Chester Asset Management

Focus. Diligence. Passion.

Formed in 2017, Chester Asset Management is a dedicated high conviction equity fund manager led by Portfolio Manager Rob Tucker.

Rob is supported by two experienced investors, and all three members worked together at a previous fund manager where a similar-styled investment fund was offered. Chester is 100% owned by its staff, who also invest in the fund alongside Chester clients.

Chester’s investment team have enjoyed a successful previous track record together and they stand apart from most competitors by blending high conviction Australian equity capability with a defensive sleeve in a holistic concentrated solution.

As a boutique fund manager with a high active share, Chester seek to invest in companies that display sustainable earnings growth which is characterised by free cash flow growth. A margin of safety in valuation terms is also sought as capital preservation is a key focus for the fund.

Chester High Conviction Fund
Fact Sheet

Fund at a glance

Fund Manager	Chester Asset Management
Responsible Entity	Copia Investment Partners
Inception	April 2017
Objective	To outperform the ASX300 Accumulation Index by 5% on a rolling 3-year basis
Distribution	Half-yearly
Number of stocks	30-35
Investment strategy	High conviction Australian equities with a defensive sleeve to help preserve capital
Style	Tilt towards quality and growth, but with an emphasis on a valuation margin of safety
Tracking error target	5-10%
Management fee	0.95% p.a.
Performance fee	15% of benchmark outperformance
High water mark	Yes
Investment universe	Typically largest 300 companies listed on the ASX. Can allocate up to 10% in non-index positions
Active share	70-90%
External ratings	Lonsec “Recommended”, Zenith "Recommended"
Platform placement	Netwealth, Praemium, Powerwrap, Linear, BT Panorama, Hub24, North, CFS First Wrap, Expand, Macquarie & Mason Stevens

What is the Chester High Conviction Fund?

The Chester High Conviction Fund is designed to deliver long-term risk adjusted performance above the S&P/ASX 300 Accumulation Index with a secondary focus on capital preservation.

The Fund seeks to invest in companies that can display growth in sustainable earnings and free cash flow. The investment universe includes the top 300 companies listed on the ASX with a competitive advantage. The Fund can also invest up to 10% in non-index positions

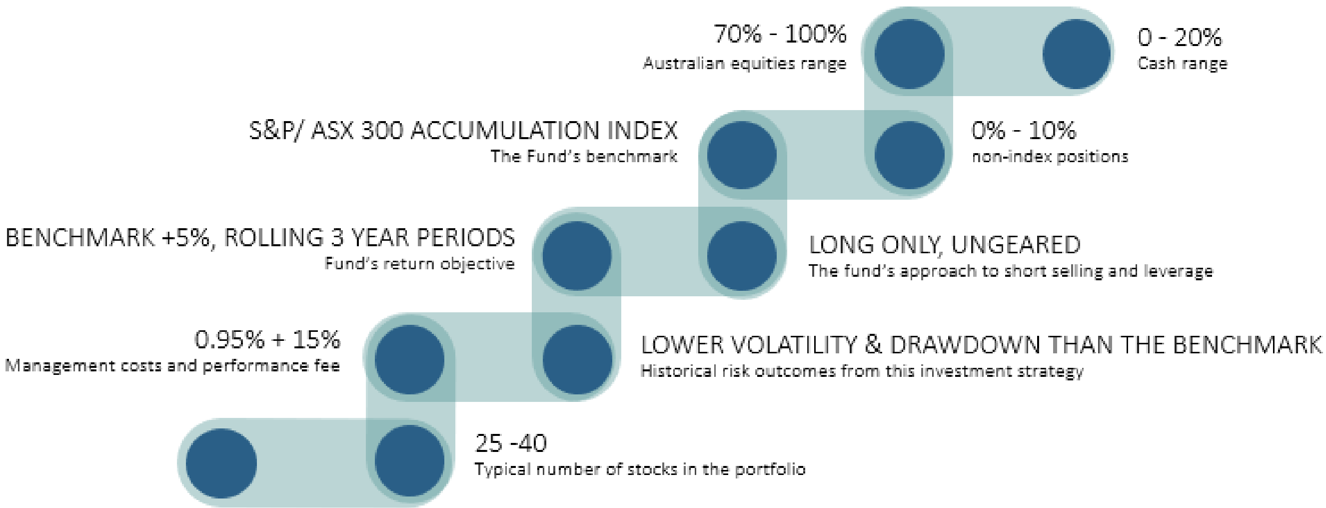
The investor benefits of the Fund include:

- Gain exposure to a concentrated portfolio of outstanding Australian investment opportunities
- Opportunity to diversify your portfolio with a benchmark unaware strategy and complement your core Australian equity holdings
- The team focuses on managing risk and preserving your capital with a defensive sleeve built into the investment process

Investment philosophy

There are five key pillars to Chester’s investment philosophy, which drives the investment process

1. **Inefficiency**
   We believe investor biases and other market forces often create a disconnect between stock prices and intrinsic values
2. **Cash Flow**
   We believe sustainable earnings growth is reflected in an ability to generate free cash flow and therefore dividend growth
3. **Conviction**
   We allocate capital to ideas where we have conviction and we understand the business. Complexity can add risk and is a distraction.
4. **Valuation**
   Although we invest in quality businesses where we have insight, valuation support is critical to ensure we have an appropriate margin of safety.
5. **Preservation**
   We believe we can mitigate company-specific risk to some extent by focusing on three key risks in investing (operating, financial and corporate governance risk).



Investment approach

Chester's investment process provides a disciplined framework for investment ideas to be captured and translated into portfolio positions that are profitable for investors. There are three key phases in the investment process.

1. Idea Generation

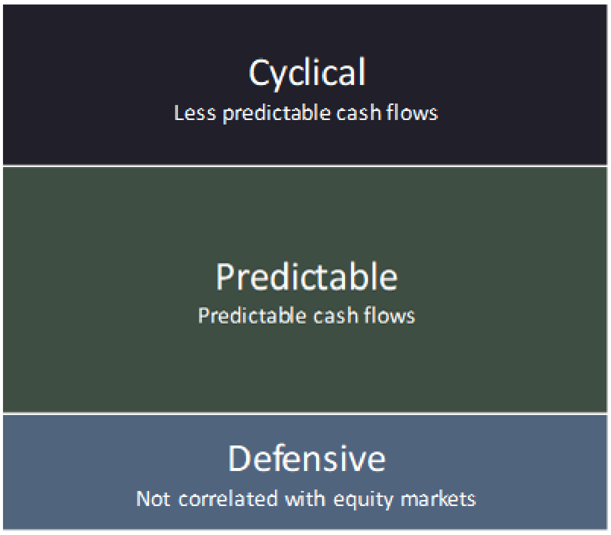
The investment team are constantly on the look-out for new investment ideas. At a top down level, thematic trends and sector themes provide a rich stream of new ideas, and typically the trends are cross-referenced or proven with bottom-up intelligence gained from company and industry meetings.

- Technology advancement
- Changing consumption trends
- Government debt levels
- Globalisation
- Aging populations

A Chester screening model helps the team identify which ideas qualify for further research and investigation.

2. Research

The investment team define each company they research as either:
Predictables Companies with relatively predictable free cash flows
Cyclicals Companies with less predictable cyclical free cash flow
Defensives Companies and holdings that are not correlated with the sharemarket

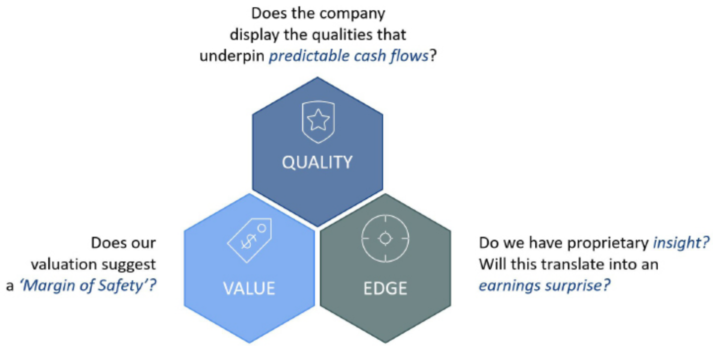


Within each company type are industry sectors such as financials for Predictables, energy for Cyclicals and gold for Defensives.

The investment team can dial up the weighting of the portfolio to Defensives in times of market stress, and vice versa when valuations are attractive. This acts as a defensive sleeve to help protect investor capital during drawdown phases.

Each company type also has an association with life cycle principals. Predictables are dominated by mature companies and a high representation of growth companies. Cyclicals have a mix of mature, growth and emerging companies while the Defensive category is highly represented by emerging companies.

In their qualitative assessment of each company, the investment team consider three factors: quality, value and edge. The relative importance of these factors is different for each company type.



3. Portfolio construction

From a universe of 300 Australian stocks, the investment team define a watch list of up to 80 stocks, with the portfolio typically holding about 30-35 stocks.

The process to build the portfolio is driven by the interaction between company lifecycle weightings, sector allocations and underlying stock selection.

Although the portfolio is concentrated in nature, there are position limits in place to help ensure stock risk is mitigated and diversification is maintained within investment guidelines,

The largest stock position is limited to 10% of the portfolio, and that applies to an Australian large cap company that is attractively priced and where the investment team have the highest conviction. Companies with a smaller capitalisation will have lower maximum limit of 5%.

> *"We believe investor biases and other market forces often create a disconnect between stock prices and intrinsic values."*
>
> **Rob Tucker**
> **Managing Director**

Chester investment team

Rob Tucker

BCom (Accounting & Psychology), GradDipAppFin&Inv, CFA

Rob Tucker has over 18 years experience in investment management. He founded Chester Asset Management in April 2017 after working at SG Hiscock for 7 years and before that HSBC Asset Management for 9 years. He spent 5 years in Hong Kong managing money for HSBC where he delivered strong returns for his institutional clients. Prior to this Rob started his finance career at Merrill Lynch.

Anthony Kavanagh

BCom (Corporate Finance & Accounting), CA, GradDipAppFin&Inv, CFA

Anthony Kavanagh has over 8 years experience in investment management. He co-founded Chester Asset Management in April 2017 after working with SG Hiscock for 4 years from Core Energy where he advised institutional clients on energy investments including SG Hiscock. Prior to this Anthony was an Assistant Manager at KPMG.

Luke Howard

BCom (Finance), BA (History), CFA

Luke joined Chester Asset Management in February 2018 having spent the previous 6+ years working at SG Hiscock & Company. As an investment analyst Luke worked on the SGH Australia Plus and SGH20 funds at SG Hiscock and assumed primary company research coverage across the consumer, industrials, telecommunications, media and IT sectors during his tenure. In addition to his work on ASX listed companies Luke worked closely with Rob Tucker researching listed Asian companies in support of the SGH Australia Plus strategy that selectively invested across the region.

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