Total returns

At 28 February 2019	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	Incep. % p.a. (27 Apr 2017)	Incep. % (27 Apr 2017)
Chester High Conviction Fund	**+3.31**	**+5.03**	**-6.63**	**-3.77**	**N/A**	**+10.56**	**+20.27**
S&P/ASX 300 Accumulation Index	+6.01	+9.86	-0.35	+6.80	N/A	+6.98	+13.22
Outperformance	-2.70	-4.83	-6.28	-10.57	N/A	+3.58	+7.06

"Even if you are on the right track, you'll get run over if you just sit there."
Will Rogers

Month in review

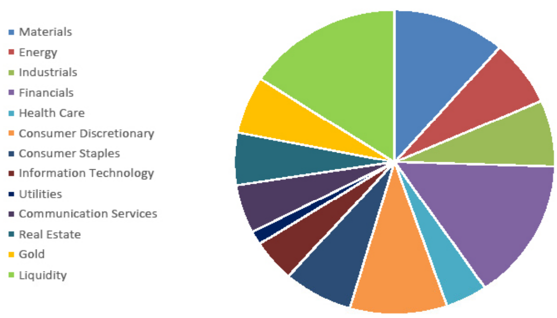
Investing is quite simple, it has been this way since Alan Greenspan introduced his "Greenspan Put" in 2001, cutting interest rates to prop up the stock market. Don't fight the Fed. Jay Powell changed his language to dovish early in 2019 from a hawkish stance in December 2018, and voila, equity markets globally rallied 10% or more in the first 2 months of the year. We are the first to admit, we didn't see this coming, and have potentially reacted (in hindsight) too slowly.

The primary driver appears to be the markets willingness to concede no more interest rate increases this year, in which case bad economic data is good for the stock market. We have been less convinced the US tightening cycle is over (and therefore slower to react), as large parts of the economy are still performing well, while wage growth continues higher.

Clearly the Australian market has taken the view that bad news is good news. Meaning as interest rate cuts start being talked about in mid 2019 to stave off the weakening credit growth and property slowdown, lower interest rates have been taken as very positive for the long duration assets in Australia (Infrastructure, REITS, insurers and technology). The hunt for yield or earnings momentum has driven a very powerful rally in certain sectors of the market, while the supply shock to the global iron ore market courtesy of the Brazilian tailings dam disaster has seen a significant repricing of iron ore in the short term, leading to significant performance from Australia's largest iron ore miners.

Briefly, our takeaway from the recent reporting season has been the relatively weak earnings momentum (in aggregate) with only really significant changes in mining (outlined above) and certain technology names. We find the influence of quant based momentum strategies perplexing. We will outline in more detail in our next Quarterly our thinking around the technology sector as to why you have to be very discerning as to how to invest in the sector with valuations offering no margin of safety at all.

Fund sector weights



Portfolio review

Our investing framework and portfolio construction has been very consistent for the past 5 and a half years. The bulk of the fund is invested in sectors and stocks where we see predictable cash flows within a framework based around the business quality, while a smaller portion is invested in cyclical stocks where we see significant valuation support. We have always allocated capital towards defensive assets (cash, gold, ETFs) where we see merits in generating non correlated returns. For the month, the Chester High Conviction Fund (CHCF) delivered a 3.3% return after fees, underperforming the ASX300 Accumulation Index which returned 6%. The fund is highly benchmark unaware, which by default means the returns can differ markedly from the benchmark. The fund has always allocated a portion of its capital (around 10-20%) in smaller cap companies where we see significant valuation support and favorable risk reward dynamics. We do note though that the lack of liquidity in some of these smaller names has seen them lag the overall market rally in 2019.

Gold Road Resources (GOR) continued to perform in February, while we reduced our exposure into the strength. Speedcast rebounded from significantly oversold levels after a result that confirmed 2019 earnings were on track. Synlait Milk (SM1) rebounded after A2 Milk posted a strong result, where SM1 is the processor of all A2 Infant formula. The underperforming stocks in February were led by Capitol Health (CAJ) , which has been in the portfolio since inception. Unfortunately subdued radiology volumes led to a weaker December half year result, which leaves CAJ trading on 5x cash flow, a 40% discount to it's nearest peer. We don't think that gap is sustainable and expect industry tailwinds provided by new MRI funding should see an earnings recovery into 2019.

Australis is an Oil & Gas producer in onshore USA which raised capital on the back of a highly successful first well flow rate only to have technical issues with 2 of the next 3 wells, as part of a 10 well program. We will explore in depth this issue in the next Quarterly, but the stock has been declared guilty before having a chance to prove it's innocence. At 25c, we see a pathway to a valuation in the range of $1.50-2.00, but will remain one for the patient. The cash weighting is 10% and Asia is 7% of the fund.

Top 3 holdings
NAB
Tabcorp Holdings
Atlas Arteria

Portfolio breakdown	
Financials	15.0%
Materials	12.0%
Consumer Disc	9.8%

Top 3 portfolio attribution	Bottom 3 portfolio attribution
Gold Road Resources	Capitol Health
Speedcast International	Australis Oil & Gas
Synlait Milk	Unibail Rodamco Westfield

Past Performance - SGH Australia Plus Fund October 2013 - February 2017

	2013# %	2014 %	2015 %	2016 %	2017^ %	Total return % p.a.	Total return %
SGH Australia Plus	**5.68**	**19.38**	**22.05**	**10.73**	**3.25**	**18.16**	**76.05**
S&P/ASX 300 Accumulation Index	4.75	5.30	2.80	11.79	1.34	7.62	28.53
Outperformance	0.93	14.08	19.25	-1.06	1.91	10.54	47.52

#Inception date as the 8th of October 2013 ^First 2 months of 2017. After fees calculation includes both management fees and accrued performance fees.

Source: SGH Australia Plus unit price history, Bloomberg

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.

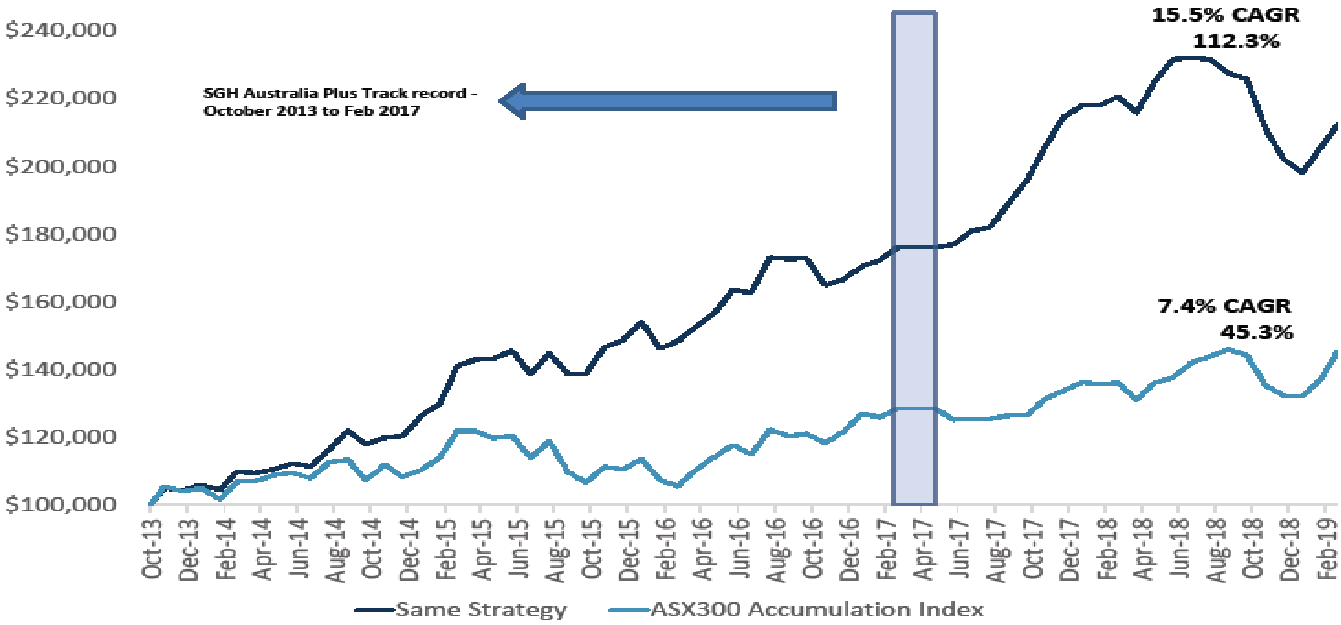
Past Performance - HSBC Australian Country Fund January 2005 - December 2009

	2005 %	2006 %	2007 %	2008 %	2009 %	Total return % p.a.	Total return %
HSBC Australian Country Funds (USD)	**18.44**	**31.25**	**35.33**	**-47.17**	**78.96**	**14.74**	**98.83**
S&P/ASX 300 Accumulation Index	15.42	31.18	27.80	-50.76	73.69	10.43	64.23
Outperformance	3.02	1.07	7.53	3.59	5.27	4.31	34.60

Source: HSBC Asset Management (formerly known as Halbis Capital Management). Performance is a combination of various institutional mandates that has been presented in a GIPS com¬pliant format.

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 HSBC Austra¬lian portfolios. Past performance is not necessarily indicative of future performance and should not be relied upon in making investment decisions. The HSBC Australian Funds were run on a benchmark aware basis with a 3% tracking error constraint, hence are not directly comparable to the Chester High Conviction Fund.

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.

Fund at a glance

Inception date	April 2017
Objective	To outperform the S&P/ASX300 Accumulation Index by 5% on a rolling 3-year time frame.
Fee	95bp base fee plus a 15% performance fee based on outperformance, after fees, of the benchmark. The performance fee is subject to a highwater mark
Style	Tilt towards quality and growth, but with an emphasis on a valuation margin of safety
Investment strategy	Invests in a concentrated portfolio of companies offering outstanding long term potential. A company's weighting is mainly determined by the likelihood of a company achieving superior returns over 5 years. The fund has a predominant bottom up stock picking style overlayed with portfolio diversification and risk controls.
Active share	This is the % of the portfolio that is different from the S&P/ASX 300 Index. This will range between 70-90%
Benchmark	9S&P/ASX 300 Accumulation Index
Number of holdings	Will range between 25-40 stocks with up to 20% invested in Asia
Investment universe	Generally within the largest 300 companies listed on the ASX, plus companies listed in Asia with a focus on Asian domestic consumption. This increases the investment universe by 40-50 investible stocks
Typical company characteristics	We look to invest in companies that display sustainable earnings growth which is characterised by free cash flow growth. We look for a valuation margin of safety as capital preservation is a key focus for the fund.
Risk guidelines	• Maximum stock weight: ◦ Large Cap = 8% soft, 10% hard ◦ Mid/Small Cap = 4% soft, 5% hard ◦ Asian Stocks = 2% soft, 3% hard • No less than 25 stocks, no more than 40 • Maximum active sector position = +20% GICS tier 2. That is no more than 20% over weight one industry sector. • Up to 100% invested in ASX300 stocks • Between 0% - 20% invested in Asian stocks • Between 0% - 20% invested in Cash • Expected Tracking Error 5% – 10% (but not limited) • Derivative overlay can be taken as portfolio protection

The Chester High Conviction Fund Competitive Advantage

1. Portfolio Managers with significant experience in Asia
2. Portfolio Managers with a proven long-term track record in stock selection and a small FUM starting base
3. Absolute alignment of interest between the portfolio managers and the clients as we invest alongside our unitholders

What is the Chester High Conviction Fund?

- It is a predominantly Australian equities portfolio with the right to invest up to 20% of its assets in Asia. It will hold between 25-40 stocks
- A Concentrated, high-conviction portfolio
- Highly Index unaware, with better sector diversification than the ASX300 universe
- Focus on risk adjusted returns and capital preservation
- Portfolio managed for after-tax returns

The Chester High Conviction Fund is a differentiated Australian equity fund in that it has the right, but not the obligation to invest in the highest quality companies listed in Asia, without necessarily taking full emerging market risk. We believe our experience in Asia, having visited China over 40 times in the past 13 years, gives us a unique insight into the most influential driver of the Australian equity and property markets. The approach is long-term, applying a high conviction methodology that seeks to optimise after-tax returns to investors.

The Chester High Conviction Fund is not bound by external indices, allowing the Fund to invest only in those companies that meet its strict investment criteria. While the fund will look very different to the benchmark ASX300 index, we believe it will offer greater sector diversification and therefore, over the long term, offer more appropriate returns for the level of risk investors are exposed to.

The Chester High Conviction Fund is run by Chester Asset Management as the Investment Manager, using Copia Investment Partners as the Responsible Entity and Trustee. NAB is the custodian of the assets.

A strong focus on capital preservation

The Chester High Conviction Fund will focus heavily on stock specific risk and assesses the operational, financial and corporate governance risks of each investment on its own merits.

Why include the Asian stocks?

1. We want access to the best quality companies in Asia, at the right price. It is the choice, but not the obligation to invest in emerging companies with strong local franchises.
2. The strong rise in the sheer number of Asians entering the middle class and the growth in disposable income suggests that this is a multiyear trend that is very hard to access by restricting the investible universe to Australian listed stocks.
3. Investors appropriately diversify their portfolio by enhancing returns with a focus on the domestic demand thematic within Asia.
4. It offers Australian investors a wider opportunity set without the requirement to have money invested in Asia through a pooled vehicle.

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