



Fund Performance

At 31 August 2021	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a.	4 yrs % p.a.	Incep. % p.a. (27 Apr 2017)
Chester High Conviction Fund (after fees)	3.5	6.4	15.5	37.0	21.9	12.7	14.6	15.2
S&P/ASX 300 Accumulation Index	2.6	6.1	15.1	28.6	10.6	10.1	11.4	10.1
Outperformance (after all fees)	+0.9	+0.3	+0.4	+8.4	+11.3	+2.6	+3.1	+5.1

"If you do not take an interest in the affairs of your government, then you are doomed to live under the rule of fools."

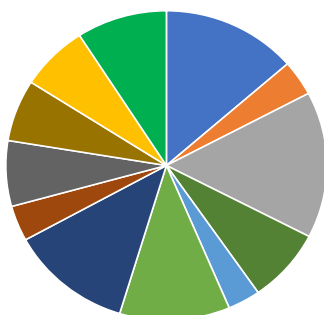
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Month in review

Reporting season is always arduous in terms of the information content that gets distributed in a very short space of time. But we must confess, we enjoy it relative to the alternative, which is no news flow and macro forces determining the direction of individual stocks. The backdrop of Australia's two biggest cities in lockdown did paint an interesting picture given the lack of confidence of many companies providing guidance for the upcoming year and broadly speaking, the obvious caution regarding the outlook. Cost inflation led by freight costs looks to be more embedded than many people had previously assumed. There does appear to be an air pocket of consumption in the current quarter given there is only so many home offices you can set up, while most people have enough leisure wear to get them through to 2024. There will be, as we are witnessing in the Northern Hemisphere, huge pent up demand for experiences and just "living", thus we do believe better days are ahead of us.

Generally we found there to be a haphazard treatment of COVID "winners" and "losers". Some COVID winners (like DMP) continued to re-rate ever higher, while some were sold on the prospect of passing a cyclical peak (JBH). Investors continue to look through the earnings valley of some COVID losers to more prosperous times ahead (QAN, RHC), while others were sold off on weaker earnings and uncertainty around the weakness being due to cyclical or structural reasons (LLC, UMG, A2M). Every asset class is enjoying a strong 2021, except gold. The ultimate non-correlated trade. We suspect that there will be a time it starts outperforming (with market volatility), while global gold miners are still trading 50% below their 2011 peak.

Fund sector weights



■ Materials ■ Energy ■ Industrials ■ Financials
■ Health Care ■ Consumer Discretionary ■ Consumer Staples ■ Utilities
■ Communication services ■ Real Estate ■ Gold ■ Cash

Portfolio review

For the month of August the fund returned 3.5%, relative to the ASX300 Accumulation Index return of 2.6%. We did view reporting season to be relatively stock specific from a performance perspective, where we were pleased, in aggregate, as to how the portfolio was positioned. Aussie Broadband (ABB) has been a very strong performer for the fund over the past 12 months, but it continues to prove its business model, which is simply delivering a high quality broadband product with exceptional customer service. It is the customer service piece that has seen ABB continue to win market share at the expense of larger incumbents. At the end of FY21 ABB had approx 400k subscribers, but has already added at least 70k subscribers in 1H 22 (including white label customers), showing the business model is being more widely adopted. Downer (DOW) has been one for the patient, but ultimately the 2020 decision to simplify the business into a pure urban services model has paid dividends, with the free cash generation proving the model works and has led to a share price re-rating. We still believe the DOW share price is undervaluing the cash flows that are now relatively predictable in nature, albeit somewhat impacted in the short term by lockdowns.

We must confess we have had to do a mea culpa on the ASB (Austal) investment as it hasn't worked to date. What did we get wrong? Ultimately the market is only focusing on the earnings declining over the next 2 years as the US Navy program of building the Littoral Combat Ship (LCS) comes to an end. We have been more sanguine on ASB as we have been of the view that the US Government's USD50m investment in the ASB shipbuilding facility in Alabama is a sign of confidence that ASB will win some of the USD500bn of contracts to be awarded by the US Navy and Coast Guard over the next 5 years. It has been widely praised for the delivery of the LCS program over the past 10 years. ASB is currently a AUD700m mkt cap company with AUD250m in cash on the balance sheet. It will generate roughly AUD30-40m in EBIT p.a. from maintenance contracts servicing the ships it has previously delivered. It currently trades at 80% of book value. It probably doesn't re-rate aggressively until a new long term contract is signed, but we think very much that the worst is now behind it. Mineral Resources (MIN) saw profit taking, as did the entire iron ore sector in August as the iron ore price finally showed signs of fatigue. It remains a portfolio holding, but a smaller one.

Top 3 holdings	Portfolio breakdown	
Tabcorp Holdings	Industrials	15.3%
News Corp	Materials	13.6%
Macquarie Group	Consumer Staples	12.3%
Top 3 portfolio attribution	Bottom 3 portfolio attribution	
Aussie Broadband	Austal Pty Ltd	
Downer Ltd	Mineral Resources	
Ioneer	Synlait Milk	



Accumulated Performance by Financial Year - Same Strategy

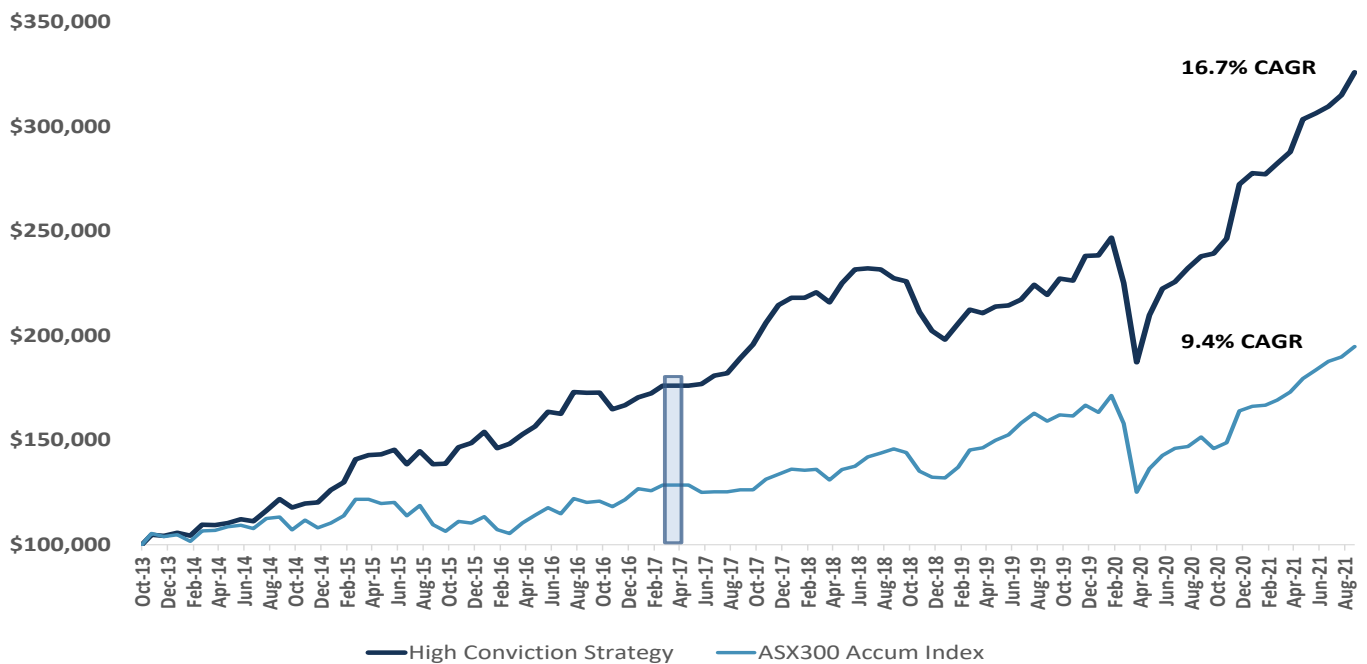
	FY14 (%)#	FY15 (%)	FY16 (%)	FY17 (%)*	FY18 (%)	FY19 (%)	FY20 (%)	FY21 (%)	FY22 (%)	Since Inception (%) p.a.
Same Strategy (after MER)	+11.2	+24.5	+17.4	+11.2	+28.3	-6.4	+3.9	+35.7	+5.4	+16.7
S&P/ASX 300 Accumulation Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+25.7	+3.8	+9.4
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+10.1	+1.6	+7.3

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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