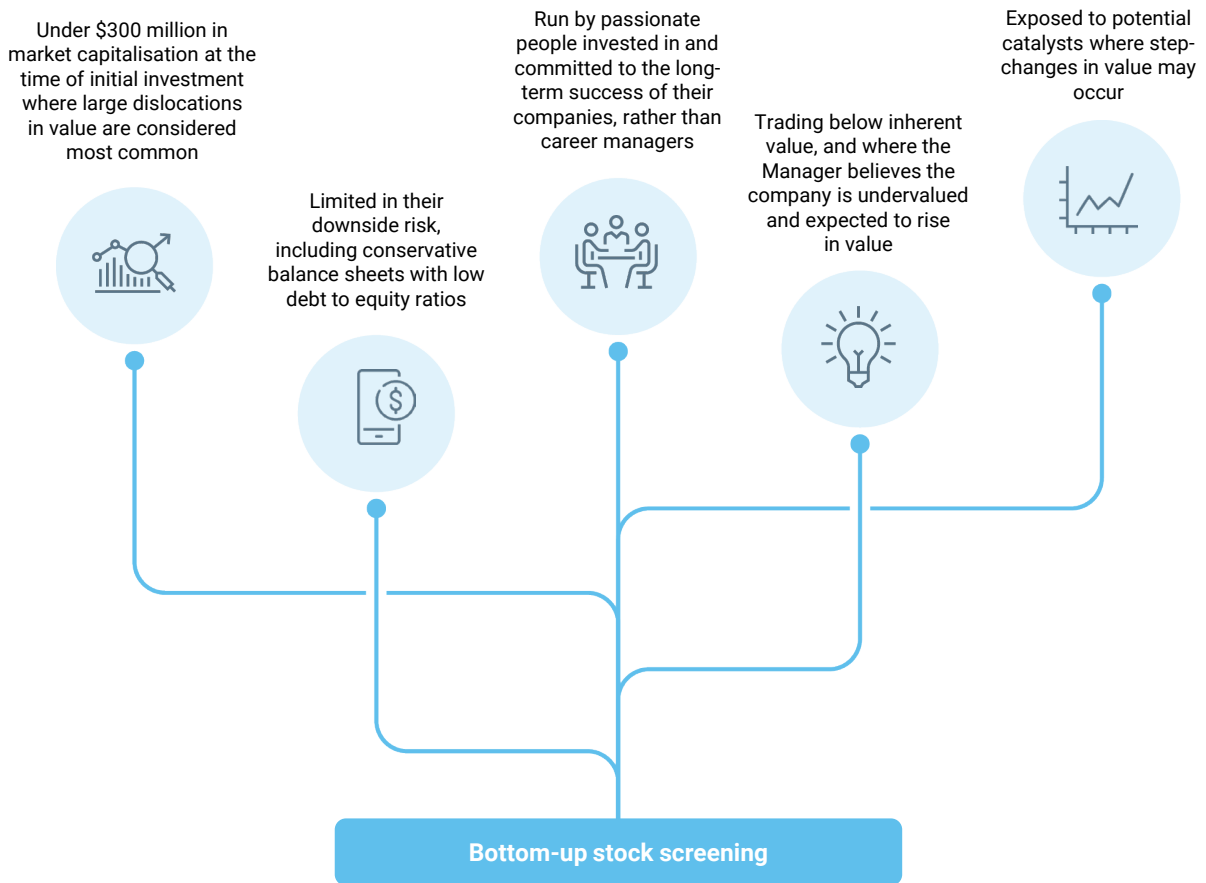
The Company believes that it is well positioned to capitalise on this market opportunity given its access to a highly experienced and active Manager and Investment Team, with expertise investing in ASX-listed equities and delivering attractive returns.

(c) Investment process

The Investment Team is responsible for sourcing, investigating and implementing investments for the Company. The investment process is as follows:

**Bottom-up stock screening**

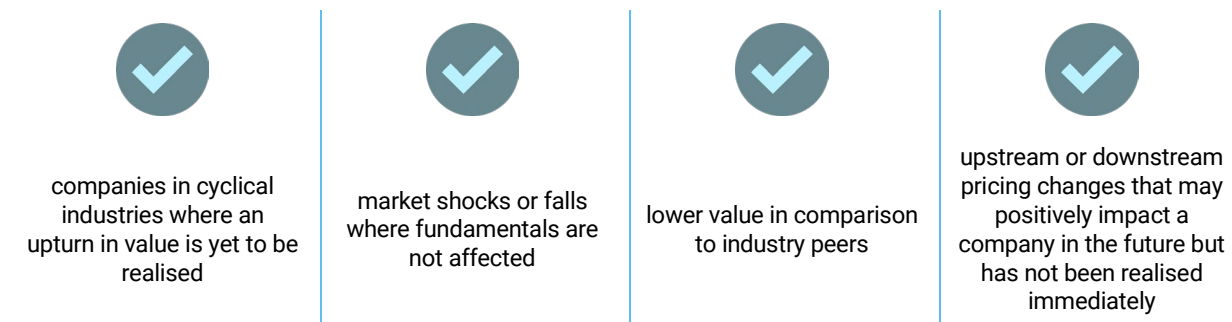
The Manager will undertake fundamental research in selecting investments that are:



The Manager intends to spend considerable time meeting with management teams of companies, their suppliers, customers, and competitors to identify high potential investment opportunities that meet the Investment Guidelines aligned to the Investment Objectives.

Macro Drivers

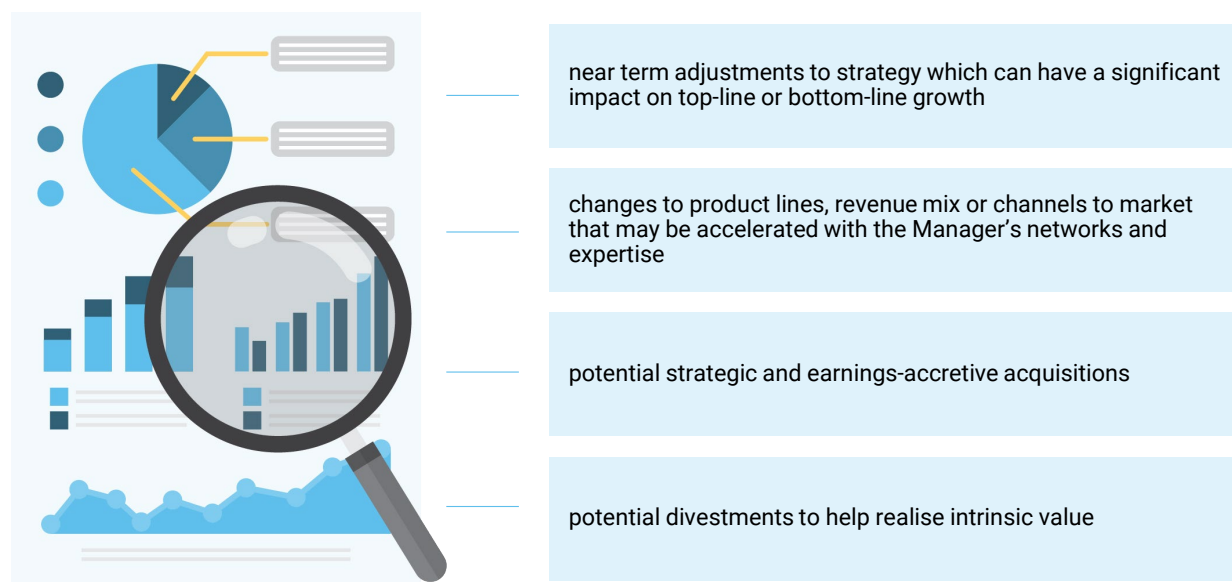
The Manager will identify macro factors and trends which are affecting or have the potential to impact that company, and will determine where there is a large differential between market and inherent value. This may include, but is not limited to:



Macro drivers tend to emerge rapidly and the Manager will remain alert to new drivers that may impact investments.

Unique Insights

The Manager will apply its unique insights in determining potential changes that could be made to the management of the company in order to unlock its true value. This may include:



Historical financial results are only part of the picture, and the Manager has the expertise and experience to view how performance of the Portfolio Company may improve.

Active Management

The Manager will then actively engage with management in the formulation and implementation of strategic change and remain actively engaged with management. This can involve joining the boards of investee companies where necessary.

The Manager will aim to support its Portfolio Company through its extensive network of key industry contacts and advisers that can enhance a company's prospects and enable them to grow or scale more quickly.

The Manager will monitor and report to the Company on each investment monthly at a minimum. The Manager will actively assess its position and may consider exiting an investment if further gains are unlikely to be realised.

4.5 Investment Team

The Manager will utilise the skills and experience of the Investment Team in managing the Company's Portfolio. The members of the Investment Team are experienced investment professionals with diverse expertise in financial markets, funds management, listed equities, alternative assets and corporate governance. Details of the Investment Team, their background and areas of responsibility are set out below.

The Investment Team has been constructed to leverage the extensive knowledge and networks of Hancock & Gore. The Investment Team members set out below have all had direct involvement investing in listed micro capitalisation companies and some have had significant board experience.

The Company and the Manager will be able to draw upon and benefit from this experience in the construction and maintenance of the Portfolio. Each of the Investment Team members possesses skills required for the management of the Portfolio, such as listed market dealing, transaction structuring and quantitative analysis. With access to experience across a broad range of industry sectors, as well as in the transactional requirements for undertaking investments, the Company believes the Manager is well placed to manage the Portfolio. For specialist appraisal, the Manager can draw upon experts as needed to contribute to the investment process.

While the Management Agreement does not require the Investment Team to devote any specific amount of time to the Portfolio, each member of the Investment Team will be available to devote the amount of time required for the Manager to properly perform its functions in managing the Portfolio in accordance with its obligations under the Management Agreement.

There have been no adverse regulatory findings against the Manager or any member of the Investment Team.



Alexander (Sandy) Beard
Executive Chairman – Hancock & Gore
Executive Director - Manager

Sandy is the Executive Chairman of Hancock & Gore and Executive Director of the Manager.

He has been a director of numerous public and private companies over the past 25 years. He is the former Chief Executive Officer of investment group CVC Limited (ASX: CVC) from 2000 to 2019, where he oversaw annual shareholder returns in excess of 15% per annum.

He has extensive experience with investee businesses, including providing advice, assisting in acquisitions, divestments and capital raisings, and in direct management roles, especially bringing management expertise to micro capitalisation companies and driving shareholder returns.

Sandy is a Chartered Accountant and has a Bachelor of Commerce from the University of New South Wales. He is also a Member of the Australian Institute of Company Directors.

Sandy is currently Chairman of FOS Capital Limited (ASX:FOS) and Anagenics Limited (ASX:AN1) and Director of Centrepont Alliance Limited (ASX:CAF).



Nicholas (Nick) Atkinson
Investment Director – Hancock & Gore
Executive Director – Company and Manager

Nick is an executive at Hancock & Gore, an Executive Director of the Manager, and an Executive Director of the Company.

Nick has over 27 years' equity capital markets experience, that spans trading, research, sales, finance and investment management. Nick has specialty expertise in the Energy, Healthcare/Life Sciences and Small Capitalisation sectors, garnered from working both in Australia as well as offshore in London and New York.

Prior to joining Hancock & Gore, Nick spent 14 years at Morgans Financial Limited, where he was Executive Director of Institutional Equities. Nick oversaw rapid growth of the division's profitability over a 10+ year period.

Nick has a Master of Business Administration (MBA) from Macquarie Graduate School of Management, a Bachelor of Commerce from the University of Queensland, and a Graduate Diploma in Applied Investment and Finance from FINSIA.



Joseph Constable

*Portfolio Manager & Executive Director – Manager
Executive Director – Hancock & Gore and Company*

Joseph is Portfolio Manager and Executive Director of the Manager and an Executive Director of Hancock & Gore and the Company.

He began working in funds management in 2014 and has experience with UK-based Smith and Williamson and Hunter Hall International. Since 2016, he has worked at Supervised Investments Australia Limited, which was acquired by Hancock & Gore and subsequently rebranded as H&G Investment Management Ltd.

Joseph has a Master of History from the University of Oxford and a Bachelor of Arts (Honours) from the University of Melbourne. He is a Graduate of the Australian Institute of Company Directors.

Joseph is currently a Director of Po Valley Energy Limited (ASX: PVE), which is currently a Portfolio Company.



Michael Bower

Company Secretary – Hancock & Gore, Manager and Company

Michael is the Company Secretary of Hancock & Gore, the Manager and the Company.

Michael has over 25 years' experience in finance and investment roles.

Prior to working with Hancock & Gore, Michael spent 17 years at CVC Limited (ASX: CVC), initially as Chief Financial Officer and Company Secretary and then as Investment Analyst and Manager. Prior to that, Michael trained at KPMG in the UK and had various finance roles in the UK, New Zealand and Australia.

Michael is a Chartered Accountant and member of both Chartered Accountants Australia and New Zealand and the Institute of Chartered Accountants in England and Wales. Michael has a Bachelor of Science (Honours) in Chemistry from the University of Durham.



Arthur Fokschaner

Investment Analyst – Hancock & Gore and Manager

Arthur is an Investment Analyst at Hancock & Gore and the Manager.

Arthur has 3 years' experience in security analysis and markets, as well as 5 years' broader commercial experience in the UK property sector. Arthur provided independent investment research to Hancock & Gore and Samuel Terry Asset Management.

Arthur has a Master of Commerce from the University of New South Wales.

4.6 Experience

The Manager has not itself previously provided investment management services to a LIC. However, individuals on the Investment Team, in particular Mr Beard and Mr Bower, have extensive experience advising and supporting investment companies listed on ASX. The Company believes that the Manager's general investment management experience, and the Investment Team's previous experience in researching and investing in ASX-listed equities, transaction structuring and qualitative and quantitative analysis across a broad range of industry sectors, make it suitable for managing the Portfolio.



H & G
HIGH CONVICTION

5. Risks

5. Risks

5.1 Introduction

Investing in the Shares involves various risks. You should carefully consider the risks involved in acquiring the Shares, including those risks described below and all of the other information set out in this Prospectus before deciding to invest in the Shares.

The risks can be both specific to the Company and of a general nature. If any of these risks were to occur, they may have a negative effect on the Company and its operating performance, financial performance, financial liquidity and the value of its Shares.

This Section 5 describes certain, but not all, risks associated with investing in the Company that the Directors believe are significant when considering whether to participate in the Offer. You should carefully consider the risks associated with acquiring the Shares, including the risks set out in this Section 5 below, as well as the information contained in this Prospectus in its entirety.

An investment in the Company should be considered speculative. The Company cannot guarantee that the Issue Price will be consistent with the market price on quotation on the ASX or that the Shares will trade at a price that is consistent with the net asset value or net tangible value of the Portfolio on a per share basis. The Directors believe that it is not unusual for LICs to trade at a share price which is at a discount to the net asset value or net tangible value of the relevant investment portfolio on a per share basis.

While prudent management and investment techniques may be effective in reducing some of the risks to Shareholders, no assurances can be given by the Company as to the future success of the Company's investment strategies, any particular investment decisions or, importantly, the investment returns or the market price at which the Shares may trade on ASX. To that extent, investment in the Company should be regarded as speculative and, as with any equity investment, substantial fluctuations in the value of that investment may and often do occur.

If you are in any doubt about the suitability of an investment in the Company, you should consult with your financial adviser, stockbroker, solicitor, accountant, or other professional adviser before deciding whether to apply for the Shares.

5.2 Significant risks of investing in the Company

(a) Strategy risk

The success and profitability of the Company will mostly rest on the Manager's ability to select companies which increase in value over time and which are in accordance with the Company's Investment Guidelines and Investment Objectives. A failure by the Manager to comply with these expectations may adversely impact the Company and its Shares.

Investment strategies consisting of acquiring, holding and trading in listed entities are also subject to inherent risks, and the value of the Company's individual investments may fluctuate over time. The past performances of investments managed by the Manager and personnel within the Investment Team cannot be relied on as indicators of the Company's future performance.

(b) Manager performance risk

The success and profitability of the Company relies on the continued performance of the Manager. If the Manager cannot successfully identify, monitor and capitalise on investment opportunities within the Investment Guidelines, there is a risk that the Company and the Shares will be negatively impacted.

Subject to ASX granting a waiver of ASX Listing Rule 15.16, the Company will have no right to terminate the Management Agreement for 10 years (except in limited circumstances including for material breach of contract). ASX has indicated to the Company, on an in-principle and non-binding basis, that it is likely to approve the Company's waiver request for the Initial Term of the Management Agreement to run for 10 years. This means that, even if the Manager fails to perform in accordance with the objectives as set out in this Prospectus, it may be difficult for the Company to remove and replace the Manager for 10 years.

While the Manager will put processes and procedures in place to mitigate the risks associated with failing to adequately meet its performance objectives, there can be no guarantee that the Manager will obtain any particular investment return as set out in this Prospectus, nor should anything said in this Prospectus be taken as a guarantee that this will be the case.

(c) Licensing risk

The Manager operates under an AFSL in order to manage the investments. The Manager's continued oversight of the investments and implementation of the investment strategy is contingent on it maintaining its AFSL.

There is a risk that if the Manager's AFSL is restricted, suspended or terminated in the future, it would be prevented from overseeing the Company's investments and from carrying out the investment strategy. In such circumstances, the Company will be required to engage a new authorised financial services licensee to carry out the investment strategy in accordance with the Company's policies and guidelines, permitted investments and elements of investment as set out in this Prospectus.

Even if the Company were to be able to authorise another financial services licensee, there can be no guarantee that the new manager would meet or exceed the standards set out in the Management Agreement, this Prospectus, or those standards maintained by the Manager.

(d) Market risk

The prices of individual securities listed on share markets such as ASX may fluctuate and underperform over extended periods of time. The value of listed securities may rise and fall depending on a range of factors beyond the control of the Company. Factors may be both domestic and international, or may be specific to the individual security.

The market prices of the shares of companies listed on a regulated exchange have seen wide fluctuations due to general domestic and international economic conditions, such as movements in inflation rates, interest rates, foreign exchange rates, and commodity prices, and changes to government policy or legislation. They have also been impacted by domestic and international events, such as natural disasters, pandemics, global hostilities and acts of terrorism.

Shareholders are exposed to this risk both through their Shareholding as well as through the Company's Portfolio. While the Manager will form the Portfolio to mitigate the effect of market risks, market risks cannot be eliminated entirely. If these risks were to arise, the value of the Company's underlying investments, and therefore the price of the Shares, may be materially impacted.

There is also a risk that the Shares may trade on ASX at a discount to the net asset value or net tangible value of the Portfolio on a per Share basis and the performance of the Shares may not be correlated with the performance of the Portfolio.

It is also notable that neither the Manager nor the Company can control the listed companies in which it will invest. The Company may therefore be adversely affected by such companies' conduct, whether it be because of a fall in an investee company's value or because of potential reputational risk stemming from the Company's investments.

(e) Key personnel risk

The performance and success of the Company is contingent on its continued relationship with the Manager and, importantly, the personnel within the Investment Team. The Company is reliant on the expertise of the Investment Team to carry out the investment strategy.

If the relationship with the Manager were to cease, or key personnel within the Investment Team were to leave, there is a risk that the investment strategy would not be successfully implemented in the future.

The Company has no rights to terminate the Management Agreement in the event of a material change to the membership of the Investment Team. This includes if Joseph Constable (Portfolio Manager) or Nicholas Atkinson (Director) were to cease their roles with the Manager.

(f) Incentives risk

The Management Fee and the Performance Fee may create an incentive for the Manager to overstate the value of the underlying investments to obtain greater compensation and also make investments that are more speculative than it otherwise would have invested in had there not been such a fee in place. These risks may add risk and volatility to the Portfolio's underlying investments.

For more information on the Management Fee and Performance Fee, please refer to Section 9.2.

(g) Company risk

The Company is a newly incorporated entity established on 8 June 2022. It does not have any long-term operating history or proven track record which may be used by investors to assess the ability of the Company or the Manager to achieve the objectives as set out in this Prospectus. The Company does not provide any guarantee that it or the Manager will achieve the objectives set out in this Prospectus.

(h) Capitalisation risk

There is no minimum subscription. There is a risk that the funds raised under this Offer may not be sufficient to optimise the performance of the Portfolio and the Company may need to raise additional equity capital. There is no guarantee or assurance that the Company will be able to raise such additional equity, either at all, or on favourable terms and conditions. Any future equity raising will dilute existing Shareholders.

If the Company is unable to achieve an optimum size, it may be required to reduce the scope of its proposed investments which could adversely affect the construction and composition of the Portfolio, financial position, operating results and future growth prospects.

(i) Concentration risk

The Manager is granted a wide discretion to select listed companies which align with the Investment Guidelines. This includes Portfolio concentration and the relative weight of each Portfolio company as compared to the value of the Portfolio as a whole.

As the Company is targeting a concentrated Portfolio of between 20 and 25 investments, there may be more volatility in the Portfolio compared to the broader market as the Portfolio will be comprised of fewer securities than the broader market. The Manager will seek to construct the Portfolio to minimise any concentration risk in accordance with the Company's policies, guidelines and permitted investments.

(j) Leverage risk

It is open to the Manager under the Management Agreement to increase the scale of the Portfolio through the use of debt. This may include financial instruments such as convertible notes or debt facilities with financial institutions. This exposes the Company to risks associated with leverage, including amplifying the volatility of the Portfolio, as well as the risk that investments may be liquidated at a loss and not at a time deemed appropriate by the Manager.

(k) Industry risk

The Company and its underlying investments are subject to industry risk factors such as increased regulatory burdens, and the adverse effects of any changes to legislation and government policies generally that may affect their future performance and operation. These factors cannot be controlled by the Company.

Risk factors specific to the industry of a Portfolio Company may arise which may adversely impact the performance of the underlying investments and the Company.

(l) Micro capitalisation companies risks

The Company intends to invest in ASX-listed entities, which it considers to be 'micro capitalisation companies'. That is, listed companies with a market capitalisation of less than \$300 million. The Company will target listed micro capitalisation companies which have strong fundamental prospects, yet negative externalities have seen their value drop.

Micro capitalisation companies tend to be of higher risk than companies with a greater market capitalisation for a variety of differing factors. For example, a micro capitalisation company may still be in an early stage of its development.

The Company is exposed to the speculative risks which are inherent in micro capitalisation companies. The Manager recognises this risk and will seek to mitigate this risk to the extent possible, including by constructing the Portfolio in accordance with the Company's policies, guidelines and permitted investments. However, it should be noted that this risk cannot be eliminated entirely.

(m) Conflicts of interest

Conflicts of interest may arise in relation to the Manager because it manages funds other than the Portfolio and because of the fee structure under the Management Agreement (which comprises a Management Fee and Performance Fee).

The Company's Directors also hold a number of interests and positions which have the potential to give rise to conflicts of interest. Their interests and positions are described in detail in Section 8.11 and the Company's approach for managing directors' conflicts of interest is set out in Section 8.12.

The Company may be adversely affected if these conflicts of interest are not managed effectively.

(n) Corporate governance and related parties risk

The majority of the Company's Directors are not independent (per the ASX Corporate Governance Council's criteria for independence). Joseph Constable and Nicholas Atkinson are both considered to be non-independent directors due to their executive roles with the Company, the Manager and Hancock & Gore (see Section 8.2 for further details).

Without a majority of independent directors on the Board, there is a risk that the Board will not be able to properly oversee the Company's management. There is also a risk that potential conflicts of interest may arise, which if not effectively managed, may have an adverse effect on the Company.

Despite these risks, the Company considers that the current Board has adequate skills, expertise and experience appropriate to achieve the Company's stated objectives and strategy given its nature, size and complexity. The Company also considers that there is a significant benefit in the current economic alignment between the Board and Shareholders.

Hancock & Gore was a related party of the Company during the period from its incorporation on 8 June 2022 until 23 June 2022, as it was the Company's sole shareholder. The Company does not consider that Hancock & Gore (or any entities within the broader Hancock & Gore group) are presently related parties of the Company. However, for completeness, disclosure of all material arrangements between the Company and Hancock & Gore (and each of its subsidiaries and related parties) are provided in this Prospectus (see Section 9 for further details). These material arrangements include the Management Agreement and certain Asset Swap Deeds. The terms of these arrangements were approved by the Company's Board on the basis they are consistent with market practice and are on terms customary if the parties were dealing on arm's length terms. Material risks associated with these arrangements are disclosed in this Section 5.

(o) Financial market volatility

A fall in domestic or global equity markets, bond markets or the rate of change in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may negatively affect the value of Portfolio Companies, the Portfolio as a whole and the price at which the Company's Shares trade.

(p) Liquidity risk

The Company will invest in entities listed on ASX. The ability to sell shares is a function of the turnover of the shares at the time of sale. Turnover is a function of a variety of factors, namely the size of the relevant company and the cumulative investment intention of all current and possible shareholders in the relevant company at any one point in time.

As the Manager may hold large positions in a Portfolio Company from time to time, a low level of liquidity in turnover may mean the Manager may not be able to sell its investments at the time, in the volumes or at a price it intends, resulting in a loss to the Company.

(q) Derivatives risk

Derivatives take their value from underlying assets, such as shares, commodities or bonds. Such derivative instruments include futures, forward contracts, swaps, options on futures, over-the-counter options and exchange-traded options.

Derivatives may expose the Company to legal, documentation and counterparty risks. It is within the Manager's discretion to use derivatives to hedge against investment losses. The Company cannot give any assurance that its hedging arrangements (if any) will be successful.

(r) Regulatory risk

The Company, the Manager, and the listed companies in which the Company will invest in, are subject to a number regulatory controls imposed by government and regulatory authorities.

The Company, the Manager, and the listed companies in which the Company will invest in, will be exposed to the risks associated with new laws and regulations, or changes to applicable laws and regulations (including changes to their interpretation). These risks (including the risk of non-compliance) may adversely impact the performance of the Company, and in turn, the price of the Shares.

(s) Cybersecurity risk

The Company will be listed on ASX. As a publicly listed entity, the Company may become a greater target for cybersecurity attacks. If this risk were to materialise, there is a chance that, amongst other things, the Company's operations would be suspended for an indefinite amount of time until such attack is addressed. This may in turn negatively affect the Manager's ability to implement the investment strategy during this period of time, and accordingly, the Company's performance.

To mitigate this risk, the Company will employ systems and software which enhance its cyber resilience. However, the Company does not guarantee that these systems and software will eliminate all risks associated with cybersecurity attacks.

(t) Accounting policy risk

The Manager will invest in listed companies on the proposition that their share price is at a discount to their fair value. Changes to accounting policies may influence how the fair value of these listed entities is determined by the Manager, and in turn, materially affect the Manager's judgement of investment opportunities and the performance of the Portfolio.

6. Financial Information

6. Financial Information

6.1 Use of Proceeds

The Company intends to use the funds raised from the Offer for investment consistent with the Investment Objectives and Investment Guidelines as set out in Sections 3 and 4. The costs of the Offer will be borne by the Manager. There is no minimum subscription. The directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus. The risks associated with this are set out in Section 5.

6.2 Reviewed Historical and pro forma Historical Statement of Financial Position of the Company

The reviewed pro forma statement of financial position set out below has been prepared to illustrate the effects of the pro forma adjustments described below for the different subscription amounts as if they had occurred on 18 July 2022:

- (a) completion of the Offer based on a \$1 million raise, a \$10 million raise, the target raise of \$20 million and a maximum raise, with Oversubscriptions, of \$30 million;
- (b) completion of the Offer at an indicative price per share of \$1.0032 based on the reviewed NAV per Share as at 18 July 2022;
- (c) all amounts raised being invested into new equity securities; and
- (d) the costs of the Offer being borne by the Manager.

The pro forma financial information is intended to be illustrative only and will not reflect the actual position and balance as at the Prospectus Date or at the completion of the Offer.

The pro forma statement of financial position is based on the reviewed statement of financial position of the Company as at 18 July 2022, prepared from the management accounts of the Company, and complies with the recognition and measurement requirements of Australian Accounting Standards. It is presented in summary form only and accordingly does not fully comply with the presentation and disclosure requirements of Australian Accounting Standards.

It has been prepared in accordance with the accounting policies set out in Section 6.7 below.

\$'000's	18 July 2022 historical	\$1 million subscription pro forma	\$10 million subscription pro forma	\$20 million subscription pro forma	\$30 million subscription pro forma
Assets					
Cash and cash equivalents	4,089	4,089	4,089	4,089	4,089
Receivables	942	942	942	942	942
Financial assets at fair value through profit and loss:					
Equity securities	13,314	14,314	23,314	33,314	43,314
Derivatives	40	40	40	40	40
Total assets	18,385	19,385	28,385	38,385	48,385
Liabilities					
Payables	214	214	214	214	214
Deferred tax liabilities	1,350	1,350	1,350	1,350	1,350
Total liabilities	1,564	1,564	1,564	1,564	1,564
Net assets	16,821	17,821	26,821	36,821	46,821
Equity					
Share capital	16,226	17,226	26,226	36,226	46,226
Retained earnings	595	595	595	595	595
Total equity	16,821	17,821	26,821	36,821	46,821
NAV per Share (\$)	1.0032	1.0032	1.0032	1.0032	1.0032

6.3 Cash

A reconciliation of the cash and cash equivalents presented in the reviewed pro forma statement of financial position is set out in the table below:

\$'000's	\$1 million subscription	\$10 million subscription	\$20 million subscription	\$30 million subscription
Cash and cash equivalents at 18 July 2022	4,089	4,089	4,089	4,089
Proceeds of the Offer – based on an indicative Issue Price of \$1.0032 per Share	1,000	10,000	20,000	30,000
Acquisition of new equity securities	(1,000)	(10,000)	(20,000)	(30,000)
Estimated net cash and cash equivalents	4,089	4,089	4,089	4,089

6.4 Capital Structure

A reconciliation of the share capital and number of Shares presented in the unaudited pro forma statement of financial position is set out in the table below:

	\$1 million subscription	\$10 million subscription	\$20 million subscription	\$30 million subscription
Shares on issue at 18 July 2022	16,768,037	16,768,037	16,768,037	16,768,037
Shares issued under the Offer	996,810	9,968,102	19,936,204	29,904,306
Estimated total Share capital	17,764,847	26,736,139	36,704,241	46,672,343

The shares issued under the Offer in the table above reflect a NAV per Share of \$1.0032, based on the reviewed NAV per Share as at 18 July 2022. The actual Issue Price of Shares under the Offer will be determined based on the NAV per Share as at 5.00pm (Sydney time) on the Closing Date.

6.5 Pro forma Assumptions

The reviewed pro forma statement of financial position and the information in Sections 6.2 – 6.4 have been prepared on the basis of the following assumptions:

- (a) completion of the Offer on 18 July 2022, based on the different subscription amounts and Issue Price in Section 6.2;
- (b) all amounts raised being invested into new equity securities;
- (c) all costs of the Offer will be borne by the Manager; and
- (d) application of the proposed accounting policies set out in Section 6.7.

6.6 Costs of the Offer

The Manager has agreed to pay all costs in connection with the Offer that the Company would normally be liable for. The costs of the Offer have been estimated at between \$345,000 and \$1,320,000 (excluding GST) assuming a subscription of \$1 million and \$30 million (including Oversubscriptions) is achieved respectively.

A breakdown of costs of the Offer is provided in the table below:

\$'000's	\$1 million subscription	\$10 million subscription	\$20 million subscription	\$30 million subscription
Lead Manager fees	33	325	650	975
Legal fees	80	80	80	80
Investigating Accountant fees	50	50	50	50
ASX fees	103	113	125	136
Other expenses	79	79	79	79
Total estimated costs of the Offer	345	647	984	1,320

6.7 Significant Accounting Policies

A summary of significant accounting policies that have been adopted in the preparation of the reviewed pro forma statement of financial position set out in Section 6.2, or that will be adopted and applied in preparation of the financial statements of the Company for the period ending 30 June 2023, is set out below.

(a) Basis of preparation

The reviewed pro forma statement of financial position has been prepared in accordance with the Australian Accounting Standards.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The reviewed pro forma statement of financial position has been prepared on the basis of assumptions outlined in Section 6.2 and 6.5.

The reviewed pro forma statement of financial position has been prepared on an accrual and is based on historical costs.

(b) Investments

(i) Recognition/ de-recognition

Financial assets are recognised initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

The Company de-recognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset, and the transfer qualifies for de-recognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(ii) Classification

The Company classifies its financial instruments into the following categories:

- (A) **Financial assets at fair value through profit or loss** – Financial assets are classified 'at Fair Value Through Profit or Loss' when their performance is evaluated on a fair value basis in accordance with the Company's strategy. Realised and unrealised gains and losses arising from changes in fair value from the date of initial recognition are included in the Statement of Profit or Loss in the period in which they arise, within "Fair value gains / (losses) on financial assets at fair value through profit or loss"
- (B) **Financial liabilities at fair value through profit or loss** – Financial liabilities are classified 'at Fair Value Through Profit or Loss'. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss in the period in which they arise.

(iii) Measurement

- (A) **Financial instruments designated at fair value through profit or loss** – financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs that are directly attributable to its acquisition recognised in the statement of comprehensive income. Subsequent to initial recognition, all instruments are held at fair value with changes in their fair value recognised in the statement of profit or loss.
- (B) **Listed equities** – equity securities that are listed and actively traded on an exchange are measured at fair value using the last sale prices as at the close of business on the day the shares are being valued.

If the securities are not being actively traded at valuation date or the last sale price is not considered to reflect fair value, alternative customary fair valuation methodology may be applied, including based on volume weighted average prices.

- (C) **Income and expenditure** – interest income and expenses, including interest income and expenses from non-derivative financial assets, are recognised in the statement of profit or loss as they accrue, using the effective interest method calculated at the acquisition date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including withholding tax, if any. Dividend income relating to exchange traded equity instruments is recognised in the statement of profit or loss on the ex-dividend date with any related foreign withholding tax recorded as an income tax expense. All expenses, including performance fees and investment management fees, are recognised in the statement of profit or loss on an accrual basis.

(c) Fair value assessment

When a financial asset is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, and assuming that the transaction will take place either in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to ensure fair value is used, include maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets measured at a fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

(d) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in the statement of comprehensive income.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction.

Deferred tax assets and liabilities are recognised for differences between the purchase price and tax cost base of assets and liabilities acquired in asset swap arrangements.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of good and services tax (**GST**), unless GST incurred is not recoverable from the Australian Tax Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expenses.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid financial instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity (if any), net of any tax effects.

6.8 Management discussion and analysis

The Company was incorporated in New South Wales on 8 June 2022. From incorporation on 8 June 2022 to 22 June 2022 (inclusive), the Company was dormant and had no assets or liabilities other than its paid up capital. The Company acquired its Initial Portfolio of cash and ASX-listed securities on 23 June 2022, pursuant to the Asset Swap Deeds.

From 23 June 2022 to 18 July 2022, the Company operated in the ordinary and normal course. The Company's financial position as at 18 July 2022 is reflected in the reviewed pro forma statement of financial position set out in Section 6.2. As at 18 July 2022, the Net Asset Value was \$16,821,000, which equates to a Net Asset Value per Share of \$1.0032.

6.9 Audited historical financial information of the H&G High Conviction Fund

Set out in the Annexure to this Prospectus is historical information extracted from the audited financial statements of the H&G High Conviction Fund for the financial years ended 30 June 2020 and 30 June 2021, which were audited by Ernst & Young, comprising:

- (a) the historical statements of profit and loss and other comprehensive income for the H&G High Conviction Fund for the financial years ended 30 June 2020 and 30 June 2021;
- (b) the historical statements of financial position for the H&G High Conviction Fund as at 30 June 2020 and 30 June 2021; and
- (c) the historical statements of cash flow for the H&G High Conviction Fund for the financial years ended 30 June 2020 and 30 June 2021,

(together the **Fund Financial Information**).

The Fund Financial Information is the most recent financial information for the Fund, because the Fund was not required to prepare half year financial statements for the 6 month period ended 31 December 2021 and the Fund completed the sale of all of its assets to the Company on 23 June 2022 (see Section 9.3 for further details).

The Fund Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the H&G High Conviction Fund. The Fund Financial Information has been prepared on the basis set out in the 'Notes to Financial Statements' in the Annexure to this Prospectus.

The Fund Financial Information relates to the past performance of the H&G High Conviction Fund, not the Company. Past performance is not a reliable indicator of future performance. The performance of the Company's Portfolio could be significantly different to the past performance of the H&G High Conviction Fund.

7. Investigating Accountant's Report

The Directors
H&G High Conviction Limited
Suite 803, Level 8
25 Bligh Street
Sydney NSW 2000

26/08/2022

Dear Directors,

INVESTIGATING ACCOUNTANT'S REPORT

Independent Limited Assurance Report on the historical and pro forma historical financial information

Introduction

This report has been prepared at the request of the Directors of H&G High Conviction Limited (the Company), for inclusion in the prospectus (the Prospectus) to be issued in respect of the proposed public offering of ordinary shares in the Company ("Capital Raising" or "the Offer") and the listing of the Company on the Australian Stock Exchange ("ASX").

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Historical Financial Information

You have requested UHY Haines Norton Corporate Finance Pty Limited ("UHYHNCF") to review the historical financial information of the Company, being:

- the historical statement of financial position as at 18 July 2022.

as set out in Section 6.2 of the Prospectus ("the Historical Financial Information").

The Historical Financial Information for the financial period ended 18 July 2022 have not previously been subjected to an audit in accordance with the Australian Auditing Standards or review in accordance with Australian Standards on Review Engagement. Therefore, UHYHNCF conducted a review on the Historical Financial Information in accordance with Australian Standards on Review Engagements and Australian Standards on Assurance Engagements for the purposes of this limited assurance report.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested UHY Haines Norton Corporate Finance Pty Limited ("UHYHNCF") to review the pro forma historical financial information of the Company, being:

- the pro forma historical statement of financial position as at 18 July 2022.

as set out in Section 6.2 of the Prospectus ("the Pro Forma Historical Financial Information").

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Sections 6.3-6.5 of the Prospectus (the Pro Forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at the date of the Historical Financial Information.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position or performance.

The Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information;
- the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors of the Company determine are necessary to enable the preparation of Historical Financial Information and the Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and the Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Historical Financial Information

- consideration of work papers, accounting records and other documents of the Company, for the financial period ended 18 July 2022;
- analytical procedures and other review procedures on the Historical Financial Information;
- a review of the stated basis of preparation, as described in the Prospectus, to the Historical Financial Information for consistency of application over the period;
- a review of work papers, accounting records and other documents of the Company
- a review of the application of Australian Accounting Standards; and
- enquiry of Directors, management and other relevant persons in relation to the Historical Financial Information.

Pro Forma Historical Financial Information

- consideration of work papers, accounting records and other documents of the Company, for the financial period ended 18 July 2022;
- consideration of the appropriateness of the Pro Forma Adjustments described in Section 6.2-6.5 of the Prospectus;
- enquiry of Directors, management and other relevant persons of the Company;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company; and
- a review of the accounting policies adopted and used by the Company over the period for consistency of application.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Section 6.2 of the Prospectus, and comprising:

- the historical statement of financial position as at 18 July 2022.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Sections 6.2 and 6.7 of the prospectus.

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information, as described in Section 6.2 of the Prospectus, and comprising:

- the pro forma historical statement of financial position as at 18 July 2022.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Sections 6.2 and 6.7 of the prospectus.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 6.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

UHY Haines Norton Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

General Advice Limitation

This Report has been prepared and included in the Prospectus to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on this information contained in this Report. Before acting or relying on information, an investor should consider whether it is appropriate for their circumstances having regards to their objectives, financial situation or needs.

Disclosure of Interest

UHY Haines Norton Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report for which normal professional fees will be received.

Yours faithfully



Vikas Gupta
Director, UHY Haines Norton Corporate Finance Pty Limited
26/08/2022
Sydney

FINANCIAL SERVICES GUIDE

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INVESTIGATING ACCOUNTANT'S REPORT

1. UHY Haines Norton Transaction Advisory Services

UHY Haines Norton Corporate Finance Pty Ltd ("UHYHNCF" or "we" or "us" or "our") has been engaged to provide general financial product advice in the form of an Investigating Accountant's Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person. AFSL License no: 269158.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail and wholesale clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence, which authorises us to provide the following services:

- financial product advice for the following classes of financial products:
 - (i) securities to retail and wholesale clients

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$50,000 (exclusive of GST).

Except for the fees and benefits referred to above, UHYHNCF, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of our Report.

6. Associations with product issuers

UHYHNCF and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of UHYHNCF is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the below details. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

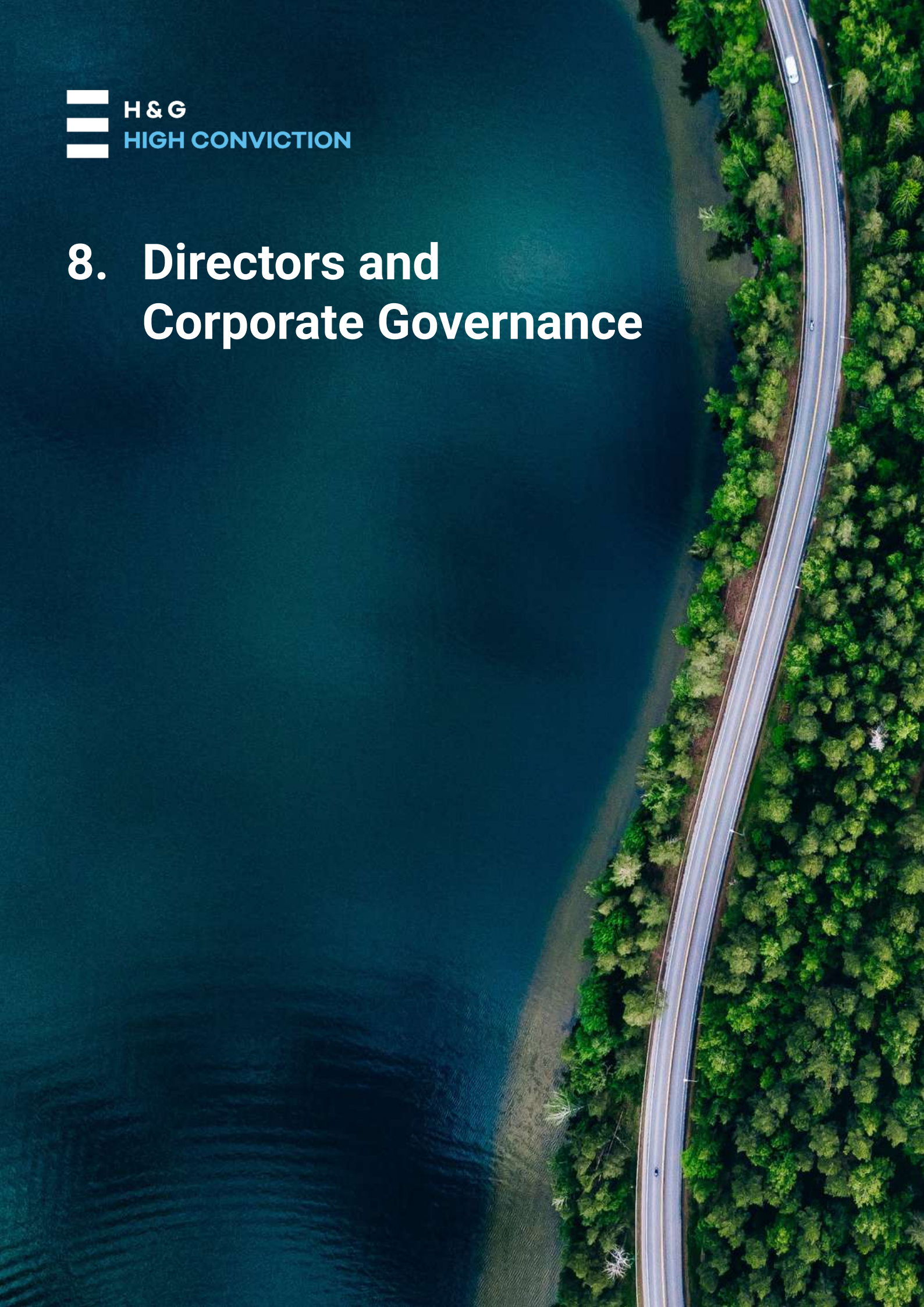
9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company’s employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of the Corporations Act 2001.

<p>Contacting UHYHNCF</p> <p>The Director UHY Haines Norton Corporate Finance Pty Ltd Level 11, 1 York Street Sydney NSW 2001</p> <p>Telephone: (02) 9256 6600</p>	<p>Contacting the Independent Dispute Resolution Scheme:</p> <p>Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001</p> <p>Telephone: 1300 367 287</p>
---	--

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

8. Directors and Corporate Governance



8. Directors and Corporate Governance

8.1 Introduction

The Directors, acting as a Board, have a broad range of experience in investment management, combined with financial and commercial expertise.

The Board has oversight of the Manager, who in turn, has the expertise, depth of knowledge, and experience to implement the investment strategy and manage the Portfolio.

The following table provides information regarding the Directors, including their positions:

Director	Position	Independence
David Groves	Non-Executive Chairman	Yes
Nicholas Atkinson	Executive Director	No
Joseph Constable	Executive Director	No

8.2 Background of the Directors



David Groves
Non-Executive Chairman

David has over 25 years' experience as a company director.

He is Chairman of Tasman Sea Salt Pty Ltd and is a Non-Executive Director of Pengana Capital Group Limited (ASX: PCG), Pengana International Equities Limited and Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group. David is also the Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee for Pengana Capital Group Limited (ASX: PCG) and a member of the Council of Wollongong University. He is a former director of EQT Holdings Ltd, Tassal Group Ltd and GrainCorp Ltd and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.

David has a Bachelor of Commerce from the Wollongong University and a Master of Commerce from the University of New South Wales, and he is a member of the Institute of Chartered Accountants Australia and New Zealand.

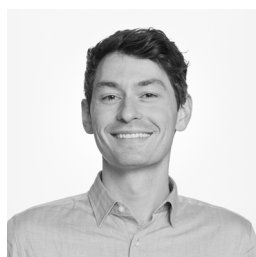


Nicholas (Nick) Atkinson
Executive Director

Nick has over 27 years' equity capital markets experience, that spans trading, research, sales, corporate finance and investment management. Nick has specialty expertise in the Energy, Healthcare/Life Sciences and Small Capitalisation sectors, garnered from working both in Australia as well as offshore in London and New York.

Nick has been an executive at Hancock & Gore since June 2021. Prior to joining Hancock & Gore, Nick spent 14 years at Morgans Financial Limited, where he was Executive Director of Institutional Equities. Nick oversaw rapid growth of the division's profitability over a 10+ year period.

Nick has a Master of Business Administration (MBA) from Macquarie Graduate School of Management, a Bachelor of Commerce from the University of Queensland, and a Graduate Diploma in Applied Investment and Finance from FINSIA.



Joseph Constable
Executive Director

Joseph has worked in funds management since 2014 and has experience with UK-based Smith and Williamson and Hunter Hall International. Since 2016, he has worked at Supervised Investments Australia Limited, which was acquired by Hancock & Gore and subsequently rebranded as H&G Investment Management Ltd.

Joseph is a director and Portfolio Manager of the Manager and an Executive Director of Hancock & Gore. He is also a Director of Po Valley Energy Limited (ASX: PVE).

Joseph has a Master of History from the University of Oxford and a Bachelor of Arts (Honours) from the University of Melbourne. He is a Graduate of the Australian Institute of Company Directors.

8.3 Independent Director

David Groves, being the Independent Director of the Company, is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

8.4 Director Disclosures

No Director has been the subject of any legal or disciplinary action, criminal conviction, declaration of contravention of a civil penalty provision, personal bankruptcy, disqualification, civil penalty proceedings or other enforcement proceedings by any government agency or refusal, suspension or cancellation of membership of a professional organisation in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12-month period after they ceased to be an officer.

8.5 Role of the Directors

The Directors will ensure that the Company has Corporate Governance procedures and that those procedures are followed. In addition, the Board will be responsible for:

- reviewing the Manager's performance and ensuring compliance with the Management Agreement;
- implementing capital management strategies, together with the Manager (in line with the policy set out in Section 3.8), from time to time;
- holding Board meetings at least quarterly and more frequently as required. The Directors' commitment of time to these activities will depend on factors such as the size of the Portfolio and the spread and status of investments in the Portfolio; and
- overseeing outsourced functions including the performance of the Manager, the Share Registry and other service providers.

Each Director has confirmed that, notwithstanding other commitments, they will be available to spend the required amount of time on the Company's affairs, including attending Board meetings of the Company.

8.6 Participation by Directors

The Directors, and entities or persons associated with them, may apply for Shares under this Offer. The Shareholding of the Directors at the Prospectus Date and at completion of the Offer, are set out in the table below.⁵

Director	Shares at the Prospectus Date	Shares on completion of the Offer
David Groves	Nil	49,841 Shares
Nicholas Atkinson	Nil	49,841 Shares
Joseph Constable	39,020 Shares	88,861 Shares

5. This assumes an Issue Price of \$1.0032, being the NAV per Share as at 18 July 2022. The cash amount to be invested by each Director under the Offer will not change. However, the number of Shares acquired by each Director under the Offer may change depending on the NAV per Share as at 5.00pm on the Closing Date.

8.7 No Other Interests

Except as set out in this Prospectus, there are no interests that exist at the date of this Prospectus and there were no interests that existed within two years before the date of this Prospectus that are, or were respectively, interests of a Director, a proposed Director of the Company or a promoter of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer.

Further, there have been no amounts paid or agreed to be paid to a Director in cash or securities or otherwise by any persons either to induce them to become or qualify them as a Director or otherwise, for services rendered by them in connection with the promotion or formation of the Company.

8.8 Director's Remuneration

In accordance with the Constitution, the Directors as a whole (other than any Executive Directors) may be provided with remuneration for their services the total amount of which must not exceed the maximum amount determined from time to time by the Company in general meeting.

The Company's non-executive Directors are entitled to, at present, aggregate director fees of \$125,000 per annum. Additional remuneration may be paid in accordance with the Constitution, which permits the Board to remunerate Directors for any special or extra services for or at the request of the Company (for example, executive tasks outside the scope of the Management Agreement). The Board will only exercise its discretion after compliance with applicable laws relating to directors duties and the provision of financial benefits to related parties and, where appropriate, conflict management protocols.

As at the date of this Prospectus, the Company has agreed to pay the Directors the following amounts for the first year (inclusive of superannuation) as reasonable remuneration of services to be provided:

Director	Director fees
David Groves	\$40,000
Nicholas Atkinson	Nil
Joseph Constable	Nil

The remuneration of the Directors will be reviewed by the Board on a periodic basis and, subject to the ASX Listing Rules, may be increased.

8.9 Deeds of access, indemnity and insurance for Directors

The Company has entered into deeds of access, indemnity and insurance with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company. These deeds contain certain standard commercial terms and are consistent with market practice.

The Company has also agreed, where commercially reasonable, to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are Directors or officers and for seven years after they cease to act.

8.10 Corporate Governance

(a) Overview of corporate governance

The Board is responsible for ensuring that the Company is properly managed so as to protect and enhance Shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and the nature of its activities.

The responsibilities of the Board are set out in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) (**ASX Recommendations**). A copy of the Company's Board Charter is available on the Company's website. The Company will also send you a paper copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

The Company has not established an Audit and Risk Committee or a Nomination and Remuneration Committee due to the Company's size, Board composition and the nature of the Company's operations. As such, the Company's Board fulfil the role of the Audit and Risk Committee and the Nomination and Remuneration Committee. The Board serve to provide oversight of management, and to protect and enhance the interests of all shareholders as a whole.

The Board endorses the ASX Recommendations and has adopted corporate governance charters and policies reflecting those ASX Recommendations (except as otherwise noted in this Prospectus and to the extent that such principles and recommendations are applicable to an entity the size and structure of the Company).

(b) Corporate governance policies

The Company has adopted the following policies, each of which has been prepared having regard to the ASX Recommendations and is available on the Company's website:

- (i) **Code of Conduct** – this policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.
- (ii) **Disclosure and Communication Policy** – once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. This policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.
- (iii) **Securities Trading Policy** – this policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws.
- (iv) **Diversity Policy** – this policy sets out the Company's objectives for achieving diversity amongst its Board, management and employees.
- (v) **Anti-Bribery and Corruption Policy** – this policy is designed to protect the assets and reputation of the Company by establishing internal controls and procedures to identify fraudulent and corrupt activities and for the prevention and detection of those activities.
- (vi) **Whistleblower Policy** – this policy sets out information about the types of disclosures that qualify for whistleblower protection, the protections available to whistleblowers, how the Company will investigate disclosures, support whistleblowers and protect them from detriment, and how the Company will ensure fair treatment of employees who are the subject of or are mentioned in disclosures.

The Company's corporate governance policies will be available on the Company's website at www.highconviction.com.au from the date of admission to the Official List of ASX. The Company will also send you a copy of any of the above policies, at no cost to you, if requested by you during the Offer Period.

The Board will review the corporate governance policies and practices to ensure that these are appropriate for its size and the nature of its activities, and that these policies and practices continue to adhere to the corporate governance standards to which the Board is committed.

8.11 Related Party Disclosures

Each Director has entered into a deed of access, indemnity and insurance with the Company as described in Section 8.9.

Joseph Constable is also an executive director of Hancock & Gore and the Manager, and has a relevant interest in 425,872 shares in Hancock & Gore. Joseph is also eligible to receive a short term incentive, long term incentive, and Hancock & Gore performance rights, which will be subject to various performance hurdles based on the performance of Hancock & Gore. By virtue of these interests, Joseph Constable may indirectly benefit from the Management Fee and Performance Fee being payable to the Manager (which is a wholly owned subsidiary of Hancock & Gore) in accordance with the Management Agreement. Joseph Constable does not control Hancock & Gore or the Manager. Joseph Constable is also currently a Director of Po Valley Energy Limited (ASX: PVE), which is a material Portfolio Company (see Section 3.3). There is a risk that this directorship may give rise to conflicts of interest when the Company or the Manager is making investment decisions in relation to Po Valley Energy Limited. The Company's approach for managing conflicts of interest of this nature is set out in Section 8.12.

David Groves has a relevant interest in 378,077 shares in Hancock & Gore. By virtue of this interest, David Groves may indirectly benefit from the Management Fee and Performance Fee being payable to the Manager (which is a wholly owned subsidiary of Hancock & Gore) in accordance with the Management Agreement. David Groves does not control Hancock & Gore or the Manager.

Nicholas Atkinson is also an executive of Hancock & Gore, an executive director of the Manager, and has a relevant interest in 4,250,000 shares in Hancock & Gore. Nick is eligible to receive short term incentive, long term incentive and Hancock & Gore performance rights, which will be subject to various performance hurdles based on the performance of Hancock & Gore. By virtue of this interest, Nicholas Atkinson may also indirectly benefit from the Management Fee and Performance Fee being payable to the Manager (which is a wholly owned subsidiary of Hancock & Gore) in accordance with the Management Agreement. Nicholas Atkinson does not control Hancock & Gore or the Manager.

Hancock & Gore was a related party of the Company during the period from its incorporation on 8 June 2022 until 23 June 2022, as it was the Company's sole shareholder. Mr Alexander Beard was also a related party of the Company during the period from its incorporation on 8 June 2022 until 18 July 2022, as he was a director of the Company. The Company does not consider that Hancock & Gore (or any entities within the broader Hancock & Gore group) or Mr Beard are presently related parties of the Company. However, for completeness, disclosure of all material arrangements between the Company and Hancock & Gore (and each of its subsidiaries and related parties) and Mr Beard (and his controlled entities) are provided in this Prospectus.

On 23 June 2022, the Company entered into separate Asset Swap Deeds with Hancock & Gore, an entity controlled by Mr Alexander Beard (the Executive Chairman of Hancock & Gore and Executive Director of the Manager), and the unitholders of the H&G High Conviction Fund, which included Joseph Constable. The key terms and conditions of the Asset Swap Deeds are set out in Section 9.3. The Company's Directors consider that the terms of these arrangements would be reasonable in the circumstances if the parties were dealing on arm's length terms.

The Company has entered into the Management Agreement with the Manager (which is a wholly owned subsidiary of Hancock & Gore). The key terms and conditions of the Management Agreement are set out in Section 9.2. The Company's Directors consider that the terms of the Management Agreement would be reasonable in the circumstances if the parties were dealing on arm's length terms.

It is possible that certain shareholders, directors, officers and employees of Hancock & Gore or the Manager may participate in the Offer, although the Company has not received any binding or firm commitments. Details of the expected subscription of the Directors are included in Section 8.6.

Other than as set out above or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest.

8.12 Conflict risk management

The Company's corporate governance policies, including the Board Charter, Code of Conduct and Securities Trading Policy, contain provisions for conflict risk management. The independent Chairman has oversight of the implementation of these policies.

In addition, if an actual or real risk of conflict arises, the Company will also adopt and implement specific conflict risk management protocols. For example, if a Director is also a director of a Portfolio Company (or another ASX listed company), the protocols would include establishing information barriers to restrict the flow of confidential information by prohibiting the conflicted person from sharing with the Portfolio Company information regarding the Company which is not generally available (and vice versa), excluding the conflicted person from participating in decisions of the Manager or the Company involving the Portfolio Company (including attendance at Board meetings) and, if these measures are inadequate, requiring the conflicted person to avoid their conflict entirely (eg by resigning as a director of the Portfolio Company or the Company).

For discussion of conflict of interest risks, see Section 5(f), (m) and (n).

9. Material Agreements

9. Material Agreements

9.1 Introduction

The Directors consider that certain agreements are material to the Company or are agreements which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

This Section summaries the provisions of the material agreements and other relevant contracts, and their substantive terms. The summaries of the material agreements and other relevant contracts, and their substantive terms, set out in this Section 9, do not purport to be complete, are not a substitute for the material agreements and/or other relevant contracts, and are qualified by the text of the agreements themselves.

9.2 Management Agreement

The Company has entered into the Management Agreement with the Manager with respect to the investment management of the Company's Portfolio. Set out below is a summary of the Management Agreement.

(a) Services

The Manager must manage and supervise the Portfolio and all investments within the Portfolio. The Manager must also provide or procure the provision of administrative support services reasonably required by the Company to conduct its business.

(b) Permitted Investments

The Manager is permitted to undertake investments on behalf of the Company in accordance with the Investment Guidelines without Board approval. However, if the proposed investment is not in accordance with the approved Investment Guidelines, Board approval will be required. The Board may approve changes to the approved Investment Guidelines from time to time.

To the extent that the Manager's AFSL does not include the authorisations required for the Manager to provide advice or deal in certain investments, the Manager will engage external advisors with appropriate authorisations.

(c) Powers of the Investment Manager

Subject to an obligation to liquidate the Portfolio to meet the Company's operating costs and distributions, the Manager will have absolute, unfettered discretion to manage the Portfolio and do all things considered necessary or desirable in relation to the Portfolio, including:

- (i) the investigation, negotiation, acquisition or disposal of every investment;
- (ii) to sell, realise or deal with all or any of the investments or to vary, convert, exchange or add other investments;
- (iii) if any investment is redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued:
 - (A) to convert that investment into some other investment;
 - (B) to accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment; and
 - (C) to re-invest any of those moneys;
- (iv) to retain or sell any shares, debentures or other property received by the Company by way of bonus, or in satisfaction of a dividend in respect of any investments or from amalgamation or reconstruction of any entity; and
- (v) to sell all or some of the rights to subscribe for new securities in an investment, to use all or part of the proceeds of the sale of such rights for the subscription for securities or to subscribe for securities pursuant to those rights.

(d) Valuations

The Manager must calculate the gross value and net value of the Investment Portfolio at least monthly. All costs incurred by the Manager in arranging this calculation will be paid by the Company.

(e) Delegation

The Manager may, with the prior approval of the Company (not to be unreasonably withheld), delegate all or part of its powers, authorities and discretions under the Management Agreement to any person, including any affiliate of the Manager.

The Manager may also engage or employ any person as a sub-contractor or otherwise to provide services to the Manager in relation to or for the benefit of the Company, or to perform any or all of the duties and obligations imposed on it by the Management Agreement. No such engagement or employment will affect the Manager's liability with respect to such duties and obligations under the Management Agreement.

(f) Affiliate protocols

The Manager may invest in, deal with, or engage the services of, the Manager's affiliates engaged in separate business activities and which are entitled to charge fees, brokerage and commissions, which the Company will pay or for which the Manager may be reimbursed by the Company, provided that they are in the ordinary course of business and on arm's length terms.

(g) Term

Subject to ASX granting a waiver of ASX Listing Rule 15.16, the initial term of the Management Agreement is 10 years (**Initial Term**), which will be automatically extended for successive five year periods unless terminated earlier in accordance with the Management Agreement. ASX has indicated to the Company, on an in-principle and non-binding basis, that it is likely to approve the Company's waiver request for the Initial Term of the Management Agreement to run for 10 years. If ASX refuses the formal waiver application, the initial term of the Management Agreement will be 5 years.

(h) Removal of Manager

The Management Agreement provides the Company certain termination rights, including the right to immediately terminate if the Manager becomes insolvent or breaches its obligations under the Management Agreement in a material respect and such a breach cannot be rectified or is not remedied within a reasonable time after receiving notice of that breach.

The Company is also able to terminate the Management Agreement after the Initial Term (which is expected to be 10 years) has ended by giving the Manager three months' notice, if Shareholders pass an ordinary resolution directing the Company to terminate the Manager's appointment.

If the Company terminates the Management Agreement in accordance with the above, it must pay the Manager all accrued but unpaid Management Fees and Performance Fees.

The Investment Manager is entitled to terminate the Management Agreement at any time after the Initial Term by giving the Company at least three months' written notice.

(i) After Termination

The Company will require an investment manager to manage the Portfolio and implement its investment strategy. If the Management Agreement is terminated whilst the Company remains an investment company, the Portfolio would need to be assigned to a replacement manager and a new management agreement put in place.

The Manager is required to assign all its rights, title and interest in the Portfolio to the replacement manager within 30 business days of termination. The Company would seek all necessary Shareholder approvals if this were to occur, including (if required) the removal of the words 'H&G' from the company name.

(j) Non-exclusivity

The Manager is entitled to perform similar investment and management services for other persons.

(k) Amendment

The Management Agreement may only be altered by the agreement of the Company and the Manager. The parties will only make material changes to the Management Agreement if the Company has first obtained Shareholder approval for these material changes.

(l) Assignment

Neither party may assign the Management Agreement to a third party without the prior consent in writing of the other party.

(m) Company Indemnity

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with the Manager acting under the Management Agreement except to the extent that as any loss or liability is caused by the negligence, wilful default, fraud or dishonesty of the Manager or its officers or employees. This obligation will continue after the termination of the Management Agreement.

(n) Manager Indemnity

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, any negligence, wilful default, fraud or dishonesty of the Manager or its officers or employees. This obligation will continue after the termination of the Management Agreement.

(o) Investment Manager's Liability

Subject to the Corporations Act, the ASX Listing Rules and the Management Agreement, the Manager will, in relation to all the powers, authorities and discretions vested in it, have absolute and uncontrolled discretion as to whether or not to exercise them, and the manner or mode of, and time for, their exercise. In the absence of negligence, wilful default, fraud or dishonesty, the Manager will not be in any way whatsoever responsible for any loss, costs, damages or inconvenience that may result from the exercise or failure to exercise those powers, authorities and discretions.

(p) Management Fee

In return for the performance of its duties managing the Portfolio, the Manager is entitled to be paid by the Company a monthly Management Fee equal to 1% (plus GST) per annum of the net asset value of the Company excluding any Performance Fee or tax liabilities (**Portfolio Value**) of the Portfolio calculated on the last business day of each month and paid within 5 business days of the end of each month in arrears.

Worked Example

Assuming a Portfolio Value of \$40,000,000 as at 30 September 2022, the Management Fee payable for the month of September 2022 would be approximately \$32,877 (plus GST).

The Management Fee will increase if the Portfolio Value increases, and decrease if the Portfolio Value decreases, over a period.

The Management Agreement does not provide for the Management Fee rate to be reviewed or varied over the term of the Management Agreement.

(q) Performance Fee

The Manager is entitled to be paid by the Company a Performance Fee equal to 20% (plus GST) of the Portfolio Return in excess of the Benchmark Return.

The Manager is entitled to be paid by the Company a Performance Fee, with respect to each Performance Calculation Period (calculated on each Performance Testing Date and payable within 10 business days after each Performance Testing Date), equal to the greater of nil and an amount calculated on a pre-tax basis in accordance with the following formula (exclusive of GST):

$$\text{Performance Fee} = 20\% \times (\text{Portfolio Return} - \text{Benchmark Return})$$

Where:

Portfolio Return means the amount, expressed in dollars, which is equal to the accumulated profit before tax of the Company since the beginning of the Performance Calculation Period;

Benchmark Return means the amount, expressed in dollars, which is equal to the aggregate of the Monthly Benchmark Returns during the relevant Performance Calculation Period;

Monthly Benchmark Return means, for each month during a Performance Calculation Period, the amount calculated in accordance with the following formula (exclusive of GST):

$$\text{Monthly Benchmark Return} = \text{Portfolio Value at the start of each month} \times 5.0\% \div 12$$

Worked Example 1: Performance above the Benchmark Return

Assuming the following:

- a 6 month Performance Calculation Period from 1 January 2023 to 30 June 2023;
- a Portfolio Value of \$40,000,000 at the beginning of the Performance Calculation Period; and
- Portfolio performance during the Performance Calculation Period in accordance with the table below:

Month	Opening Portfolio Value	Monthly Benchmark Return	Monthly Portfolio Return
January 2023	\$40,000,000	\$166,667	\$500,000
February 2023	\$40,500,000	\$168,750	\$500,000
March 2023	\$41,000,000	\$170,833	\$500,000
April 2023	\$41,500,000	\$172,917	\$500,000
May 2023	\$42,000,000	\$175,000	\$500,000
June 2023	\$42,500,000	\$177,083	\$500,000
	Total:	\$1,031,250	\$3,000,000

As the Portfolio Return was \$3,000,000 and the Benchmark Return was \$1,031,250 during the Performance Calculation Period, there would be positive performance in excess of the Benchmark Return of \$1,968,750.

In this instance:

- there would be a Performance Fee payable at 20% of this amount equating to \$393,750 (plus GST) for the Performance Calculation Period, as the Portfolio Return exceeds the Benchmark Return; and
- the Portfolio Value at the beginning of the next Performance Calculation Period would be \$42,606,250 (being the Portfolio Value net of the Performance Fee paid).

Worked Example 2: Performance below the Benchmark Return

Assuming the following:

- a 6 month Performance Calculation Period from 1 January 2023 to 30 June 2023;
- a Portfolio Value of \$40,000,000 at the beginning of the Performance Calculation Period; and
- Portfolio performance during the Performance Calculation Period in accordance with the table below:

Month	Opening Portfolio Value	Monthly Benchmark Return	Monthly Portfolio Return
January 2023	\$40,000,000	\$166,667	\$100,000
February 2023	\$40,100,000	\$167,083	\$100,000
March 2023	\$40,200,000	\$167,500	\$100,000
April 2023	\$40,300,000	\$167,917	\$100,000
May 2023	\$40,400,000	\$168,333	\$100,000
June 2023	\$40,500,000	\$168,750	\$100,000
	Total:	\$1,006,250	\$600,000

As the Portfolio Return was \$3,000,000 and the Benchmark Return was \$1,031,250 during the Performance Calculation Period, there would be positive performance in excess of the Benchmark Return of \$1,968,750.

As the Portfolio Return was \$600,000 and the Benchmark Return was \$1,006,250 during the Performance Calculation Period, there would be negative performance against the Benchmark Return of \$406,250.

In this instance:

- there would be no Performance Fee payable, as the Portfolio Return is less than the Benchmark Return; and

- the Portfolio Value at the beginning of the Performance Calculation Period would remain \$40,000,000.

Worked Example 3: Recouping past underperformance against Benchmark Return

Assuming the following, following on from Worked Example 2:

- a 12 month Performance Calculation Period from 1 January 2023 to 31 December 2023 (as there was not Performance Fee payable on 30 June 2023);
- a Portfolio Value of \$40,000,000 at the beginning of the Performance Calculation Period (the same as Worked Example 2); and
- Portfolio performance during the Performance Calculation Period in accordance with the table below:

Month	Opening Portfolio Value	Monthly Benchmark Return	Monthly Portfolio Return
January 2023	\$40,000,000	\$166,667	\$100,000
February 2023	\$40,100,000	\$167,083	\$100,000
March 2023	\$40,200,000	\$167,500	\$100,000
April 2023	\$40,300,000	\$167,917	\$100,000
May 2023	\$40,400,000	\$168,333	\$100,000
June 2023	\$40,500,000	\$168,750	\$100,000
<i>No Performance Fee paid following 30 June 2022 Performance Testing Date</i>			
July 2023	\$40,600,000	\$169,167	\$500,000
August 2023	\$41,100,000	\$171,250	\$500,000
September 2023	\$41,600,000	\$173,333	\$500,000
October 2023	\$42,100,000	\$175,417	\$500,000
November 2023	\$42,600,000	\$177,500	\$500,000
December 2023	\$43,100,000	\$179,583	\$500,000
	Total:	\$2,052,500	\$3,600,000

As the Portfolio Return was \$3,600,000 and the Benchmark Return was \$2,052,500 during the Performance Calculation Period, there would be positive performance in excess of the Benchmark Return of \$1,547,500.

In this instance:

- there would be a Performance Fee payable at 20% of this amount equating to \$309,500 (plus GST) for the Performance Calculation Period, as the Portfolio Return exceeds the Benchmark Return; and
- the Portfolio Value at the beginning of the next Performance Calculation Period would be \$43,290,500 (being the Portfolio Value net of the Performance Fee paid).

The Management Agreement does not provide for the Performance Fee arrangements to be reviewed or varied over the term of the Management Agreement.

(r) Expenses

The Company is liable for, and must pay out of the Portfolio or reimburse the Manager for, the fees, costs and expenses, provided that they were properly incurred in connection with the investment and management of the Portfolio or the research, acquisition, disposal or maintenance of any investment.

Notwithstanding the above, the Manager will be solely responsible for payment of the fees of any investment manager engaged by the Manager to assist it in undertaking its duties under the Management Agreement.

9.3 Asset Swap Deeds

The Company entered into six separate Asset Swap Deeds on 23 June 2022 in relation to the acquisition of its Initial Portfolio. The Asset Swap Deeds contain terms and conditions which are the same in all material respects. Set out below are the material terms of the Asset Swap Deeds.

(a) Parties

The Company (as buyer) entered into six separate Asset Swap Deeds with, in aggregate, 17 vendors, which included the unitholders of the H&G High Conviction Fund.

(b) Sale and purchase

Under the Asset Swap Deeds, the Company agreed to:

- (i) purchase cash and various ASX-listed securities from the vendors free from security interests, with all rights, including dividend and voting rights, attached or accrued to securities; and
- (ii) in consideration for the acquisition, issue and allot to each of the vendors, the number of Shares with an equivalent value to the cash and securities acquired from the vendors (**Consideration Shares**).

(c) Voluntary escrow

Each of the vendors, except for the unitholders of the H&G High Conviction Fund, agreed to enter (and has entered) into a voluntary escrow agreement under which they have agreed, subject to certain limited exceptions, not to deal in the Consideration Shares issued to them for a period of 12 months after the completion of the Offer.

(d) Completion

Completion under each of the Asset Swap Deeds occurred on 23 June 2022.

(e) Conduct after Completion

Under the Asset Swap Deeds, each of the vendors agreed to do all acts, matters and things within their capacity as a Shareholder as is required by the Company's Board in connection with a proposed listing of the Company on the Official List of ASX.

(f) Warranties and representations

Each party provided customary warranties and representations for a transaction of this nature, including in relation to each party's solvency and power, capacity and authority to contract, and clear title to the securities to be sold.

9.4 Deeds of Access, Indemnity and Insurance

The Company has entered into deeds of access, indemnity and insurance with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company.

The Company has also agreed to use its best endeavours to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are Directors or officers and for seven years after they cease to act.

10. Additional Information

10. Additional Information

10.1 Incorporation

The Company was incorporated in New South Wales on 8 June 2022.

10.2 Balance Date and Tax Status

The accounts for the Company's first financial year will be for the period ending 30 June 2023, thereafter, the accounts for the Company will be prepared up to 30 June annually.

The Company expects to be taxed as an Australian public limited company operating as a LIC.

10.3 Escrow arrangements and Free Float

Certain existing Shareholders have entered into voluntary escrow agreements with the Company in relation to their Shares as set out in the table below. Under each voluntary escrow agreement, the relevant escrowed party agrees, subject to certain limited exceptions, not to deal in those Shares for a period of 12 months after the completion of the Offer. No Shares issued under the Offer will be subject to escrow.

Escrowed party	Shares ¹	% of Shares on completion of Offer ²
Perennial Investment Management Limited	3,100,153	8.4%
Other existing Shareholders ³	1,157,391	3.2%
Total Shares subject to voluntary escrow	4,257,544	11.6%
Existing Shareholders not subject to escrow	12,510,493	34.1%
Investors under the Offer	19,940,179	54.3%
Total	36,708,216	100.0%

1. Assumes the target maximum subscription of \$20,000,000 is achieved (with no Oversubscriptions) at an Issue Price of \$1.0032 per Share (being the reviewed NAV per Share as at 18 July 2022), no Shares are issued before Completion and no participation in the Offer by any of the existing Shareholders. The actual Issue Price at which Shares will be issued under the Offer will be determined based on the NAV per Share as at 5.00pm (Sydney time) on the Closing Date.

2. As above.

3. Comprising Hancock & Gore and an entity controlled by Mr Alexander Beard.

The Company's Free Float on completion of the Offer will not be less than 20%.

10.4 Rights and liabilities attaching to Shares

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Shareholders. The summary assumes that the Company is admitted to the Official List of ASX.

(a) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share. If a Share is a partly paid Share, the holder has a vote in respect of each Share on a poll that has the same proportionate value as the proportion that the amount paid (excluding any amount paid or credited as paid in advance of a call) on the Share bears to the total issue price of the Share.

A Shareholder is not entitled to vote at a general meeting unless all calls and other sums presently payable by the member in respect of a share have been paid. Where a Share or partly paid Share is jointly held, the vote of the holder whose name in respect of those Shares appears first on the registry of Shareholders is to be treated as the only vote in relation to those Shares.

(b) General Meeting and Notices

Each Shareholder is entitled to receive notice of, and to attend and vote at, the Company's general meetings and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

(c) Dividends

The Directors alone may declare a dividend to be paid to Shareholders. The dividend is payable as soon as it is declared unless the Directors specify a later time for payment. The Company shall not be liable for any interest in respect of dividends payable to Shareholders.

(d) Variation of Class Rights

At present, the Company only has ordinary Shares on issue and has no current plans to create further classes of Shares. The rights and restrictions attaching to a class of the Company's Shares can only be altered with the consent or a special resolution passed at a separate meeting of the holders of that class of Share by 75% of those holders, who, being entitled to do so, vote at that meeting or with the written consent of members with at least 75% of votes in the class.

(e) Further Issues of Shares

The Directors may, subject to the Corporations Act, the ASX Listing Rules or any special rights conferred on the holders of any Share or class of Share, issue or dispose of Shares or grant options over Shares to any person at any time and on any terms and conditions as they think fit.

(f) Pre-emptive Rights

Holders of Shares do not have any pre-emptive rights under the constitution. Under the ASX Listing Rules, certain restrictions apply to a listed company offering its Shares other than pro-rata among shareholders.

(g) Winding up

If, on winding up of the Company, there remains a surplus, that surplus will, subject to the terms of issue of each share, the Corporations Act, the ASX Listing Rules, and any agreement between a Shareholder and the Company to the contrary, be divided as determined by the liquidator, between the members or different classes of members.

(h) Small Holdings

The Directors may resolve to deliver a notice to a Shareholder who holds less than a marketable parcel of shares (Small Holding). The notice must advise the Shareholder that the Company intends to sell or buy back the Small Holding and state that unless the Shareholder advises the Company before the relevant date that the Shareholder intends to retain the holding, the Small Holding will be sold or bought back by the Company.

(i) Buy backs

Subject to applicable laws, in particular the Corporations Act and the ASX Listing Rules, the Company may buy back shares on such terms and conditions as the Board may determine from time to time.

(j) Transfer of Shares

Subject to the ASX Listing Rules and the Constitution, the Shares are transferable in accordance with CHESS (for CHESS Approved Securities), by instrument in writing in any usual or common form or in any other form that the Directors approve.

(k) Directors

The minimum number of Directors is three. The Board may appoint additional Directors to fill a casual vacancy. At each of the Company's annual general meetings, one-third of the Directors (or, if the number of Directors is not a multiple of three, then the number nearest one-third) and any other Director who has held office for three years or more must retire from office. Any Managing Director is exempted from retirement by rotation. A retiring Director is eligible for re-election.

(l) Indemnities and Insurance

The Company may to the extent permitted by law and subject to the Corporations Act, indemnify current and past Directors, secretaries and executive officers of the Company and of any subsidiary of the Company against a liability incurred by the person acting in that capacity and against all legal costs incurred in connection with proceedings in which the person becomes involved because of that capacity. The Company may pay the premium on a policy of insurance in respect of a person who is or has been an officer of the Company to the extent permitted by law.

(m) Amendment of the Constitution

The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the members of the company. The Company's Constitution does not impose any further requirements to be complied with to effect a modification of the Constitution, or to repeal it.

10.5 Interest of Experts

Other than as set out below, no expert nor any firm in which such expert is a partner or employee has any interest in the promotion of or any property proposed to be acquired by the Company.

Thomson Geer has acted as solicitors to the Offer and have performed work in relation to preparing the due diligence program and performing due diligence enquiries on legal matters. In respect of this Prospectus, the Company estimates the fees payable to Thomson Geer will be approximately \$80,000 (plus GST and disbursements), which will be borne by the Manager. During the 24 months preceding lodgement of this Prospectus with the ASIC, Thomson Geer has provided other legal services to the Company (including in relation to the Asset Swap Deeds and Management Agreement), for which it has been paid or is entitled to be paid an amount of approximately \$155,000 (plus GST and disbursements).

UHY Haines Norton Corporate Finance Pty Ltd has prepared the investigating accountant's report included in this Prospectus and have also performed work in relation to the due diligence enquiries on financial and tax matters (including those set out in Section 10.10). In respect of this work, the Company estimates that the fees payable to UHY Haines Norton Corporate Finance Pty Ltd will be approximately \$50,000 (plus GST and disbursements), which will be borne by the Manager. During the 24 months preceding lodgement of this Prospectus with the ASIC, UHY Haines Norton Corporate Finance Pty Ltd has not provided any other services to the Company.

The Lead Manager will be paid a management fee equal to 1% of the gross proceeds of the Offer (plus GST and disbursements). In addition, the Lead Manager will be paid an allocation fee equal to 2.25% of the gross proceeds of the Offer received from wholesale investors (being investors to whom disclosure is not required under the Corporations Act). These fees will be borne by the Manager. The Lead Manager and any brokers may charge additional fees, such as brokerage fees, in relation to the Offer on terms agreed, and consented to, by their clients. During the 24 months preceding lodgement of this Prospectus with the ASIC, the Lead Manager has not provided any other services to the Company.

Ernst & Young previously acted as the Statutory Auditor of the H&G High Conviction Fund. They have not completed any work in relation to this Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, Ernst & Young has not provided any services to the Company.

Certain partners and employees of the above firms may subscribe for Shares in the context of the Offer.

10.6 Costs of the Offer

The costs of the Offer have been estimated at between \$345,000 and \$1,320,000 (excluding GST) assuming a \$1 million subscription and \$30 million subscription (including Oversubscriptions) is achieved respectively. The Manager has agreed to pay all costs in connection with the Offer that the Company would normally be liable for.

10.7 Legal proceedings

The Company is not and has not been, since its incorporation, involved in any legal or arbitration proceedings that have had a significant effect on the financial position of the Company. As far as the Directors are aware, no such proceedings are threatened against the Company.

10.8 ASX Waivers

ASX Listing Rule 15.16 sets a maximum term of five years for an investment management agreement. The Company has applied to ASX for a waiver of ASX Listing Rule 15.16 to allow an initial term of 10 years under the Management Agreement. ASX has indicated to the Company, on an in-principle and non-binding basis, that it is likely to approve the Company's waiver request for the initial term of the Management Agreement to run for 10 years. If ASX refuses the formal waiver application, the initial term of the Management Agreement will be 5 years.

ASX Listing Rule 9.1 requires that any shares held by 'Seed Capitalists', being persons that have been issued shares in an entity before or in connection with its admission to the Official List of ASX other than pursuant to a prospectus, must be escrowed in accordance with Appendix 9B of the ASX Listing Rules. The Company has applied to (and has received from) ASX confirmation that the exception in ASX Listing Rule 9.2(c) applies in respect of the Shares currently on issue.

10.9 Investor Considerations

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Shares listed on ASX may rise or fall depending on a range of factors beyond the control of the Company. This is in addition to the risks described in detail in Section 5.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately.

The potential tax effects relating to the Offer will vary between investors, and investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

10.10 Australian taxation implications of investing under the Offer

(a) Introduction

The tax implications provided below only relate to Australian Shareholders who hold their Shares on capital account. Different tax implications apply to non-resident Shareholders or Shareholders whose Shares are held on revenue account.

The comments in this Section 10.10 are general in nature on the basis that the tax implications for each Shareholder may vary depending on their particular circumstances. Accordingly, it is recommended that each Shareholder seek their own professional advice regarding the taxation implications associated with the Offer.

The comments in this Section 10.10 are based on the *Income Tax Assessment Act 1936* (Cth), and the *Income Tax Assessment Act 1997* (Cth), *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the relevant stamp duties legislation as at the Prospectus Date. If you are in doubt as to the course you should follow, you should seek independent tax advice.

(b) Income tax position of the Company

The Company will be taxed as a company at the prevailing company tax rate. The normal corporate tax rate is currently 30% but certain companies are eligible for a lower rate if they satisfy the requirements of being a Base Rate Entity (**BRE**). The conditions for being a BRE are: no more than 80% of the company's assessable income for the year is Base Rate Entity Passive Income (**BREPI**), and aggregated turnover for the year is less than \$50 million. Income such as dividend, franking credit, interest, capital gains are treated as BREPI. Accordingly, it is unlikely the Company will be eligible for the lower rate and it is expected that the normal corporate tax rate will apply.

The Company acquired approximately 75% in value of the Initial Portfolio under the Asset Swap Deed with the unitholders of the H&G High Conviction Fund. Under this Asset Swap Deed, the H&G High Conviction Fund disposed of all its CGT assets to the Company and the unitholders' interests in the H&G High Conviction Fund were replaced by Shares in the Company. CGT roll-over relief was available for this transaction, subject to certain conditions being met, including that the requirements in section 124-860 of *Income Tax Assessment Act 1997* (Cth) are met.

The effects of this roll-over include that:

- (i) the cost bases of the assets acquired under the Asset Swap Deed are carried over from the H&G High Conviction Fund rather than being reset at the purchase price. The Company has recognised a deferred tax liability in respect of this difference; and
- (ii) if the H&G High Conviction Fund does not cease to exist within six months, it will result in the acquired deferred tax liability being crystallised by the Company.

The Company will be required to maintain a franking account and may declare franked dividends to Shareholders. The Directors intend to frank dividends at 100%, or to the maximum extent possible.

(c) Income tax position of Australian resident Shareholders

A general outline of the tax implications associated with the Offer for Australian resident Shareholders who hold their Shares on capital account are set out below:

(i) Issue of Shares

The Offer comprises the issue of Shares. The issue of Shares involves the acquisition of a Capital Gains Tax (**CGT**) asset but should not give rise to a taxing event at the time of issue for Shareholders.

Fees incurred for broker service, and other incidental acquisition costs borne by investors, will be included in the tax cost base of the relevant Shares issued. Accordingly, these expenses will be included in the tax cost base of those Shares and will decrease (or increase) any subsequent gain (or loss) realised for CGT purposes upon the event of any disposal of those Shares at a later date.

(ii) Disposal of Shares

The disposal of Shares will be a taxing event for Shareholders. Shareholders should derive a taxable capital gain where the capital proceeds that are received as a result of the disposal exceed the cost base of the Shares.

Likewise, Shareholders should generally incur a capital loss where the reduced cost base of the Shares exceeds the capital proceeds.

Generally, the capital proceeds that are received as a result of the disposal of the Shares will be equal to the consideration received on disposal. The cost base of the Shares will generally be equal to the amount paid in respect of the acquisition of the Shares plus any incidental costs of acquisition or disposal.

Provided Shareholders (other than corporate Shareholders) have held their Shares for 12 months prior to the disposal, the CGT discount concession may be available in relation to any capital gain arising as a result of the disposal.

Where this concession applies, any such capital gain will be reduced (after applying capital losses) by the following percentages:

- (A) 50% for an individual or trust; or
- (B) 33.33% for a complying superannuation fund.

(iii) Dividends

Dividends received by Shareholders should be included in the assessable income of Shareholders. Generally, Shareholders will be taxed on the dividends at their relevant marginal rate.

If the Shareholder is a company, the Shareholder will be taxed at the prevailing company tax rate (currently 30% for companies with an annual turnover of \$50 million or more and 25% for companies with an annual turnover of less than \$50 million).

Generally, to the extent that the dividends are franked, an amount equal to the franking credits attaching to the dividends will be included in the assessable income of the Shareholder. Further, Shareholders will generally be entitled to a tax offset equal to the amount of the franking credits on the dividend (i.e. Shareholders will effectively get a tax credit for the corporate tax paid in respect of the dividends).

Certain Shareholders (including individuals and complying superannuation funds) may be entitled to a refund of 'excess franking credits' where their tax offset in respect of the franked dividends exceeds their tax liability. The income tax rate for complying superannuation funds is 15%. Complying superannuation funds generally obtain a tax offset from franked dividends against the fund's income tax liability, and any excess franking credits may be fully refunded.

A complying superannuation fund in pension phase would be entitled to a full refund of franking credits, as all income of the fund would be attributable to the fund's liability to pay current pensions, and are therefore exempt from income tax.

(iv) Status as a Listed Investment Company (LIC)

Under the Australian income tax law, companies generally are not eligible to claim CGT discount which is otherwise available for individuals, trusts and superannuation funds. However, Australian income tax resident shareholders in LICs are eligible to claim a deduction (subject to certain conditions) where the dividends distributed by a LIC effectively include a CGT discount. The benefit of this deduction generally equates to capital gain discount that would have been available for direct investments by investors or indirect investments through a trust structure. It is intended that the Company will qualify as a LIC under Australian taxation laws. The major requirements the Company must meet to be a LIC are set out in Section 3.12.

However, notwithstanding that it is intended that the Company will qualify as a LIC under Australian taxation laws, a CGT discount can only be available to the extent that the underlying gain made by the LIC is a 'capital gain' in the first place. The characterisation of gains arising to LICs on disposal of investments could be characterised as 'revenue' or 'capital' depending upon the facts in each case, and a Tax Ruling has been issued by the Commissioner (TR 2005/23) providing an indicative list of factors which may be considered to determine whether individual gains are revenue or capital. The Company expects that some of its investments, and in particular holdings acquired from the H&G High Conviction Fund, will be held on capital account.

(d) Goods and Services Tax (GST)

Shareholders should not be liable to GST in Australia in respect of the acquisition of Shares under the Offer. Shareholders may not be entitled to input tax credits (GST credits) for GST incurred on costs associated with the acquisition of Shares under the Offer.

(e) Stamp duty

Shareholders should not be liable to stamp duty in Australia in respect of the acquisition of Shares under the Offer.

10.11 Consents

Each of the following parties has given and, before lodgement of the Prospectus with ASIC has not withdrawn its written consent to be named as performing the below role in the form and context in which it is so named. Each of the following parties has also consented to the inclusion, in the form and context in which it is included, of any information described below.

Name	Role and relevant information
H&G Investment Management Ltd	Manager. All information about the Manager including information in Sections 3 and 4.
Morgans Corporate Limited	Lead Manager to the Offer.
Thomson Geer	Solicitors to the Offer.
UHY Haines Norton Corporate Finance Pty Ltd	Investigating Accountant for the Company. The Investigating Accountant's Report on the reviewed pro forma statement of financial position in Section 6.2.
Registry Direct Limited	Share Registry for the Company.
Ernst & Young	Statutory Auditor of the H&G High Conviction Fund.

Each of the above parties has only been involved in the preparation of that part of the Prospectus where they are named. Except to the extent indicated, none of the above parties has authorised or caused the issue of the Prospectus and takes no responsibility for its content.

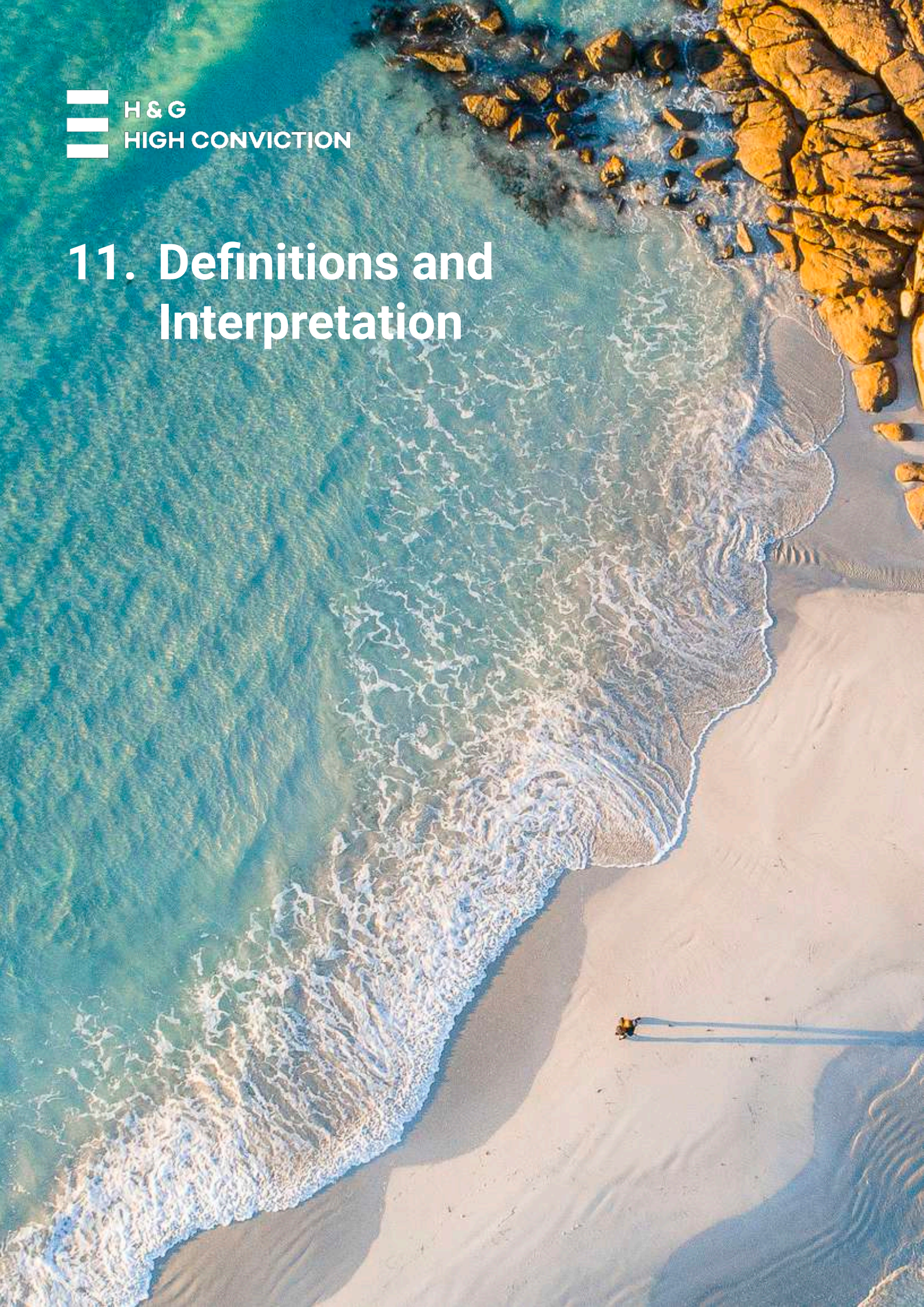
10.12 Governing law

This Prospectus, the Offer and the contracts formed on acceptance of Applications under the Offer are governed by the laws in force in the State of New South Wales and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales.

10.13 Authorisations

Each Director has authorised the issue of this Prospectus. Each Director has consented (and has not withdrawn their consent) to the lodgement of this Prospectus with ASIC.

11. Definitions and Interpretation



11. Definitions and Interpretation

11.1 Definitions

In this Prospectus, unless the context otherwise requires, the following terms have the meanings set out below.

Term	Meaning
AASB	Australian Accounting Standards Board.
AFSL	Australian Financial Services Licence.
Applicant	A person who makes an Application for Shares under the Offer.
Application	An application for Shares under this Prospectus.
Application Form	The application form to be used by Applicants who are applying for Shares under this Prospectus.
Application Monies	The Australian dollar amount accompanying a completed Application submitted to the Company.
ASIC	The Australian Securities and Investments Commission.
Asset Swap Deeds	The asset swap deeds between the Company and various vendors dated 23 June 2022, as described in Section 9.3.
ASX	ASX Limited ABN 98 008 624 691 or, as the context requires, the securities market operated by ASX Limited.
ASX Listing Rules	The Listing Rules of ASX as in force from time to time.
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532.
ASX Settlement Operating Rules	The operating rules of the clearing and settlement facility operated by ASX Settlement as amended from time to time, except to the extent of any express written waiver by ASX Settlement.
Australian Accounting Standards	Means: <ul style="list-style-type: none"> • the accounting standards as prescribed by the Australian Accounting Standards Board as amended from time to time; • the accounting standards applicable pursuant to section 334 of the Corporations Act relating to the preparation of accounts; • the Australian International Financial Reporting Standards (AIFRS); and • the requirements of the Corporations Act relating to the preparation and contents of financial reports.
Board	The Board of Directors of the Company.
CHESS	The Clearing House Electronic Sub-register System operated in accordance with the Corporations Act.
Closing Date	The date by which valid Application Forms and Application Monies must be received under the Offer, which is expected to be 30 September 2022.
Company	H&G High Conviction Limited ACN 660 009 165.

Term	Meaning
Constable Group	David Neil Constable and Ida Constable and each of their associated entities (as defined under the Corporations Act).
Constitution	The constitution of the Company.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of the Company from time to time.
Exposure Period	The period of 7 days after the Prospectus Date, which period may be extended by ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.
Free Float	The percentage of Shares that are not restricted securities or subject to voluntary escrow, and are held by non-affiliated Shareholders (i.e. Shareholders who are not related parties of the Company or their associates pursuant to the ASX Listing Rules).
Fund Financial Information	Has the meaning given to that term in Section 6.9.
GST	Goods and Services Tax and has the same meaning as in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Hancock & Gore	Hancock & Gore Ltd ACN 009 657 961.
HIN	The unique identifier of holders of shares on the CHESS sub-register issued by ASX Settlement.
Initial Portfolio	The Portfolio as at the Prospectus Date.
Initial Term	Has the meaning given in Section 9.2(g) of this Prospectus.
Investment Guidelines	The guidelines for the construction of the Portfolio issued by the Board and agreed to by the Manager from time to time (initially being the guidelines in Section 3.6).
Investment Objectives	The investment objectives of the Company issued by the Board and agreed to by the Manager from time to time (initially being the guidelines in Section 3.2).
Investment Team	The key investment personnel who will be responsible for, and utilised by the Manager for, the purpose of executing the investment strategy, being personnel detailed in Section 4.5.
Issue Price	The issue price of Shares being the NAV per Share as at 5.00pm (Sydney time) on the Closing Date as determined by the Board.
Lead Manager	Morgans Corporate Limited in its capacity as the lead manager to the Offer.
LIC	Listed investment company.
Licensed Dealer	The Lead Manager and any other AFSL holding brokerage firm engaged by the Company under Section 911A(2)(b) of the Corporations Act to make offers to people to arrange for the issue of Shares by the Company under the Prospectus.
Management Agreement	The agreement between the Manager and the Company as described in Section 9.2.
Management Fee	The management fee payable to the Manager by the Company pursuant to the Management Agreement, which is described in Section 9.2.
Manager	H&G Investment Management Ltd ACN 125 580 305 (AFSL 317 155).
NAV or Net Asset Value	The value of the Company's total assets less the value of any liabilities.
NAV per Share or Net Asset Value per Share	The Net Asset Value of the Company divided by the number of Shares on issue.

Term	Meaning
Offer	The offer of Shares to raise up to \$20,000,000, with the capacity to accept Oversubscriptions, as set out in this Prospectus.
Offer Period	The period of time between the Opening Date up to and until the Closing Date.
Official List	The official list of ASX.
Opening Date	The date the Offer opens, which is expected to be 5 September 2022.
Oversubscription	The subscription amounts of up to an additional \$10,000,000, in excess of the target amount to be raised under the Offer, that may be accepted by the Company pursuant to the Offer, for a total capital raising of \$30,000,000.
Perennial Investment Management Limited	National Nominees Limited as nominee for Perennial Investment Management Limited as responsible entity for the Perennial Emerging Companies Trust, the Perennial Value Microcap Opportunities Trust and the Perennial Future Leaders Trust.
Performance Calculation Period	Means the period: <ul style="list-style-type: none"> commencing on the later of: <ul style="list-style-type: none"> 23 June 2022 (being the date on which the Company completed the acquisition of the Initial Portfolio); and the day after the end of the previous Performance Calculation Period in which the Performance Fee was paid; and ending on the relevant Performance Testing Date.
Performance Fee	The performance fee payable to the Manager by the Company pursuant to the Management Agreement, which is described in Section 9.2.
Performance Testing Date	Means each 30 June, 31 December and the date on which the Management Agreement terminates.
Portfolio	The portfolio of cash and securities, held by or on behalf of the Company from time to time, to be managed in accordance with the Management Agreement by the Manager pursuant to the investment mandate and strategy set out in this Prospectus.
Portfolio Company	Any company which has issued the securities held in the Portfolio.
Prospectus	This document (including any electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date of this Prospectus.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A person registered on the Company's register of members as a holder of one or more Shares from time to time.
Share Registry	Registry Direct Limited.
SRN	The unique identifier of holders of shares on the issuer sponsored sub-register.

11.2 Interpretation

The following rules of interpretation apply unless intention appears or the context requires otherwise:

- (a) a reference to a time is a reference to Sydney (New South Wales) time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is to a section of this Prospectus;
- (e) where a word or phrase is defined, the other grammatical forms have a corresponding meaning;
- (f) dollars, \$, A\$, or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (g) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (h) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (j) a reference to any instrument or document includes any variation or replacement of it; and
- (k) the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.



H & G
HIGH CONVICTION

12. Corporate Directory

12. Corporate Directory

Directors

David Groves (Non-Executive Chairman)

Nicholas Atkinson (Executive Director)

Joseph Constable (Executive Director)

Registered office

Suite 803, Level 8
25 Bligh Street
Sydney NSW 2000

Manager

H&G Investment Management Ltd

Suite 803, Level 8
25 Bligh Street
Sydney NSW 2000

Share Registry

Registry Direct Limited

2 Small Street
Hampton VIC 3188

Telephone:
1300 55 66 35 (within Australia)
+61 3 9909 9909 (from outside Australia)

Lead Manager

Morgans Corporate Limited

Level 29
123 Eagle Street
Brisbane QLD 4000

Legal advisors

Thomson Geer

Level 28, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Investigating Accountant

UHY Haines Norton Corporate Finance Pty Ltd

Level 11
1 York Street
Sydney NSW 2000

Auditor

UHY Haines Norton Sydney

Level 11
1 York Street
Sydney NSW 2000

Annexure: Fund Financial Information

STATEMENT OF COMPREHENSIVE INCOME

		Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
	Note		
Investment income			
Interest income from financial assets at amortised cost		12	3
Interest income from financial assets at fair value through profit or loss		37	40
Dividend and distribution income		177	180
Net foreign exchange gain/(loss)		(3)	(40)
Net gains/(losses) on financial instruments at fair value through profit or loss		4,294	(5,886)
Total investment income/(loss)		4,517	(5,703)
Expenses			
Management fees		196	246
Performance fees		160	-
Custody and administration fees		53	67
Transaction costs		46	45
Other expenses		25	7
Total expenses		480	365
Profit/(loss) before the finance costs attributable to unit holders for the year		4,037	(6,068)
Finance costs attributable to unit holders			
Distributions to unit holders	6	(2,761)	-
(Increase)/decrease in net assets attributable to unit holders	5	(1,276)	6,068
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

		As at	
	Note	30 June 2021 \$'000	30 June 2020 \$'000
Assets			
Cash and cash equivalents	7	2,864	1,473
Receivables	9	6	43
Financial assets at fair value through profit or loss	3	9,384	9,443
Total assets		12,254	10,959
Liabilities			
Distributions payable	6	74	-
Payables	10	219	20
Due to brokers - payable for securities purchased		125	-
Total liabilities (excluding net assets attributable to unit holders)		418	20
Net assets attributable to unit holders – liability	5	11,836	10,939

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year*	-	-

* Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

	Note	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		9,647	8,907
Proceeds from maturity of financial instruments at amortised cost		-	150
Payments for purchase of financial instruments at fair value through profit or loss		(7,819)	(7,954)
Net foreign exchange gain/(loss)		(17)	(33)
Interest income received from financial assets at amortised cost		43	22
Interest income received from financial assets at fair value through profit or loss		40	40
Dividends and distributions received		177	180
Other income received		(2)	6
Management fees paid		(155)	(261)
Custody and administration fees paid		(53)	(62)
Other expenses paid		(68)	(65)
Net cash inflow/(outflow) from operating activities	8(a)	1,793	930
Cash flows from financing activities			
Proceeds from applications by unit holders		-	368
Payments for redemptions by unit holders		(390)	(337)
Distributions paid to unit holders		(26)	(1,476)
Net cash inflow/(outflow) from financing activities		(416)	(1,445)
Net increase/(decrease) in cash and cash equivalents		1,377	(515)
Cash and cash equivalents at the beginning of the year		1,473	1,995
Effects of foreign currency exchange rate changes on cash and cash equivalents		14	(7)
Cash and cash equivalents at the end of the year	7	2,864	1,473
Non-cash operating and financing activities	8(b)	2,661	536

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS

CONTENTS

1. General information
2. Summary of significant accounting policies
3. Financial assets at fair value through profit or loss
4. Derivative financial instruments
5. Net assets attributable to unit holders - liability
6. Distributions to unit holders
7. Cash and cash equivalents
8. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
9. Receivables
10. Payables
11. Remuneration of auditor
12. Events occurring after the reporting period
13. Contingent assets and liabilities and commitments

1. GENERAL INFORMATION

These special purpose financial statements cover H&G High Conviction Fund (the "Fund") as an individual entity. The Fund was constituted on 1 December 2007 and will terminate in accordance with the provisions of the Trust Deed or by Law.

The Trustee of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Trustee"). The Trustee's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in Australian dollars unless otherwise noted.

The Fund invests in equity, options and debt securities in accordance with the Fund's Information Memorandum and the provisions of the Trust Deed.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Trustee have the power to amend and reissue the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

a. Basis of preparation

The Fund is not a reporting entity because, in the directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Trust Deed.

The financial statements have been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), and the following disclosure requirements:

- AASB 101 *Presentation of Financial Statements*;
- AASB 107 *Statement of Cash Flows*;
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- AASB 1048 *Interpretation of Standards*; and
- AASB 1054 *Australian Additional Disclosures*.

The Fund is a for-profit entity for the purposes of preparing the financial statements.

i. New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

ii. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021, and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Financial instruments

i. Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities, fixed interest securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business objective. Consequently, the debt securities are measured at fair value through profit or loss.

For cash and cash equivalents, due from brokers and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not short sales, these are classified as financial liabilities at amortised cost (distributions payable, management fees payable, due to brokers-payable for securities purchased, custody and administration fees payable).

ii. Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

iii. Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs in relation to financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents, other assets and liabilities are measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Financial instruments (continued)

iv. Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

v. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

c. Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unit holders.

The units are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Trust Deed.

The units can be put back into the Fund at any time for cash based on the redemption price which is equal to a proportionate share in the Fund's net asset value attributable to unit holders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

d. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represents the Fund's main income generating activity.

e. Investment income

i. Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities measured at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Investment income (continued)

i. Interest income (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

ii. Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Fund distributions are recognised on an entitlement basis.

f. Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

g. Income tax

Under current legislation, the Fund is not subject to income tax provided it distributes the entirety of its taxable income to its unit holders on present entitlement basis.

The Fund distributes its distributable income, in accordance with the Trust Deed, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income.

h. Distributions

The Fund distributes its distributable income, in accordance with the Trust Deed, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

i. Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. As the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

j. Foreign currency translation

i. Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Foreign currency translation (continued)

ii. Transactions and balances (continued)

The Fund does not isolate that portion of unrealised gains or losses on financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

k. Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

l. Receivables

Receivables may include amounts for interest, dividends and Fund distributions. Dividends and Fund distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

m. Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

n. Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

o. Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

p. Use of estimates and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model has not materially impacted the Fund.

q. Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 \$'000	As at 30 June 2020 \$'000
Options	-	75
Equity securities	9,384	8,868
Fixed interest securities	-	500
Total financial assets at fair value through profit or loss	9,384	9,443

4. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivatives:

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The Fund's derivative financial instruments measured at fair value at year end are detailed below:

	Contractual/ notional \$'000	Fair value Assets \$'000	Liabilities \$'000
As at 30 June 2021			
Options	-	-	-
Total derivatives	-	-	-
As at 30 June 2020			
Options	5,243	75	-
Total derivatives	5,243	75	-

5. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - LIABILITY

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	Year ended		Year ended	
	30 June 2021 Units '000	30 June 2021 \$'000	30 June 2020 Units '000	30 June 2020 \$'000
Opening balance	1,355	10,939	1,323	16,440
Applications	-	-	28	368
Redemptions	(37)	(390)	(38)	(337)
Reinvestment by unit holders	1	11	42	536
Increase/(decrease) in net assets attributable to unit holders	-	1,276	-	(6,068)
Closing balance	1,319	11,836	1,355	10,939

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed on demand at the unit holders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

6. DISTRIBUTIONS TO UNIT HOLDERS

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2021 \$'000	30 June 2021 CPU	30 June 2020 \$'000	30 June 2020 CPU
Distributions				
March (special)	37	2.84	-	-
In-specie distribution (special)**	2,650	-	-	-
June (payable)	74	5.57	-*	0.04
Total distributions	2,761	8.41	-	0.04

* As at 30 June 2020, a total distribution of \$492 was payable to unit holders.

** During the year ended 30 June 2021, the Fund completed a pro rata in-specie distribution of \$2,650,141 to unit holders of the 11,042,253 shares in HGL Limited held by the Fund.

7. CASH AND CASH EQUIVALENTS

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	2,864	1,473
Total cash and cash equivalents	2,864	1,473

8. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Year ended	
	30 June	30 June
	2021	2020
	\$'000	\$'000
a. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	1,276	(6,068)
Distributions to unit holders	2,761	-
Proceeds from sale of financial instruments at fair value through profit or loss	9,647	8,907
Proceeds from maturity of financial instruments at amortised cost	-	150
Payments for purchase of financial instruments at fair value through profit or loss	(7,819)	(7,954)
Net (gains)/losses on financial instruments at fair value through profit or loss	(4,294)	5,886
Net foreign exchange gain/(loss)	(14)	7
Net change in receivables	37	26
Net change in payables	199	(24)
Net cash inflow/(outflow) from operating activities	1,793	930

b. Non-cash operating and financing activities

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan

	11	536
Distribution satisfied by in-specie asset transfers	2,650	-
Total non-cash operating and financing activities	2,661	536

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

9. RECEIVABLES

	As at	
	30 June	30 June
	2021	2020
	\$'000	\$'000
Interest receivable	-	34
GST receivable	2	7
Other receivables	4	2
Total receivables	6	43

10. PAYABLES

	As at	
	30 June	30 June
	2021	2020
	\$'000	\$'000
Performance fees payable	160	-
Management fees payable	54	13
Custody and administration fees payable	5	5
Other payables	-	2
Total payables	219	20

11. REMUNERATION OF AUDITOR

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2021 \$	30 June 2020 \$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit of financial statements	9,542	9,410
Total remuneration for audit and other assurance services	9,542	9,410
<i>Taxation services</i>		
Tax compliance services	6,179	7,144
Total taxation services	6,179	7,144
Total remuneration of Ernst & Young	15,721	16,554

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

12. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On the 31 August 2021 the Fund changed its name from The Supervised Fund to H&G High Conviction Fund.

No other significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

13. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

Statement of comprehensive income

		Year ended	
		30 June 2020	30 June 2019
	Note	\$'000	\$'000
Investment income			
Interest income from financial assets at amortised cost		3	19
Interest income from financial assets at fair value through profit or loss		40	43
Dividend and distribution income		180	580
Net foreign exchange gain/(loss)		(40)	(3)
Net gains/(losses) on financial instruments at fair value through profit or loss	3	(5,886)	1,074
Other income		-	8
Total investment income/(loss)		(5,703)	1,721
Expenses			
Management fees		246	311
Custody and administration fees		67	56
Transaction costs		45	42
Other expenses		7	130
Total expenses		365	539
Operating profit/(loss) for the year		(6,068)	1,182
Finance costs attributable to unit holders			
Distributions to unit holders	7	-	(2,012)
(Increase)/decrease in net assets attributable to unit holders	6	6,068	830
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		As at	
		30 June 2020	30 June 2019
	Note	\$'000	\$'000
Assets			
Cash and cash equivalents	8	1,473	1,995
Receivables	10	43	69
Financial assets at fair value through profit or loss	4	9,443	16,338
Loan receivables		-	150
Due from brokers - receivable for securities sold		-	69
Total assets		10,959	18,621
Liabilities			
Distributions payable	7	-	2,012
Payables	11	20	44
Due to brokers - payable for securities purchased		-	125
Total liabilities (excluding net assets attributable to unit holders)		20	2,181
Net assets attributable to unit holders – liability	6	10,939	16,440

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year*	-	-

* Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the financial year.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

		Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000
	Note		
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		8,907	7,969
Proceeds from maturity of financial instruments at amortised cost		150	-
Payments for purchase of financial instruments at fair value through profit or loss		(7,954)	(6,331)
Net foreign exchange gain/(loss)		(33)	(7)
Interest income received from financial assets at amortised cost		22	1
Interest income received from financial assets at fair value through profit or loss		40	49
Dividends and distributions received		180	580
Other income received		6	(16)
Management fees paid		(261)	(295)
Custody and administration fees paid		(62)	(61)
Other expenses paid		(65)	(130)
Net cash inflow/(outflow) from operating activities	9(a)	<u>930</u>	<u>1,759</u>
Cash flows from financing activities			
Proceeds from applications by unit holders		368	360
Payments for redemptions by unit holders		(337)	(1,164)
Distributions paid to unit holders		(1,476)	(583)
Net cash inflow/(outflow) from financing activities		<u>(1,445)</u>	<u>(1,387)</u>
Net increase/(decrease) in cash and cash equivalents		(515)	372
Cash and cash equivalents at the beginning of the year		1,995	1,619
Effects of foreign currency exchange rate changes on cash and cash equivalents		(7)	4
Cash and cash equivalents at the end of the year	8	<u>1,473</u>	<u>1,995</u>
Non-cash operating and financing activities	9(b)	536	193

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Contents

1. General information
2. Summary of significant accounting policies
3. Net gains/(losses) on financial instruments at fair value through profit or loss
4. Financial assets at fair value through profit or loss
5. Derivative financial instruments
6. Net assets attributable to unit holders - liability
7. Distributions to unit holders
8. Cash and cash equivalents
9. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
10. Receivables
11. Payables
12. Remuneration of auditor
13. Events occurring after the reporting period
14. Contingent assets and liabilities and commitments

1. General information

These special purpose financial statements cover The Supervised Fund (the "Fund") as an individual entity. The Fund was constituted on 1 December 2007 and will terminate in accordance with the provisions of the Trust Deed or by Law.

The Trustee of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Trustee"). The Trustee's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in Australian dollars unless otherwise noted.

The Fund invests in equity, options and debt securities in accordance with the Fund's Information Memorandum and the provisions of the Trust Deed.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Trustee have the power to amend and reissue the financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

a. Basis of preparation

The Fund is not a reporting entity because, in the directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Trust Deed.

The financial statements have been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), and the following disclosure requirements:

- AASB 101 *Presentation of Financial Statements*;
- AASB 107 *Statement of Cash Flows*;
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- AASB 1048 *Interpretation of Standards*; and
- AASB 1054 *Australian Additional Disclosures*.

The Fund is a for-profit entity for the purposes of preparing the financial statements.

i. New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

ii. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

b. Financial instruments

i. Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

2. Summary of significant accounting policies (continued)

b. Financial instruments (continued)

- Financial assets (continued)

i. Classification (continued)

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

For cash and cash equivalents and loan receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not short sales, these are classified as financial liabilities at amortised cost (distributions payable, management fees payable, administration fees payable).

ii. Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

iii. Measurement

- Financial instruments at fair value through profit or loss

At initial recognition, the Fund measures a financial asset and a financial liability at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through the profit or loss in the period in which they arise.

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses.

Cash and cash equivalents and loan receivables are carried at amortised cost.

2. Summary of significant accounting policies (continued)

b. Financial instruments (continued)

iv. Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, receivables and loan receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

v. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

c. Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unit holders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Trust Deed.

The units can be put back into the Fund at any time for cash based on the redemption price which is equal to a proportionate share in the Fund's net asset value attributable to unit holders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

d. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Fund's main income generating activity.

e. Investment income

i. Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

2. Summary of significant accounting policies (continued)

e. Investment income (continued)

i. Interest income (continued)

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

ii. Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

f. Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

g. Income tax

Under current legislation, the Fund is not subject to income tax provided it distributes the entirety of its taxable income to its unit holders on present entitlement basis.

The Fund distributes its distributable income, in accordance with the Trust Deed, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income.

h. Distributions

The Fund distributes its distributable income, in accordance with the Trust Deed, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

i. Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. As the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance

j. Foreign currency translation

i. Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the net gains/(losses) on financial instruments at fair value through profit or loss.

k. Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the year end. Trades are recorded on trade date, and normally settled within two business days. The due from brokers balance is held for collection and are recognised initially at fair value and subsequently measured at amortised cost.

2. Summary of significant accounting policies (continued)

l. Receivables

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

m. Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

n. Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

o. Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

p. Use of estimates and judgements

The Fund makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

The Fund estimates the expected credit loss (ECL) using impairment model, which has not materially impacted the Fund.

q. Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

3. Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and liabilities at fair value through profit or loss:

	Year ended	
	30 June 2020	30 June 2019
	\$'000	\$'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	390	2,259
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	(6,276)	(1,185)
Total net gains/(losses) on financial instruments at fair value through profit or loss	(5,886)	1,074

4. Financial assets at fair value through profit or loss

	As at	
	30 June	30 June
	2020	2019
	\$'000	\$'000
Options	75	240
Equity securities	8,868	15,446
Fixed interest securities	500	652
Total financial assets at fair value through profit or loss	9,443	16,338

5. Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivatives:

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The Fund's derivative financial instruments measured at fair value at year end are detailed below:

	Contractual/ notional \$'000	Fair value Assets \$'000	Liabilities \$'000
As at 30 June 2020			
Options	5,243	75	-
Total derivatives	5,243	75	-
As at 30 June 2019			
Options	333	240	-
Total derivatives	333	240	-

6. Net assets attributable to unit holders - liability

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2020	2020	2019	2019
	Units		Units	
	'000	\$'000	'000	\$'000
Opening balance	1,323	16,440	1,369	17,881
Applications	28	368	27	360
Redemptions	(38)	(337)	(88)	(1,164)
Reinvestment by unit holders	42	536	15	193
Increase/(decrease) in net assets attributable to unit holders	-	(6,068)	-	(830)
Closing balance	1,355	10,939	1,323	16,440

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Units are redeemed on demand at the unit holders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

7. Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2020	2020	2019	2019
	\$'000	CPU	\$'000	CPU
Distributions				
June (payable)	-*	0.04	2,012	152.17
Total distributions	-	0.04	2,012	152.17

* As at 30 June 2020, a total distribution of \$ 492 was payable to unit holders.

8. Cash and cash equivalents

	As at	
	30 June	30 June
	2020	2019
	\$'000	\$'000
Cash at bank	1,473	1,995
Total cash and cash equivalents	1,473	1,995

9. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
a. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	(6,068)	(830)
Distributions to unit holders	-	2,012
Proceeds from sale of financial instruments at fair value through profit or loss	8,907	7,969
Proceeds from maturity of financial instruments at amortised cost	150	-
Payments for purchase of financial instruments at fair value through profit or loss	(7,954)	(6,331)
Net (gains)/losses on financial instruments at fair value through profit or loss	5,886	(1,074)
Net foreign exchange gain/(loss)	7	(4)
Net change in receivables	26	4
Net change in payables	(24)	13
Net cash inflow/(outflow) from operating activities	930	1,759

b. Non-cash operating and financing activities

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan

	536	193
Total non-cash operating and financing activities	536	193

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

10. Receivables

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Interest receivable	34	53
GST receivable	7	8
Other receivables	2	8
Total receivables	43	69

11. Payables

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Management fees payable	13	28
Custody and administration fees payable	5	-
Other payables	2	16
Total payables	20	44

12. Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
Ernst & Young		
<i>Audit and other assurance services</i>		
Audit of financial statements	9,410	9,225
Total remuneration for audit and other assurance services	9,410	9,225
<i>Taxation services</i>		
Tax compliance services	7,144	6,988
Total taxation services	7,144	6,988
Total remuneration of Ernst & Young	16,554	16,213

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

13. Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

14. Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THE APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

1. If applying for Securities insert the dollar value worth of Securities for which you wish to apply at **Item 1** (not less than \$2,000.00 and thereafter in multiples of \$500.00).
2. Enter the name(s) you wish to register the securities in. Refer to the table below for examples of the correct forms of registrable title.
3. Enter your postal address for postal correspondence. All postal correspondence to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
4. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. NB: your registration details provided must match your CHESS account exactly.
5. Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
6. Complete payment details as requested. Applicants may lodge their Application Form and pay their Application Monies to their broker in accordance with the relevant broker's directions. Please contact your broker for further instructions.
7. Enter your telephone number so we may contact you regarding your Application Form or Application Monies.
8. Enter your email address. This field is not compulsory. If you provide an email address, you declare that you wish to have corporate communications emailed rather than posted.
9. Enter the contact number and name of your Licensed Dealer.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the Securities. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABR P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgement

Mail your completed Application Form with your cheque(s) attached to your Licensed Dealer. The offer closes at **5:00pm AEST on 30 September 2022** (date subject to change).

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions regarding the Application Form, please contact Registry Direct on 1300 55 66 35 or email registry@registrydirect.com.au.

Dealer reference - stamp only

--	--	--	--

--	--	--	--	--

1 Dollar value you are applying for

2 Write the name(s) you wish to register the Securities in (see reverse for instructions)

[illegible][illegible][illegible]

3 Write your postal address here

[illegible][illegible]

--	--	--

--	--	--	--

4 CHESS participant - Holder Identification Number (HIN)
(not compulsory)

X										
---	--	--	--	--	--	--	--	--	--	--

Important please note: if the name & address details above in sections 3 & 4 do not match exactly with your registration details held at CHESS, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.

5 Enter your tax file number(s), ABN, or exemption category

Applicant 1

--	--	--	--	--	--	--	--	--	--	--

Applicant 2

--	--	--	--	--	--	--	--	--	--	--

Applicant 3

--	--	--	--	--	--	--	--	--	--	--

6 Payment details:

BY CHEQUE: Please make your cheque payable to Registry Direct Limited – H&G High Conviction Limited.

Drawer	Cheque No.	BSB No.	Account Number	Amount of Payment

7 Contact telephone number (mobile)

--

8 Email address (not compulsory)

--

By providing your email address, you declare you wish to receive corporate communications via email.

9 Licensed Dealer

Dealer contact number

--	--	--	--	--	--	--	--	--	--	--

Dealer name

--

Privacy Statement:

The Share Registry's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Share Registry. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting the Application Form. The Privacy Policy can be found on the website www.registrydirect.com.au/privacy-policy/.

Registry Direct Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Registry Direct at the address or telephone number shown on the Application Form.

This page is left intentionally blank

