

At 31 August 2022	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Incep. % p.a. *
Chester High Conviction Fund (after fees)	3.3	-1.6	5.0	8.2	17.1	13.3	13.8
S&P/ASX 300 Accumulation Index	1.2	-2.4	0.6	-3.7	5.6	8.2	7.4
Outperformance (after all fees)	+2.1	+0.8	+4.4	+11.9	+11.5	+5.1	+6.4

* 27 Apr 2017

“Strive not to be a success, but rather to be of value.”

— Albert Einstein

Month in review

Reporting season provides a welcome relief from the myriad of macro concerns permeating through the global economy. Focusing on individual company balance sheets, annual reports and cash flow statements we find far more fruitful than trying to forecast when interest rates peak.

Broadly speaking, we were pleased with how our portfolio fared through reporting season, which in aggregate was arguably not as bad as feared. FY22 results highlighted a still resilient consumer and generically, labour shortages leading to wage pressure, which is well understood. We are mindful that it was only the tail end of FY22 (May) that saw interest rates start rising in the aggressive manner they have been. 2.25% of interest rate hikes in 5 months is the fastest tightening cycle in history, thus while housing prices have started to adjust, we are not as sure that consumer behaviour has just yet. This makes the Christmas selling season critical for the “strategic inventory” that many consumer facing names are holding. We are very mindful of exposure to domestic consumption.

The other observation from reporting season was the lack of margin resilience seen from the large supermarkets and banks from the inflationary backdrop and rising interest rates. Whilst theoretically both sectors are beneficiaries of the current macro backdrop, reality proved somewhat more challenging.

We spend most of August wading through our own portfolio to ensure we are comfortable with the investment thesis of each company. To that end, we actually came away more constructive with our portfolio of companies and the insights we gained from our conversations. We will focus on the individual stocks in more detail in our upcoming quarterly. We are still of the view that holding a diverse range of stocks for the uncertainty over the next 12 months appears to us to be the most prudent path in preserving and growing capital. We remain optimistic that our portfolio has several stocks with significant asymmetric risk/reward characteristics.

Portfolio review

For the month of August the fund returned 3.3%, relative to the ASX300 Accumulation Index return of 1.2%. The strong performers for the month were led by Mineral Resources (MIN), a long term holding that benefited both from the current enthusiasm for anything related to the EV thematic and the actual project pipeline within the MIN portfolio. The announcement of the structure of the Onslow JV Iron Ore project whereby MIN will build the infrastructure for the JV, but then be able

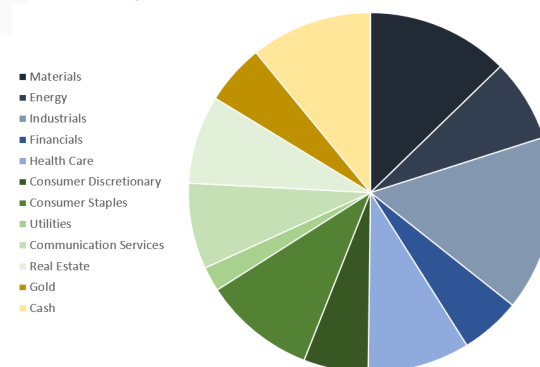
to provide the mining services over the 30 year project and charge infrastructure access fees that generate a high teens IRR, illustrates to us, yet again, why MIN is our preferred resource exposure. In our view it actually has a relatively predictable pathway to see EBITDA grow at least 200% over the next 3 years. Ridley (RIC) is another holding where we have strong confidence in the management team to execute on their growth ambitions, irrespective of the macro environment. Much of the organic growth in the RIC business is internal optimisation, new product lines in the pet-food category and incremental market share gains in the bulk stock-feed category, which underpins a predictable growth pathway with strong cash conversion, all at a reasonable price.

OceanaGold (OGC) has been our preferred gold name for the past 2 years, based on our conviction in the assets in the ground across four diversified operations. At the end of July OGC made the surprising decision to exit their CDI (Chess Depositary Interest) program with the ASX, to convert all the share trading back to the primary Canadian listing. Less than 10% of OGC shares have been historically traded on the ASX. This has seen the OGC share price suffer from forced selling, while our mandate enables the fund to hold the Canadian listed entity. We think the short term pressure on the OGC share price (due to leaving the ASX) will see an opportunity for OGC to rebound post this event over the next 6-8 weeks. Hence we remain comfortable holders on a fundamental basis. Seek (SEK) was added to the fund in June on the thesis that persistent labour market tightness will see elevated job ads for the foreseeable future. CEO Ian Narev gave somewhat conflicting signals around the SEK guidance for FY23, which led to a muted response to what was actually a very strong result.

Top 3 holdings	Portfolio breakdown	
CSL Ltd	Industrials	15.7%
Mineral Resources	Materials	12.8%
QBE Insurance Group	Consumer Staples	10.0%

Top 3 portfolio attribution	Bottom 3 portfolio attribution
Mineral Resources	OceanaGold
Ridley Corp	Seek Ltd
Jervois Global	Downer EDI

Fund weights - diverse sector exposure



Accumulated Performance by Financial Year - Same Strategy

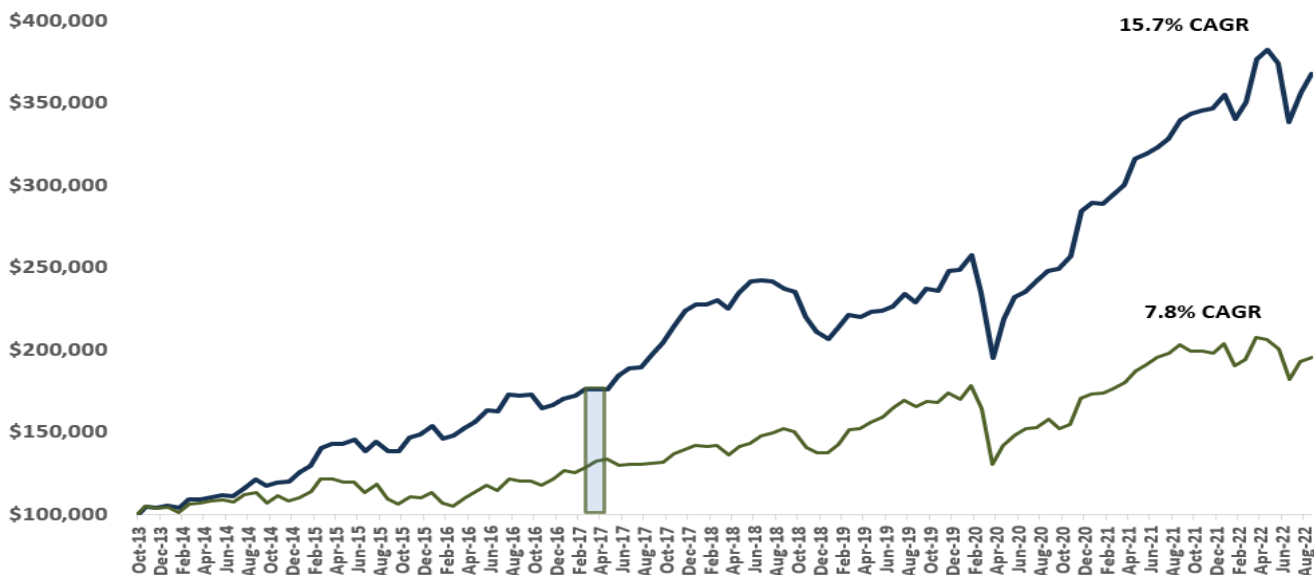
	FY14 (%)#	FY15 (%)	FY16 (%)	FY17 (%)*	FY18 (%)	FY19 (%)	FY20 (%)	FY21 (%)	FY22 (%)	FY23 (%)	Since Inc (%)
Same Strategy (after MER)	+11.2	+24.5	+17.4	+11.2	+28.3	-6.4	+3.9	+37.2	+4.8	+8.8	+15.7
S&P/ASX 300 Accum Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+28.5	-6.8	+7.2	+7.8
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+8.7	+11.6	+1.6	+7.9

Per Annum. 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.

High Conviction 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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