Chester High Conviction Fund

Fund Update

July 2026

APIR OPS7755AU
ARSN OPS7755AU

At 31 July 2026	1 mth %	3 mths %	6 mths %	1 yr %	3 yr % p.a.	5 yr % p.a	7 yr % p.a.	Incep. % p.a. *
Chester High Conviction Fund (after fees)	0.0	-0.1	-4.6	4.6	10.2	9.5	12.0	11.8
S&P/ASX 300 Accumulation Index	2.1	-4.0	2.4	5.8	10.3	7.8	7.8	8.6
Outperformance (after all fees)	-2.1	-4.1	-7.0	-1.2	-0.1	+1.7	+4.2	+3.2

* 27 Apr 2017

"You have to choose (as a voter) between trusting to the natural stability of gold and the natural stability of the honesty and intelligence of the members of the Government. And, with due respect for these gentlemen, I advise you, as long as the Capitalist system lasts, to vote for gold" George Bernard Shaw

Month in review

We discussed in our recent quarterly the four major investment themes in 2026. These are 1/ Hardware for building out data centres for the AI era (semi-conductors), which continues to drive the global eps revision cycle upwards. It is difficult to see a bull market finish when eps momentum is so strong, regardless of our longer term caution as to how this ends. 2/ The Iran conflict, which may (or may not) be closer to a resolution, which has justifiably created much uncertainty as to the direction of oil and all the associated oil derivatives (starting with diesel and fertilisers), which leads to inherent uncertainty as to the future of inflation expectations. 3/ The Australian budget which has ushered in a period of low confidence in the Australian housing market, witnessed by clearance rates and monthly house price movements. And finally 4/ The relentless rise of passive investing, which has (to the end of July) seen the ASX20 Leaders deliver a 12% rise for the calendar YTD, relative to the ASX Small Cap universe, which has fallen 11% over the same period. Extreme divergence which suggests to us a significant crowding in certain stocks (ASX top 20 names are trading at 40% premium to their long run average) at a time where we believe the fundamentals are deteriorating for this part of the market.

In our view, the conditions precedent to a reversal of this crowding will be increased confidence that the interest rate cycle is no longer going up. While it is possible the RBA raises rates on inflation concerns, given the retail and housing feedback over the past 8 weeks, we are inclined to believe the RBA may be on hold in the foreseeable future. Given the historic dispersion between the ASX leaders and the rest of the market, it doesn't take much for a reversal to take place, as witnessed in the first week of August. We also appreciate the Iran conflict uncertainty has seen capital flow into the larger liquid parts of the market. This too, can reverse quickly. The unintended consequence of any Iran resolution in the short term may be the faltering confidence in the US dollar as a global reserve currency. If the US doesn't control the global trading routes as it has done implicitly for the past 80 years, the value of the US Dollar we think is called into question (as it has been by Chinese gold buying for the past 4 years). We have continued to hold our position in gold despite a poor 6 month period as we believe the deteriorating fiscal position of the US will ultimately be more influential to the gold price direction than increasing US real rates. The prospect of seeing a peak in US real rates is supported by weak US payrolls data..

Portfolio review

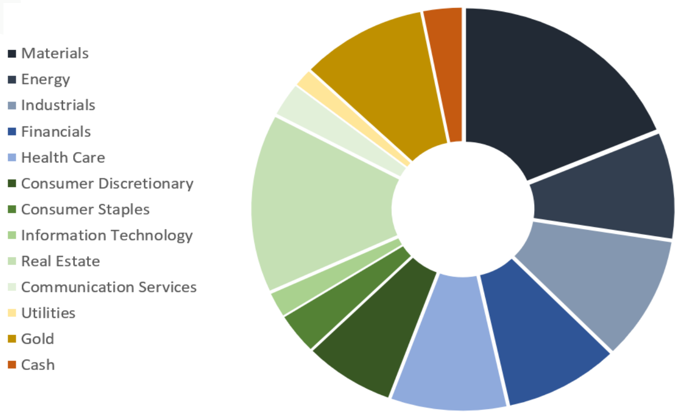
During the month the fund returned 0.0% relative to the 2.1% rise in the ASX300. Outperformers for the month were led by Nufarm (NUF). We remain of the view that this seeds portfolio is undervalued given the earnings trajectory over the next 3 years. Crop protection has also shown improved discipline around the product mix and working capital that highlights NUF is well on the way to achieving better returns with lower leverage, that is yet to be rewarded by the share price. Ampol (ALD) had a strong July given the renewed conflict in Iran and the subsequent rise in refining margins. ALD will earn over AUD800mn in excess profits in CY26, much of which is likely to find its way back to shareholders. Our view remains that there has been such structural damage done to the Middle East and Russian refineries that refining margins will remain structurally higher for the foreseeable future, even with the prospect of a resolution.

The underperformers for the month were led by Develop Global (DVP). We believe the market has incorrectly adjusted the cost base of Woodlawn (DVP's producing asset in NSW) too high, while the base metals complex and TC/RCs are providing a very strong backdrop for FY27 earnings. Based on this belief, our internal projections for DVP sit 20% higher than the market for FY27. Despite this, DVP will also deliver two more projects in the next 2 years that will significantly increase earnings over the medium term. DVP is an AUD1.7bn company that is estimated (in our view) to generate over AUD600m in EBITDA once all three projects have been delivered. We believe there is ample scope for DVP to rerate over this time frame. Lynas (LYC) fell 24% in July on the back of a softer production quarter, where the company has outlined a detailed explanation of how this is being addressed. Given the geopolitical risk of sourcing rare earths from China (which is increasing), LYC has rebounded 17% in the first week in August and remains significantly below our valuation.

Top 3 holdings	Portfolio breakdown	
Nufarm	Materials ex Gold	18.8%
AUB Group	Real Estate	14.6%
Light & Wonder	Industrials	10.1%

Top 3 portfolio attribution	Bottom 3 portfolio attribution
Nufarm	Develop Global
Ampol	Lynas
Eureka Group	Lend Lease

Fund weights - diverse sector exposure



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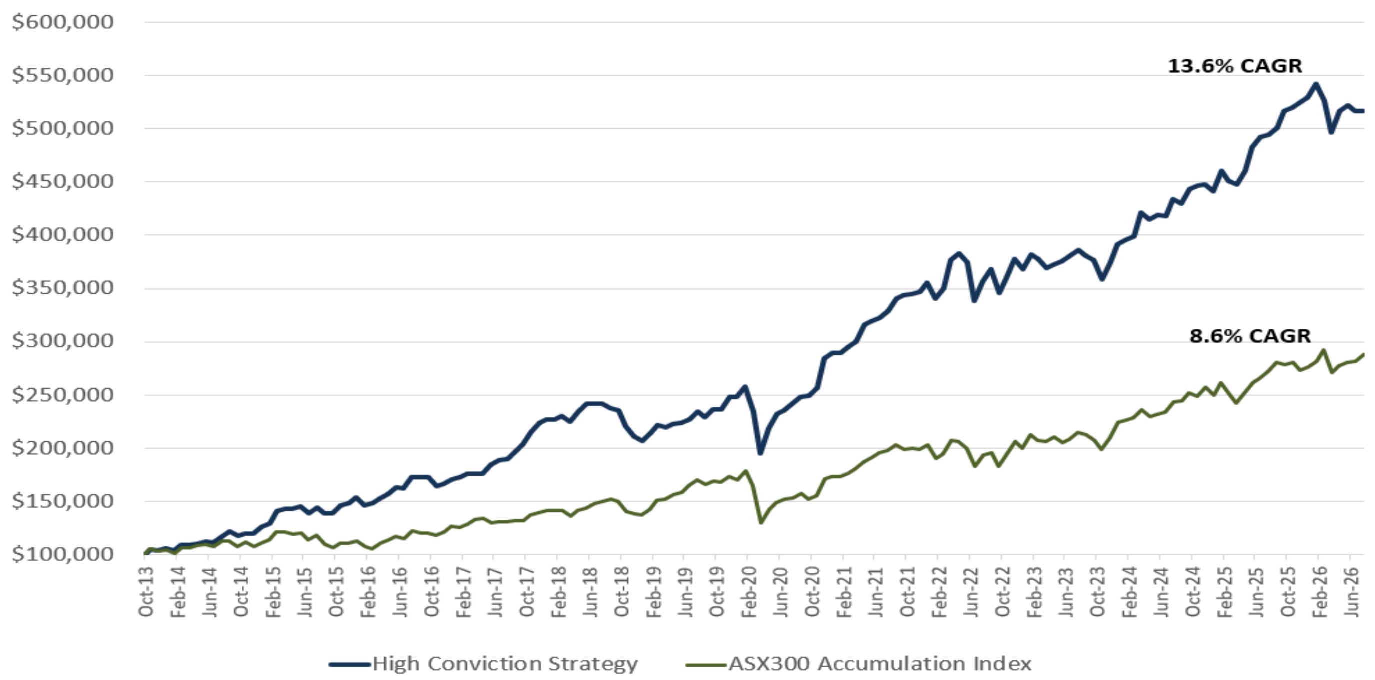
Accumulated Performance by Financial Year - Same Strategy

	FY14 (%)#	FY15 (%)	FY16 (%)	FY17 (%)*	FY18 (%)	FY19 (%)	FY20 (%)	FY21 (%)	FY22 (%)	FY23 (%)	FY24 (%)	FY25 (%)	FY26 (%)	FY27 (%)	Inc (%)
Same Strategy (after MER)	+11.2	+24.5	+17.4	+11.2	+28.3	-6.4	+3.9	+37.2	+4.8	+12.5	+9.7	+17.9	+5.0	0.0	+13.6
S&P/ASX 300 Accum Index	+7.8	+5.6	+0.9	+9.1	+13.2	+11.4	-7.7	+28.5	-6.8	+14.4	+11.9	+13.7	+6.2	+2.1	+8.6
Value added (after MER)	+3.5	+18.9	+16.4	+2.1	+15.1	-17.8	+11.6	+8.7	+11.6	-1.9	-2.2	+4.2	-1.2	-2.1	+5.0

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.
* 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.



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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