



## Fund Performance

At 30 April 2021	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a.	4 yrs % p.a.	Incep. % p.a. (27 Apr 2017)
Chester High Conviction Fund (after fees)	5.4	9.5	23.2	44.6	19.1	10.5	14.6	14.5
S&P/ASX 300 Accumulation Index	3.7	7.6	20.6	31.6	9.4	9.7	8.7	8.7
<b>Outperformance (after all fees)</b>	<b>+1.7</b>	<b>+1.9</b>	<b>+2.5</b>	<b>+13.0</b>	<b>+7.4</b>	<b>+0.8</b>	<b>+5.8</b>	<b>+5.7</b>

*“Sober nations have all at once become desperate gamblers, and risked almost their existence upon the turn of a piece of paper... Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one”*

**Adam Smith, The wealth of nations, 1841**

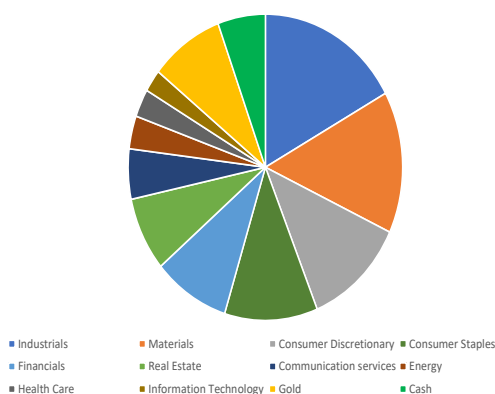
### Month in review

We wrote in our most recent quarterly thoughts that we believe we are entering a regime change of sorts. Inflation has become very topical, which we break into both cyclical elements and structural elements. There can be no doubt in the cyclical element of cost pressure - by referencing commodity prices and the gap between new orders and inventory levels in supply chains. It is very clear there are structural shortages in key manufacturing components, whereby semi-conductors have been the topic de jour. Hence while central banks remain sanguine, we will be keenly watching CPI prints in the US and Australia over the coming months.

Should inflation surprise to the upside, a corresponding rise in bond yields globally has the ability to unsettle asset prices, given how all asset prices have been tied to the notion of cheap interest rates forever. We make the broad observation that many ETF and passive products have been remarkably successful buying the same long duration assets for 6-7 years. If these unwind, which we are seeing pockets of, it could accelerate the market rotation from growth stocks to cyclical recovery stocks over the coming months.

Thus, we think 2021 remains a tussle between the reflation trade (as the global economy undergoes a cyclical recovery), and asset prices fretting over inflationary forces that may end up being too hot. Heightened inflation appears inevitable to us, given the amount of money supply growth in 2020, and the pent up spending waiting for the world to reopen. We would make the

### Fund sector weights



broad comment though, that it appears market leadership has changed, with more value oriented stocks enjoying renewed interest. In our experience, this is not usually a 3-6 month trend, more like a 2-3 year trend, for which we are allocating capital accordingly.

### Portfolio review

For the month of April the fund returned 5.4%, relative to the ASX300 Accumulation Index return of 3.7%. April saw a strong month for commodity related names while technology stocks had a respite from ongoing rotational pressure. The financial sector remains well bid on economic and property price strength. The bank sector looks to have reported a strong set of results with the release of provisions providing a significant tailwind to profitability. The margin pressure with low interest rates is not going away any time soon. Mineral Resources (MIN) has been a strong performer for our strategy for the past few years, while a deeper understanding of their growth projects following a site visit has seen renewed interest in the long term growth optionality. Aussie Broadband (ABB) also had a strong month while we have taken the opportunity to lighten our holding. The gold sector also saw some buying on the back of the real yield turning more negative over the past 6 weeks (the difference between the US 10 yr bond and inflation expectations). The near term direction for gold looks to be influenced by the next inflation print on May the 12th.

We have taken an initial position in Carbon Revolution (CBR), which is an Australian based manufacturer of carbon fibre wheels for the auto industry. The benefits of carbon wheels are weight and durability. While CBR has several existing global customers (Ferrari and Ford), their wheels are being trialled by 4 further groups for potential contracts, predominantly for EVs. It is still loss making, and recently raised capital to invest in more automated manufacturing lines. It will remain a small position, but should these contracts eventuate, CBR could be a significant cash generator, but patience will be required. Aurizon (AZJ) continues to be friendless while extremely cheap and Woolworths (WOW) saw its April sales slightly disappoint. We still believe the catalyst of the impending demerger of the Endeavour Group will see WOW perform strongly over the next 12-18 months.

Top 3 holdings	Portfolio breakdown
Westpac	Industrials 17%
Mineral Resources	Materials 16.9%
Tabcorp Holdings	Consumer Staples 11.9%
Top 3 portfolio attribution	Bottom 3 portfolio attribution
Mineral Resources	Carbon Revolution
Aussie Broadband	Aurizon Holdings
OceanaGold	Woolworths Ltd



### Accumulated Performance by Financial Year - Same Strategy

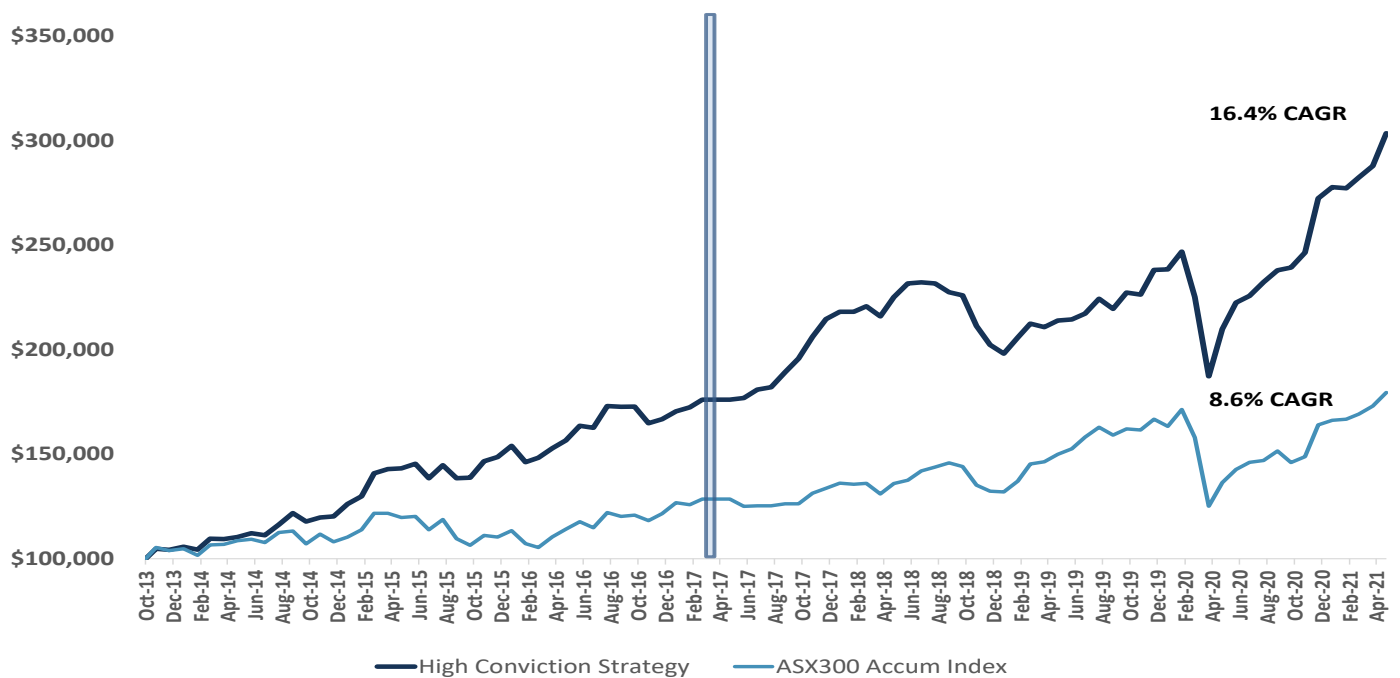
	FY14 (%)#	FY15 (%)	FY16 (%)	FY17 (%)*	FY18 (%)	FY19 (%)	FY20 (%)	FY21 (%)	Since Inception (%) p.a.
Same Strategy (after MER)	+11.2	+24.5	+17.4	+11.2	+28.3	-6.4	+3.9	+34.4	+16.4
S&P/ASX 300 Accumulation Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+22.8	+8.6
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+11.6	+7.8

# The inception date of SGH Australia Plus was the 8th of October, 2013, where Rob Tucker was the sole Portfolio Manager, until his departure on February 28th, 2017.

\* The inception date of the Chester High Conviction Fund was April 26th, 2017, hence FY17 reflects 8 months of SGH Australia Plus and 2 months of the CHCF.

We note this is a statement of fact of the performance achieved by the fund during the time which Rob Tucker was the sole Portfolio Manager making active decisions on the SGH Australia Plus portfolio. We note performance is the record of the firm not the individual however past performance has been constructed from publicly available unit price data. Past performance is not necessarily indicative of future performance and should not be relied upon in making investment decisions.

### Same Strategy - Accumulated performance



Note this graph is representative only of the combination of the same Portfolio Manager running the same strategy, and would only represent actual returns for unit holders that invested money at inception of SGH Australia Plus, withdrew those funds at the end of February 2017 and then invested all those initial funds again at inception of the Chester High Conviction Fund in April 2017. Note, this depicts returns after fees.



## CONTACT COPIA

1800 442 129 | [client.services@copiapartners.com.au](mailto:client.services@copiapartners.com.au) | [copiapartners.com.au](http://copiapartners.com.au)



<b>John Clothier</b>	General Manager, Distribution	0408 488 549   <a href="mailto:jclothier@copiapartners.com.au">jclothier@copiapartners.com.au</a>
<b>Iain Mason</b>	Director, Institutional Business	0412 137 424   <a href="mailto:imason@copiapartners.com.au">imason@copiapartners.com.au</a>
<b>Mani Papakonstantinos</b>	Distribution Manager	0439 207 869   <a href="mailto:epapakonstantinos@copiapartners.com.au">epapakonstantinos@copiapartners.com.au</a>
<b>Matthew Roberts</b>	Distribution Manager	0438 297 616   <a href="mailto:mroberts@copiapartners.com.au">mroberts@copiapartners.com.au</a>
<b>Jude Fernandez</b>	Distribution Manager	0414 604 772   <a href="mailto:jfernandez@copiapartners.com.au">jfernandez@copiapartners.com.au</a>
<b>Sam Harris</b>	Distribution Manager	0429 982 159   <a href="mailto:sharris@copiapartners.com.au">sharris@copiapartners.com.au</a>

Past performance is not a reliable indicator of future performance. The total return performance figures quoted are historical, calculated using end-of-month mid prices and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The indices do not incur these costs. This information is provided for general comparative purposes. Positive returns, which the Chester High Conviction Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. A performance fee of 15.0% is payable quarterly on any excess performance (after deducting the management fee) above the benchmark, S&P/ASX Small Ordinaries Accumulation Index. A performance fee is only payable where the unit price is higher than when the last performance fee was paid. This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this article, readers should consider the appropriateness of the information to their needs. This may involve seeking advice from a qualified financial adviser. Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) is the issuer of the Chester High Conviction Fund (ARSN 620 091 858). A current PDS is available from Copia located at Level 25, 360 Collins Street, Melbourne Vic 3000, by visiting [chesteram.com.au](http://chesteram.com.au) or by calling 1800 442 129 (free call). A person should consider the PDS before deciding whether to acquire or continue to hold an interest in the Fund. Any opinions or recommendation contained in this document are subject to change without notice and Copia is under no obligation to update or keep any information contained in this document current.

