APIR OPS7755AU
ARSN OPS7755AU

At 31 July 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)	5.2	-6.9	4.7	8.4	15.0	13.4	13.4
S&P/ASX 300 Accumulation Index	6.0	-6.2	1.5	-2.3	4.4	8.2	7.3
Outperformance (after all fees)	-0.8	-0.7	+3.2	+10.7	+10.6	+5.3	+6.1

* 27 Apr 2017

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

— Winston Churchill

Month in review

It's currently very easy to find why this investment climate is difficult, uncertainty abounds at the geopolitical, monetary policy and company specific level (forecasting uncertainty), perhaps moreso than any time in recent history. The range of outcomes for assets remains very wide in our view.

Whilst many leading economic indicators are still suggesting a period of weakness ahead, the lagging indicators in unemployment and inflation remain stubbornly higher than the dovish mindset that has unfolded across asset pricing over the past 5 weeks. We tend to lean toward the view that the relief rally in many long duration assets (mostly tech), is just that, a relief. We're not convinced that either inflation or wage pressure has been conquered yet, so remain of the view that central banks stay more hawkish than the past 12 years would dictate. To our way of thinking, inflation appears to be far stickier than most would like. This ultimately supports our view we are in a far different investment climate than the post GFC era. This remains a nuanced argument, for there are signs that inflation starts peaking, which has absolutely given rise to the relief rally recently witnessed.

We have long been of the view that not even the most skilled forecaster can predict the interest rate path, or economic trajectory for that matter, with anything more than a best guess over a 12 month horizon. There are simply too many variables that stand in the way. Hence, 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

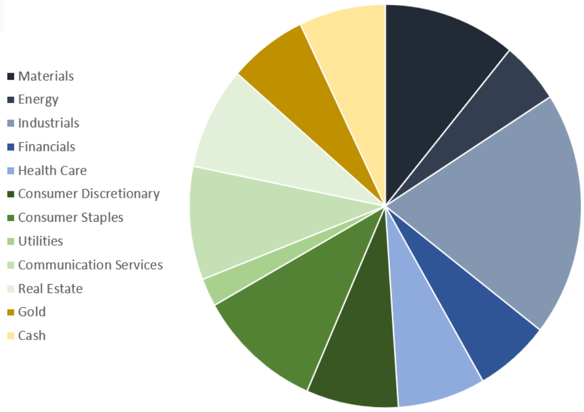
For the month of July the fund returned 5.2%, relative to the ASX300 Accumulation Index return of 6.0%. The strong performers for the month were led by Austal (ASB), which ties into the notion of asymmetric risk. Prior to announcing an 11 ship (Offshore Patrol Cutters) contract with the US Coast Guard for USD3.3bn, ASB was trading at a 20% discount to book value, with AUD200m in cash on their balance sheet, while generating significant EBIT from their maintenance contracts on ships already built. The US Navy had gifted ASB USD50m to reconfigure their US base in Alabama to enable steel ship manufacturing. It seemed implausible to us that ASB wouldn't ever win another US contract, which is what the market had seemingly priced in, in our opinion. ASB rose 45% through July after announcing that contract, with the US Navy remaining public in their desire to continue to bolster their Naval defences over the next 3-5 years, work that ASB remains well placed to tender for. Mineral Resources (MIN) and CSL were other strong performers, with MIN delivering a surprising hydroxide tolling contribution from the lithium business, which in our mind, only solidifies the business model strength of MIN over the next 3-5 years.

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 opportunity emerging from the short term pressure on OGC shares (due to leaving the ASX) will see a good opportunity for OGC to rebound post this event at the end of August. Hence we remain comfortable holders on a fundamental basis. Ridley (RIC) also saw selling in July on the back of heightened fears of a foot-and-mouth disease (FMD) outbreak in Australia, which would impact the volume of feedstock RIC supplies to the livestock industry. We note the Australian Government's assessment of a FMD outbreak has risen from a 9% chance to a 12% chance, suggesting to us, the share price weakness was overblown. RIC appears to us to have a robust pathway for organic growth over the next 3 years, which is not fully reflected in the RIC share price, in our view.

Top 3 holdings	Portfolio breakdown	
CSL Ltd	Industrials	19.6%
Austal	Materials	10.9%
Mineral Resources	Consumer Staples	10.3%

Top 3 portfolio attribution	Bottom 3 portfolio attribution
Austal	OceanaGold
Mineral Resources	Ridley Corp
CSL Ltd	QBE Limited

Fund weights - diverse sector exposure



Chester High Conviction Fund

Fund Update

July 2022

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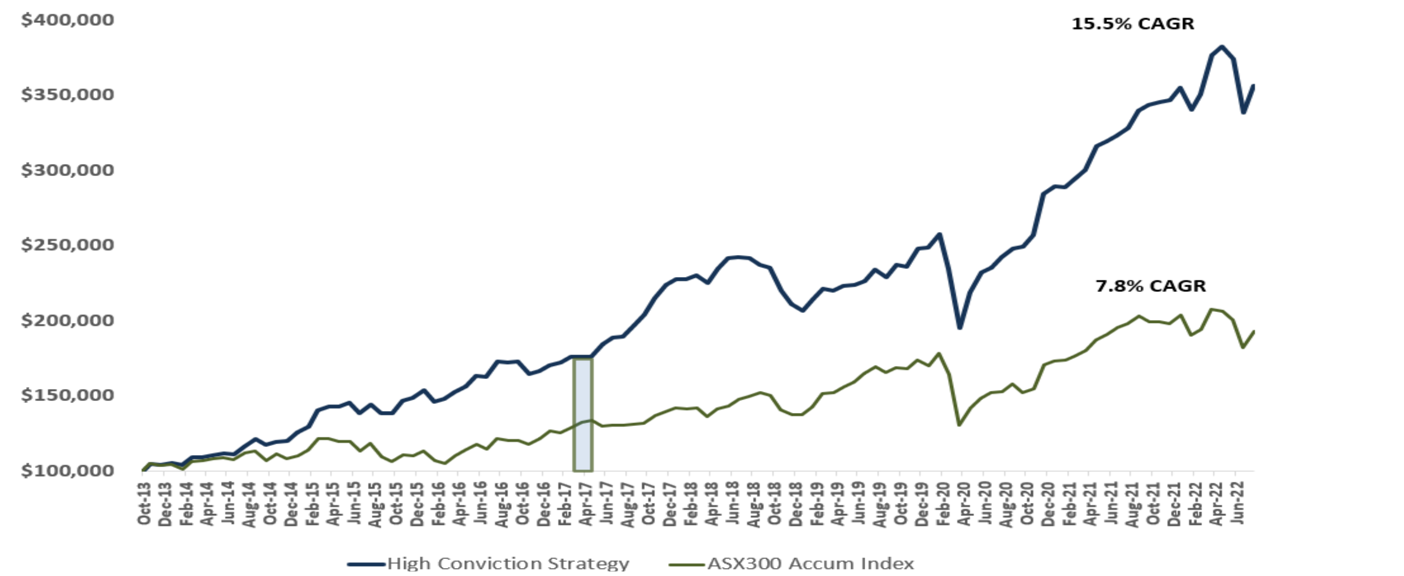
Accumulated Performance by Financial Year - Same Strategy

	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	+5.2	+15.5
S&P/ASX 300 Accum Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+28.5	-6.8	+6.0	+7.8
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+8.7	+11.6	-0.8	+7.7

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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