

SGH20 – Robert Hook

SG Hiscock & Company

July 2007



Agenda

- SGH20
- Outlook

Appendix 1: R Hook – biography

SGH20 – Philosophy

Real wealth is created over the long term

- We believe markets are inefficient from a long term perspective
 - The ability to forecast accurately diminishes as the time horizon increases
 - Therefore analysts tend to focus on the short term and smooth long term forecasts using historical precedents and macro assumptions
- The aim of SGH20 is:
 - Take advantage of these market inefficiencies
 - By positioning the portfolio to incorporate a longer term horizon



SGH20

Focus on Stock selection

- We focus purely on stock selection (not asset allocation)
- We avoid the tyranny of indices
- We build a concentrated high conviction portfolio



How do we achieve this?

Disciplines not straightjackets
Accountability not culpability

- Highly experienced fund manager
- Concentrated portfolio to enhance performance
- Own research to supplement and enhance non proprietary research
- We have over 100 company meetings every year
- Balanced and disciplined portfolio construction
- Constant monitoring of portfolio, market and risk



How do we achieve this?

Experience

- Highly experienced fund manager who accepts responsibility
- Working with(in) an experienced team environment which offers collegiate support

Concentration & High Conviction

- We only look at companies with the potential for superior returns
- With management that is able to deliver above market expectations
- Choose the very best of these companies
- This allows SGH20 to concentrate the portfolio and thereby enhance performance.



How do we achieve this?

Research: Correct Interpretation is critical

- SGH 20 uses both external and internal research
- This includes use of economic data, trade, industry information + broker reports.
- SGH20 also does its own research including company visits, management meetings, sourcing alternative material, and the use of EDIS;

The purpose of using both external and internal research is to enhance our ability to complete that critical point of the cycle – ie the **correct interpretation** of information and translate it into the portfolio



SGH20 – How do we achieve this?

- Building a *Balanced and Disciplined Portfolio*
 - SGH 20 recognises that with concentration there is opportunity for enhancing performance as well as a corresponding inherent risk.
 - Therefore it believes the structure of the portfolio is important.
 - Consequently we set guidelines or investment parameters which afford balance without losing the benefits of conviction.

SGH20 – Portfolio construction guidelines

Building a portfolio of high conviction holdings

- Large cap* range 75% -100%
- Small cap ranges 0% - 25%
- Cash range 0% - 20%

Ideal portfolio weights for high conviction holdings:

- Large caps* 4% to 10%
- Small caps 2% to 4%

* Large caps are regarded as over ~\$1.2 billion in market cap (top 160 companies)



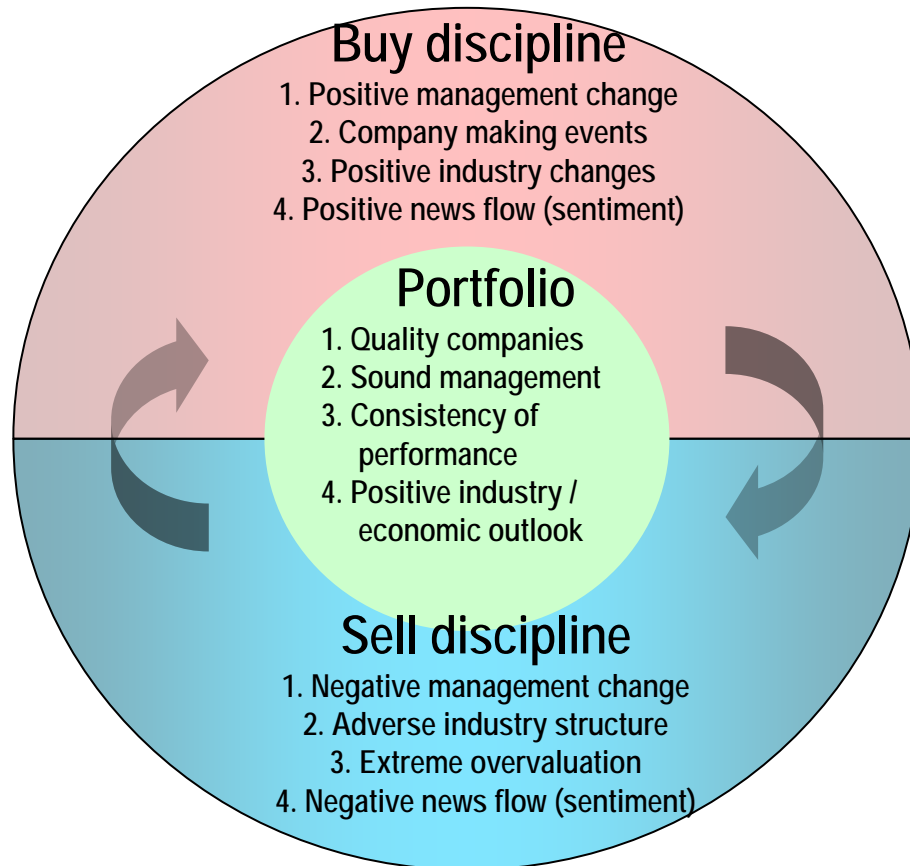
Building the portfolio

The SGH20 portfolio will normally consist of a number of stocks which are at different stages of maturity and expectations

Within the context of this the following factors are considered

- Consider the portfolio objectives
- The investment universe
- Macro view / thematics
- Stock selection
- Portfolio construction guidelines

The portfolio



Implementation

- Model portfolio maintained
- Changes, timing and rationale are recorded
- Rebalancing only when significant drift away from model, ideally through cash flows
- Ongoing reviews for company holdings
- No strategic cash position

Risk and Fundamental deterioration

Preservation before profits

- Risk centred around specific factors and includes negative impacts on key drivers used to evaluate company (eg change in management)
- Can also include (where applicable) political dislocation (macro impact) and domestic changes in legislation
- Consistency in handling these situations
 - *Is the threat sufficiently large to destabilise the core of the business or is it peripheral?*
- Tsunamis cannot be factored in but deterioration in outlook and profit warnings are often not one-off
- Measured against size of investment

Value proposition

- Superior returns
- Supported by experienced manager
- Focus & Accountability



Performance & Portfolio positioning



SGH20 – Portfolio positioning (13.08)

- Largest over-weights: Capital goods
- Largest under-weights: Property (LPTs)
- Largest stock positions: CSL
Worley Parsons
Rio Tinto
Murchison Metals
United Group (UGL)

Appendix 1

Biography: Robert Hook

SGH20 - Robert Hook – Portfolio Manager

- Head of Australian Equities at HSBC Asset Management
- Senior Portfolio Manager at National Asset Management
- Executive Director (Head of Far East Equities) at Prolific Asset Management (London)
- Chief Investment Officer (International) for Broadgate Asset Management
- Portfolio management roles at Hoare Govett (London)
- Senior Partner of stockbroker Mathison & Hollidge Inc (Johannesburg)
- Total investment experience: 32 years
- Qualifications: M.B.A., B.Comm.

