

At 30 April 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)	1.6	12.4	10.8	20.8	19.7	15.8	15.7
S&P/ASX 300 Accumulation Index	-0.8	8.2	3.4	10.2	9.7	9.0	9.0
Outperformance (after all fees)	+2.4	+4.2	+7.4	+10.6	+10.0	+6.8	+6.7

\* 27 Apr 2017

**"The financial markets generally are unpredictable. So that one has to have different scenarios...The idea that you can actually predict what's going to happen contradicts my way of looking at the market."**

— George Soros

## Month in review

Ron Burgundy would suggest that things have escalated quickly. Perhaps too quickly. The myriad of obstacles facing asset pricing in May 2022 appear challenging from a macro standpoint.

The hawkish monetary policy positioning by central banks globally appears to be coinciding with a slowing global economy led by the drawn out Russian occupation of Ukraine and the Chinese Covid Zero policy. Supply impacts from energy and food (Russia and Ukraine) combined with supply impacts of consumer goods (Chinese lockdowns) appear to leave much inflation fighting to still be done. Traditional economic data points (confidence, retail sales, US housing) look to be rolling over, and anecdotally, accelerating downwards. Unemployment remains robust in many countries, which will most likely leave central bankers believing the current trajectory for interest rates is the right path. We will watch employment numbers closely for a change in tone or thinking around the consensus expectations for 8-9 interest rate hikes in the US this year.

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. We would frame our thinking around the chances of interest rates being loosened in 12 months time at the same probability as ongoing rate hikes, such is the sensitivity in asset prices to interest rate directions. 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 capital.

## Portfolio review

For the month of April the fund returned 1.6%, relative to the ASX300 Accumulation Index return of -0.8%. We hold the notion that the best prospects of protecting capital and growing earnings in a highly inflationary environment is a bar bell approach. For margins to hold, and therefore profits to hold/grow, we need to see one of two things. Either strong commodity led tailwinds (energy, electricity etc), or extremely strong pricing power, whereby we hold the view that only a select handful of Australian stocks we believe have true pricing power (refer to the April quarterly for further details).

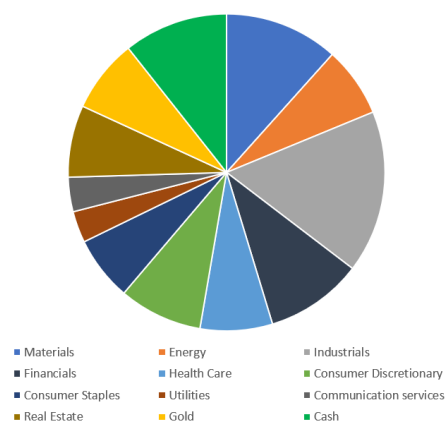
OceanaGold (OGC) has been our preferred gold name for the past 2 years, based on our conviction in the assets in the ground across four

diversified operations. The organic growth combined with the discount to our NAV is far superior to other Australian gold equities. The recent quarterly update was a strong one, providing more confidence around the cash flow support and FY22 earnings. Mineral Resources (MIN) has been a relatively high beta stock, but ultimately a long term view to us sees a diverse business model across mining services, iron ore and lithium, leaving the growth path relatively predictable (in a commodity sense). We continue to back Chris Ellison to allocate capital effectively. Ramsay Healthcare (RHC) has been a long term holding, but a relatively small one, given we were cautious around short term earnings risks, while holding for the post COVID elective surgery recovery, with world class assets. The recent bid from KKR clearly validated the asset base (property assets), while being able to take a longer term view around a 3-5 year earnings recovery.

NewsCorp (NWS) had a soft April, and has continued its near term weakness in May. A stock that continues to confuse us, given the prior 12 month period saw eps upgrades of circa 30%, while the share price fell 20%, indicating a significant de-rating. A 3rd quarter trading update that was slightly softer than market expectations has seen a significant sell off. For a stock trading on circa 6x cash flow (relative to most industrials trading on 15-18x cash flow) with high quality assets suggests to us the next 3 years are likely to be better than the past 12 months. Qube (QUB) and Aurelia Metals (AMI) were both slightly weaker.

Top 3 holdings	Portfolio breakdown	
CSL Ltd	Industrials	16.8%
Nufarm Ltd	Materials	11.6%
Tabcorp Holdings	Financials	10.0%
Top 3 portfolio attribution	Bottom 3 portfolio attribution	
OceanaGold	News Corp Ltd	
Mineral Resources	Qube Holdings	
Ramsay Healthcare	Aurelia Metals	

## Fund weights - diverse sector exposure



### Accumulated Performance by Financial Year - Same Strategy

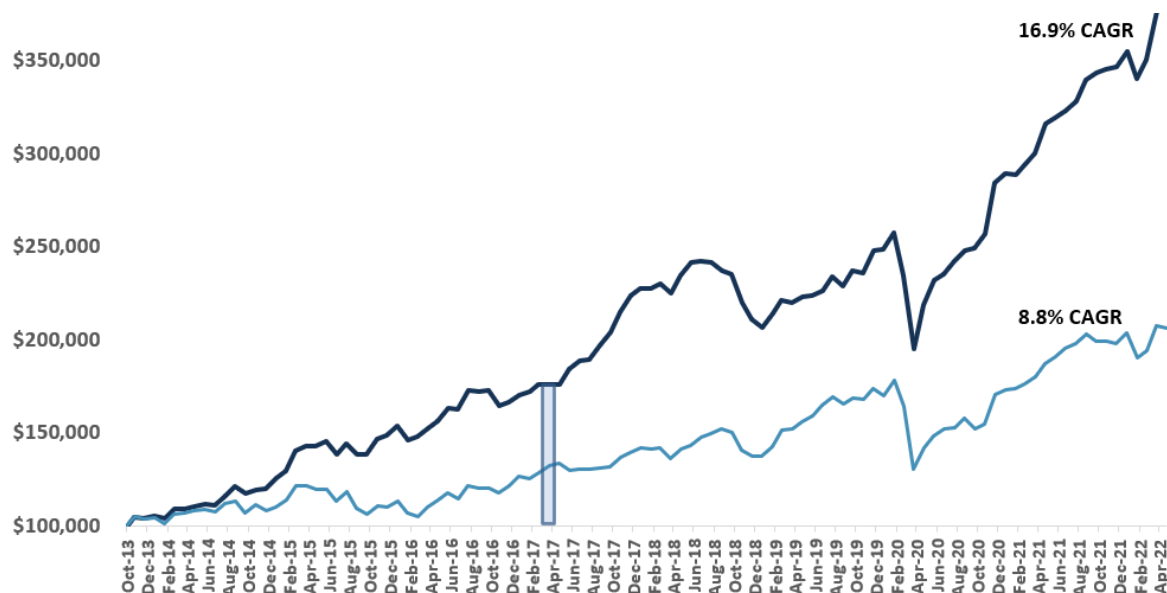
	FY14 (%) <sup>#</sup>	FY15 (%)	FY16 (%)	FY17 (%) <sup>*</sup>	FY18 (%)	FY19 (%)	FY20 (%)	FY21 (%)	FY22 (%)	Since Incep (%)
Same Strategy (after MER)	+11.2	+24.5	+17.4	+11.2	+28.3	-6.4	+3.9	+37.2	+18.4	+16.9
S&P/ASX 300 Accum Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+28.5	+5.3	+8.8
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+8.7	+13.1	+8.1

<sup>#</sup> 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.

<sup>\*</sup> 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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