



Fund Performance

At 31 January 2022	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a.	Incep. % p.a. (27 Apr 2017)
Chester High Conviction Fund (after fees)	-4.2	-1.5	3.5	17.7	15.0	16.6	13.8
S&P/ASX 300 Accumulation Index	-6.5	-4.5	-3.8	9.6	3.3	10.1	7.7
Outperformance (after all fees)	+2.2	+3.0	+7.3	+8.1	+11.7	+6.6	+6.1

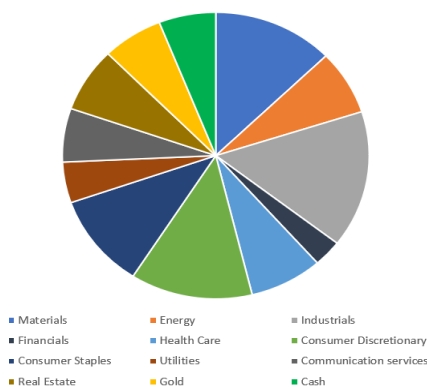
"The one who follows the crowd will usually go no further than the crowd. Those who walk alone are likely to find themselves in places no one has ever been before"

Albert Einstein

Month in review

We wrote in our January quarterly that leadership was changing. It is happening very quickly in equity markets as investment flows have started following a significant change in monetary policy by both the Federal Reserve and the ECB over the past 8 weeks. With the focus of central banks now firmly on fighting inflation, the subsequent style rotation from growth sectors to a value bias with asset backing has been very sharp. This all but ensures more volatility occurs over the first half of 2022. It is worth watching credit spreads closely for broader contagion. Since the end of the GFC (2009), it has been a very popular trade to invest heavily in long duration assets, as interest rates have done nothing but fall. In that environment growth and momentum investing had been wonderfully successful, but a large element of speculation had crept into equity prices over the past 18 months. With the prospect of interest rates rising, the landscape has well and truly changed, which we believe will be beneficial for our style of allocating capital. Our framework focuses on asymmetric investing where we at the outset, are trying to minimise the downside of an investment, and then hopefully identify catalysts as to why the value inherent in that investment can be unlocked. The most recent examples of this line of thinking have been Origin Energy (ORG) which was purchased in the low AUD4.00 range and Nufarm (NUF), which was added to the portfolio in the 3rd quarter of 2021. Both deeply unloved at the time, we identified both earnings drivers and stock specific catalysts for both companies to close the gap between the prevailing share price and our assessed valuation. The fact that both companies were trading below book value at the time lends itself to our asymmetric risk profile. This will be an interesting year.

Fund sector weights



Portfolio review

For the month of January the fund returned -4.2%, relative to the ASX300 Accumulation Index return of -6.5%. Clearly January was a challenging month, but in the context of how strong equity returns have been over the past 2 years, a pullback of some sort was not unexpected. From a broader market perspective, earnings, dividends and valuation support will drive returns for the foreseeable future while we remain very focused on the individual companies in the portfolio. We are hopeful that the February reporting season will be favourable for our style of benchmark unaware investing. Being passive is a poor option in 2022.

Origin Energy (ORG) was the strongest performer in January as further strength in the East Coast electricity price as well as a strong quarterly for APLNG volumes suggests to us that the earnings trough is very much in the rear view mirror. Strong cash generation and an undergeared balance sheet sees enhanced prospects of higher dividends or capital returns. Mineral Resources (MIN) saw further strength on a combination of a recovery in the iron ore price, and continued lithium price strength, where MIN has a very high quality asset in Wodgina in the process of ramping up. G.U.D Holdings (GUD) was added to the portfolio on an equity placement in December to purchase AutoPacificGroup (APG) which is a towing and trailering accessories retailer. GUD currently trades on 12.8x FY23 PER, a 5.8% dividend yield and relatively visible earnings momentum.

CSL was sold off in January as a long duration stock. While CSL is not optically cheap, we are of the view that the pricing power within the portfolio will alleviate much of the market's concerns around plasma collections in FY23, while the conservative accounting in the expensing of the entire R&D portfolio adds 5-7 points to the headline PE multiple. Nufarm (NUF) was softer in January, but at the time of writing, has had a significant re-rating in February on the investor day update, which highlighted the compelling growth options in the Nuseed business. A 10-year purchase agreement with BP to supply sustainable low-carbon biofuel feedstock adds a significant new dimension to the NUF story. It also adds weight to the long term aspirational financial targets of NUF, which would see the current share price as materially undervalued should they transpire.

Top 3 holdings	Portfolio breakdown	
CSL Limited	Industrials	15.4%
News Corp Ltd	Consumer Disc	12.9%
Origin Energy	Materials	12.8%
Top 3 portfolio attribution	Bottom 3 portfolio attribution	
Origin Energy	CSL Limited	
Mineral Resources	Nufarm	
G.U.D Holdings	Macquarie Group	



Accumulated Performance by Financial Year - Same Strategy

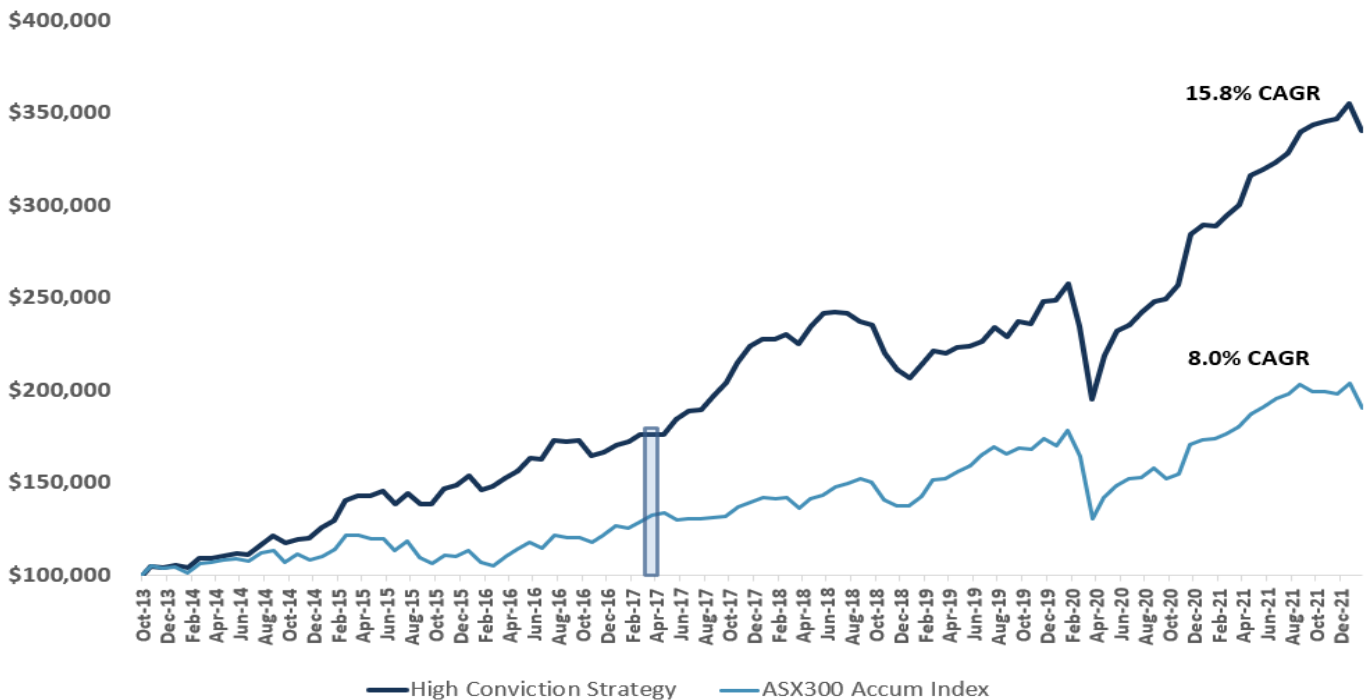
	FY14 (%)#	FY15 (%)	FY16 (%)	FY17 (%)*	FY18 (%)	FY19 (%)	FY20 (%)	FY21 (%)	FY22 (%)	Since Inception (%) p.a.
Same Strategy (after MER)	+11.2	+24.5	+17.4	+11.2	+28.3	-6.4	+3.9	+35.7	+5.3	+15.8
S&P/ASX 300 Accumulation Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+25.7	-2.7	+8.0
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+10.1	+8.0	+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.



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