



## Fund Performance

At 31 May 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)	1.0	8.5	12.5	37.7	19.6	9.8	14.7	14.4
S&P/ASX 300 Accumulation Index	2.3	8.5	12.0	28.7	9.7	10.1	10.1	9.1
<b>Outperformance (after all fees)</b>	<b>-1.3</b>	<b>+0.0</b>	<b>+0.5</b>	<b>+9.0</b>	<b>+9.9</b>	<b>-0.3</b>	<b>+4.6</b>	<b>+5.3</b>

*"People run in packs because they don't feel safe alone. I run alone because I don't feel safe in packs"*

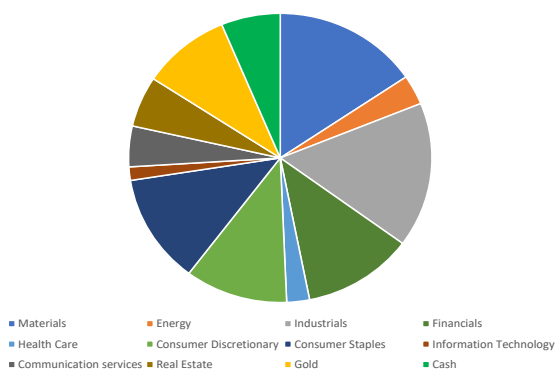
**Muhammad Ali**

### Month in review

Fund managers often grapple with the top-down (taking an explicit view of macro forces such as interest rates, currencies or commodity prices) vs bottom-up view (only focusing on the individual stock ideas) in their decision making. In our humble opinion, getting the macro cycle right is far harder than getting a stock specific call right, hence we prioritise bottom-up thinking, but the past 6 months has been very much about the macro backdrop. While merely an observation, the bank index has risen 58% since 30 September, 2020, as this is when it became clear that the economy was faring far better than feared, and the Government continued to underwrite the employment market, staving off fears of significant impairment charges to the banking system.

Fear and greed often drive markets, and they (markets) were certainly fearful last August/September, the only fear in Australian property right now is the fear of missing out. CBA rose 13% in May, highlighting (to us anyway) near on euphoric trading conditions for Australian banks and property markets. The ASX300 recorded one of the best months for any global index in May (2.3% vs the S&P500 0.7%). Australia has been a strong beneficiary of the reflation trade, which has been a significant tailwind for the two largest sectors of the ASX300 Index (financials and resources combined constitute approximately 50% of the ASX300). Both sectors have continued to see positive earnings revisions on the back of lower impairment charges (banks) and higher commodity prices (resources), with higher dividends coming over the next 12 months, supporting the ASX300.

### Fund sector weights



While it appears there is very little push back politically, the longer term impact of seeing MONTHLY house price growth of 3.0% relative to ANNUAL wage growth of 2.5% p.a can not end well. We dread the thought of too much credit creation with interest rates at historical lows, which has only exacerbated affordability issues and heightened structural imbalances. But for now, these thoughts are philosophical only, as asset prices are going up.

### Portfolio review

For the month of May the fund returned 1.0%, relative to the ASX300 Accumulation Index return of 2.3%. We had taken a view in the middle of 2020 that the exploration spend would accelerate over the coming 2-3 years given the robust commodity prices. One of our preferred exposures to this thesis has been ALS Limited (ALQ) which delivered a very strong result and outlook in May. The fixed cost leverage of stronger assay volumes saw large upgrades. Including dividends, ALQ has returned almost 100% for us over the past 12 months and while we continue to hold, we have taken the opportunity to lighten the position into strength. OceanaGold (OGC) has been our preferred gold exposure on valuation grounds for around 18 months. This thesis has required patience (and still does) but in our view, the asset base is not reflected in the current share price, but it rose strongly in May on a stronger gold backdrop. Westpac (WBC) has been our preferred bank exposure due to our valuation framework. It also performed strongly in May with an in line result but an aggressive cost out program which was taken enthusiastically by the market.

Aussie Broadband (ABB) saw profit taking, which we were slightly bemused by, as it actually revised its prospectus earnings up by 50%! Operationally, the business is performing strongly. Mineral Resources (MIN) also saw profit taking on a small pullback in the iron ore price, which remains significantly above our own price assumptions for FY21 and FY22. In fact MIN provided positive commentary regarding their international aspirations for their crushing services. Ramsay Healthcare (RHC) was sold off after announcing the acquisition of Spire, a private hospital operator in the UK, which will combine with RHC to control 25% of the private beds in the UK. In our view this was a very well timed acquisition, with obvious synergies and an enormous elective surgery backlog post COVID impacts over the next 2-3 years.

Top 3 holdings	Portfolio breakdown
Westpac	Industrials 16.2%
Mineral Resources	Materials 15.4%
Tabcorp Holdings	Consumer Staples 12.2%
Top 3 portfolio attribution	Bottom 3 portfolio attribution
ALS Limited	Aussie Broadband
OceanaGold	Mineral Resources
Westpac	Ramsay Healthcare



### Accumulated Performance by Financial Year - Same Strategy

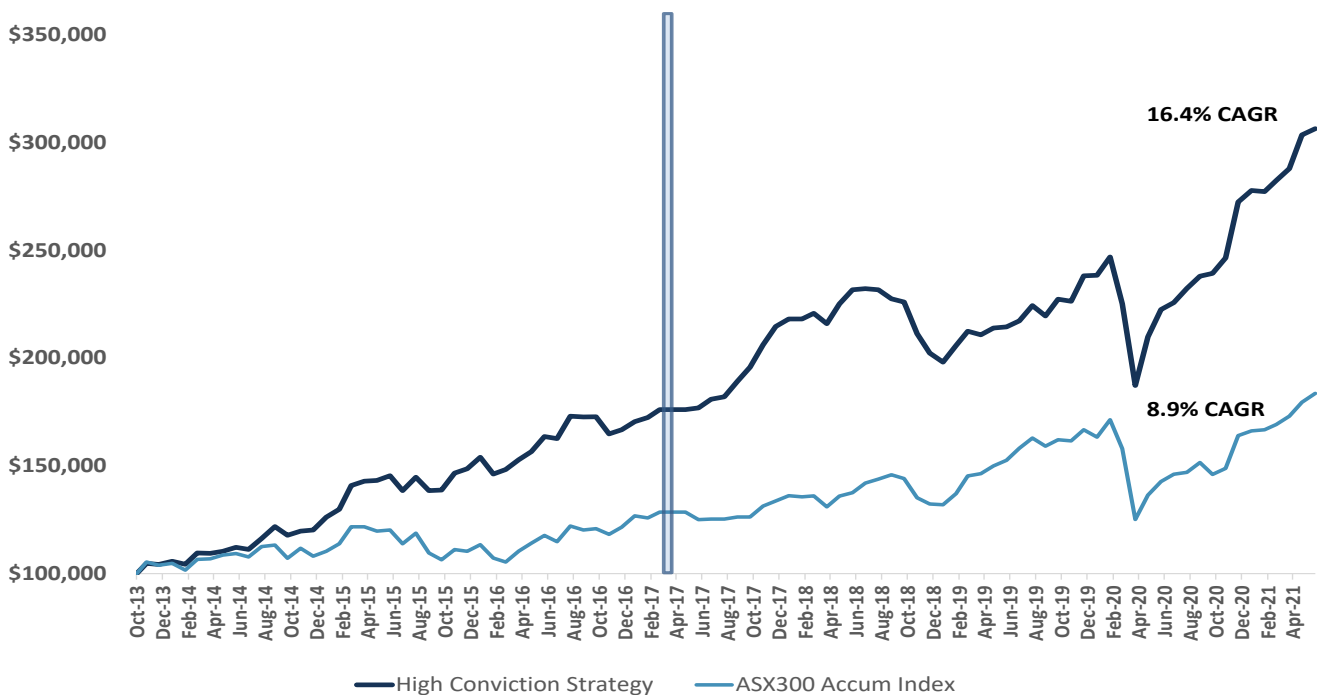
	FY14 (%)#	FY15 (%)	FY16 (%)	FY17 (%)*	FY18 (%)	FY19 (%)	FY20 (%)	FY21 (%)	Since Inception (%) p.a.
Same Strategy (after MER)	+11.2	+24.5	+17.4	+11.2	+28.3	-6.4	+3.9	+35.7	+16.4
S&P/ASX 300 Accumulation Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+25.7	+8.9
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+10.1	+7.5

# 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.



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