



## Total returns

At 31 October 2020	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	Incep. % p.a. (26 Apr 2017)
Chester High Conviction Fund (after fees)	3.0	6.1	17.5	8.9	6.1	10.0
S&P/ASX 300 Accumulation Index	1.9	1.2	9.1	-7.9	4.2	4.3
<b>Outperformance (after all fees)</b>	<b>+1.1</b>	<b>+4.9</b>	<b>+8.4</b>	<b>+16.8</b>	<b>+1.9</b>	<b>+5.7</b>

*“The intelligent investor is a realist who sells to optimists and buys from pessimists.”*

**Ben Graham**

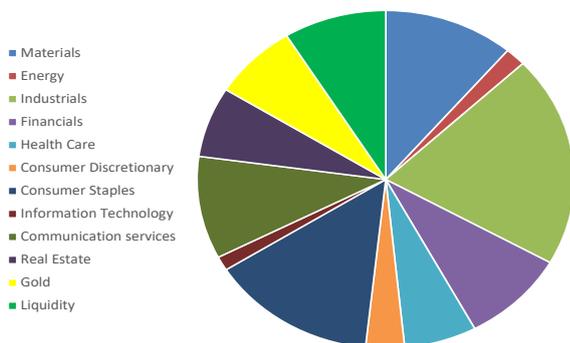
## Month in review

The US election has been decided (although not conceded). We note when society is happy and prosperous, voter turn out is low (42% in 1996), while 2020 has seen the largest voter turn out in 120 years (67%), suggesting the opposite is true today. Our hope would be that the next 4 year political cycle is more predictable than the past 4 years. It appears that (at the time of writing) a Democratic president combined with a Republican controlled senate suggests that the extreme ideology of both sides will not carry the day in Washington, which augurs well for stability, if not gridlock.

It possibly restores the influence of the Federal Reserve, as in the absence of any significant stimulus package in the coming weeks, the policy direction of the Fed once again takes centre stage.

The optimist in us hopes the fear and uncertainty of 2020 can be left behind with prosperity and recovery ahead of us into 2021. For this to happen, stability will be important, as will a vaccine for COVID-19, which appears the only avenue for business confidence and “normalisation” to occur, where we remain hopeful of this eventuating in 2021. As of this week, this appears closer than ever. Clearly the recent second waves of COVID-19 cases in Europe and the US suggests the “reopening” of economies remains slower than we would have expected 8 weeks ago. We do feel there is the prospect of renewed capital flows into Australia, supporting the ASX300. As an island nation that has effectively all but eradicated COVID, we have a stable government with aggressive fiscal and monetary policy settings that should hold us in good stead as we look to recover from the lockdowns in 2021. President Trump’s last 10 weeks in office remains the wildcard for global asset prices.

## Fund sector weights



## Portfolio review

For the month of October, the fund returned 3.0%, relative to the ASX300 Accumulation Index return of 1.9%. This strategy has been run for 7 years now, and much of our attribution has been derived from what we consider to be unloved or undervalued assets. We have been somewhat surprised by the ongoing strength of momentum in both directions, where strong share price momentum supports stronger share prices and conversely, weaker share prices beget weaker share prices, all at the expense of the actual fundamentals of the underlying cash flows. We have a significant number of companies (unfortunately) trading near 52 week lows, that look very compelling to us on a 2-3 year view. Hence we remain excited by the opportunities the portfolio has over the next 2-3 years, regardless of the economic backdrop.

The largest contributor to performance in October was the IPO of Aussie Broadband (ABB) a company that we have followed for a significant period of time and remain very positive on. We see continued momentum in the customer base that (we believe) still sees material upside to the share price over the next 2-3 years. Lynas Corp (LYC) has been another company where we retain a high conviction view regarding the strategic nature of their asset base in providing an alternative source of rare earths to the US and Europe outside China.

OceanaGold (OGC) would prefer to skip 2020 as while they have confirmed a stronger production growth trajectory over the medium term, the short term has been marred by business continuity from COVID-19 in the US and an unresolved mining licence (FTAA) renewal in the Philippines, neither of which take away from the significant discount to its asset base with a strengthened balance sheet. Austal (ASB) appears to have been sold off on concerns over a payment from the Australian Border Force on the delivery of several Naval Ships in 2015. Our understanding is that this (AUD39m) payment was a contracted milestone payment for ASB delivering ships into contracts in 2015. The optionality for ASB with new tenders in the USA looks very compelling to us, while over 25% of ASB’s market cap in cash. The liquidity position at the end of October was 8.8%.

Top 3 holdings		Portfolio breakdown	
Aussie Broadband		Industrials	20.2%
Downer EDI Limited		Consumer Staples	14.3%
Woolworths Limited		Materials	11.9%
Top 3 portfolio attribution		Bottom 3 portfolio attribution	
Aussie Broadband		OceanaGold	
Lynas Corporation		Austal Limited	
Lend Lease Group		Aurizon Holdings	



### Accumulated Performance by Financial Year - Same Strategy

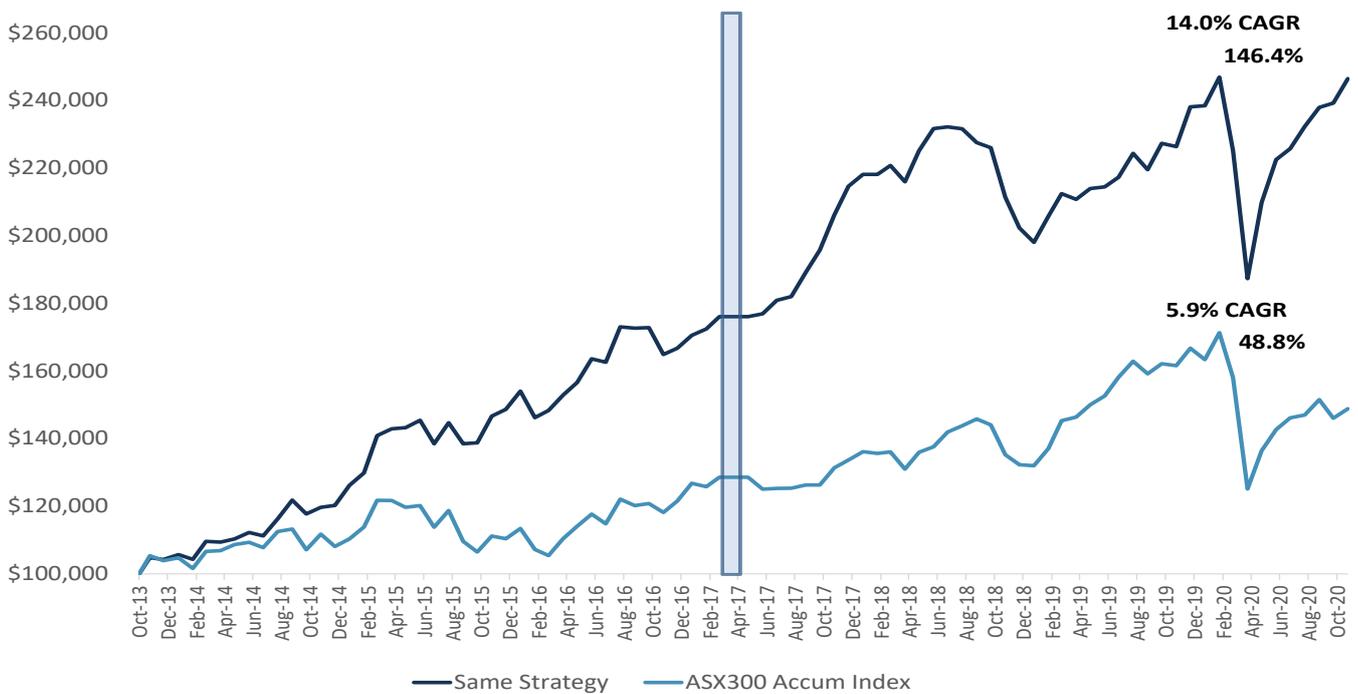
	FY14 (%)#	FY15 (%)	FY16 (%)	FY17 (%)*	FY18 (%)	FY19 (%)	FY20 (%)	FY21 (%)	Since Inception (%) p.a.
Same Strategy (after MER)	+11.2	+24.5	+17.4	+11.2	+28.3	-6.4	+3.9	+9.1	+14.0
S&P/ASX 300 Accumulation Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+1.8	+5.9
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+7.3	+8.1

# 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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