



	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	3 years % p.a.	Inception % p.a.
CHESTER HCF (after MER)	+2.92	+4.94	+7.95	+30.95	na	na	+28.30
S&P/ASX 300 Accumulation Index	+1.19	+1.10	+2.93	+9.99	na	na	+6.58
Value added (after MER)	+1.73	+3.84	+5.02	+20.96	na	na	+21.72

Note Inception date as the 27th of April, 2017. After fees calculations includes both management fees and accrued performance fees for the period.

The NAV as of the 31st of May 2018 was \$1.3117. Note the spread between the application and redemption price is 30bps.

"The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low and achieving our mark."

Michelangelo

The Month in Review

Global markets had a strong May, reversing the seasonal bias of selling in May and going away. US economic leadership continued to strengthen, with a robust employment report seeing the lowest unemployment rate (3.8%) in the US since 1969. This labour market strength appears to be finally flowing through to wage growth across most industries and suggesting the current expectation of the pace of interest rate hikes will be met. With the next Fed meeting in mid June, a rate hike seems a formality.

While US and Chinese economic data remains upbeat, (China remains almost eerily stable) the Italian election has bought more focus on what a coalition government would look like in Italy, which to some commentators, suggests a shift away from pro Euro policies and the Eurozone. Italian bonds reacted poorly with an aggressive sell off. While the short term risk appears to have been mitigated somewhat with the appointment of a less inflammatory finance minister, Italy appears to be the focus of a shift in risk appetite, being a crucial component to Eurozone stability.

The outcome from an asset market perspective saw a flight to quality (capital flowing out of Europe into US 10 year bonds), meaning US yields fell somewhat counterintuitively even as the economic data suggested further rate hikes.

The bond market move was interpreted as positive for risk assets, while market leadership remains firmly on the side of growth stocks and the technology names, which also permeated its way into the Australian market.

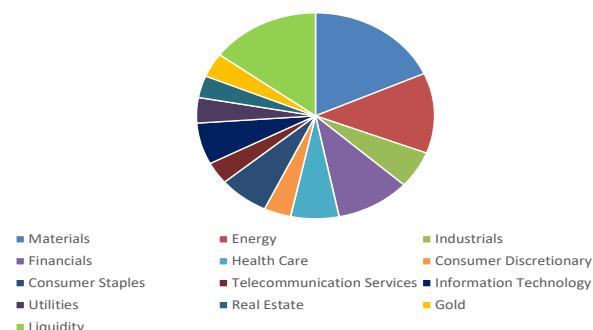
Domestically the month of May is historically a confession season, with companies most likely to revise earnings down for the full year doing so in May. This year, we saw individual companies disappoint, but in aggregate, we interpret the lack of material downgrades as a constructive sign for earnings quality. We note any downturn in the housing market is yet to impact the broader economy, but appears the most significant risk to us.

The Portfolio

We focus most of our attention on cash flow generation, either predictable cash flow generation, or we believe the market is significantly discounting the cash flows (or future cash flows) being generated by a specific company. For the month, the Chester High Conviction Fund (CHCF) delivered a 2.8% return after fees, relative to the 1.2% gain in the ASX300 Accumulation Index.

The stocks that provided positive attribution in April were led by Sino Gas, a long held position that received a takeover offer. We are waiting on further information to determine if the bid is fair and reasonable, so have not reacted yet. CSL upgraded FY18 earnings which we had expected since their conservative guidance in February. New Century fell after raising capital, but remains, in our view, the cheapest cash generator we can find. It starts producing zinc in 8 weeks with 100% upside to our valuation. Liquidity is 15%.

Chester High Conviction Fund Sector Weights



Top 3 Holdings	Portfolio Breakdown		Top 3 Portfolio Attribution	Bottom 3 Portfolio Attribution
Sino Gas & Energy	Materials (ex Gold)	18.3%	Sino Gas & Energy	New Century Resources
CSL Limited	Energy	12.6%	CSL Limited	Gold Road
Origin Energy	Financials	10.1%	Macquarie Group	Lynas Corp



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

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

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.

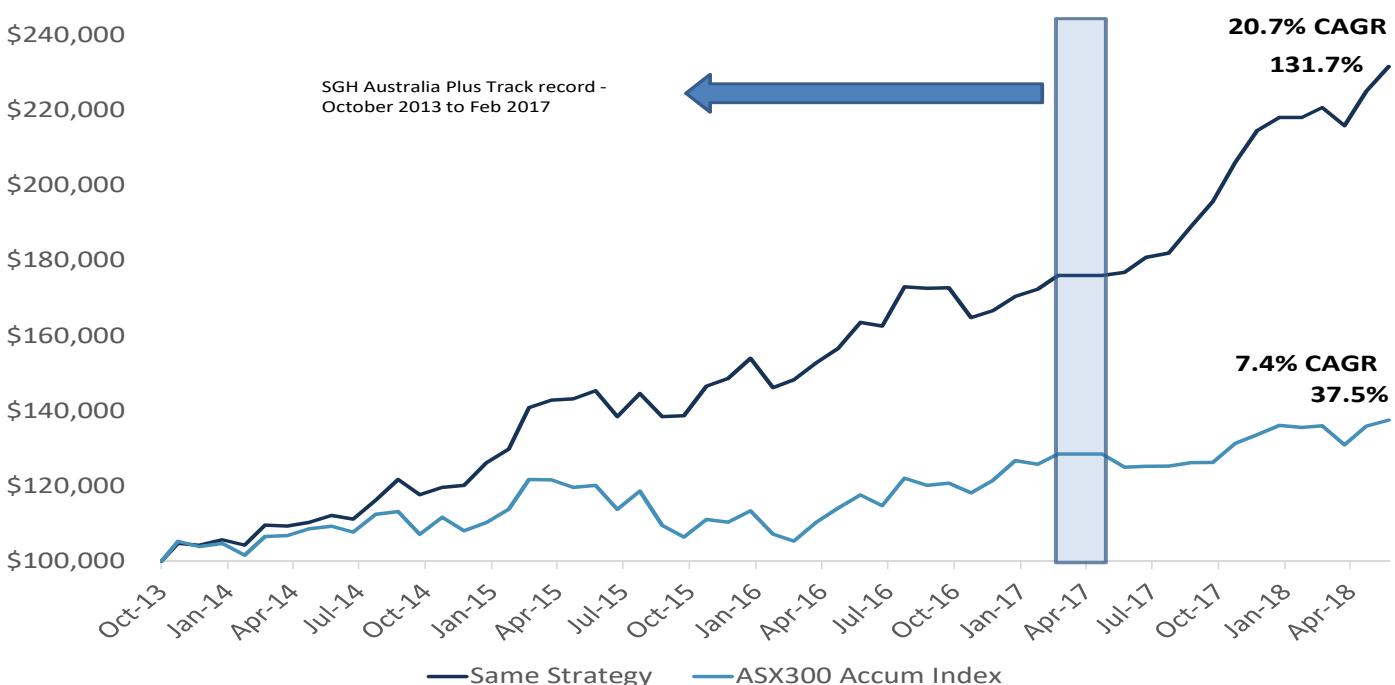
Past Performance - HSBC Australian Country Fund January 2005 - December 2009

	2005	2006	2007	2008	2009	Total Return	Total return % p.a.
HSBC Australian Country Funds (USD)	+18.44	+31.25	+35.33	-47.17	+78.96	+98.83	+14.74
FTSE AUS+NZ (USD)	+15.42	+30.18	+27.80	-50.76	+73.69	+64.23	+10.43
Value added (after MER)	+3.02	+1.07	+7.53	+3.59	+5.27	+34.60	+4.31

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 compliant 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 Australian 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.

Combined performance using the same strategy - SGH Australia Plus and the Chester High Conviction Fund



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 ASX300 Accumulation Index by 5% on a rolling 3 year basis
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	S&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	<ul style="list-style-type: none">Maximum stock weight<ul style="list-style-type: none">Large Cap = 8% soft, 10% hardMid/Small Cap = 4% soft, 5% hardAsian Stocks = 2% soft, 3% hardNo less than 25 stocks, no more than 40Maximum active sector position = +20% GICS tier 2. That is no more than 20% over weight one industry sector.Up to 100% invested in ASX300 stocksBetween 0% - 20% invested in Asian stocksBetween 0% - 20% invested in CashExpected Tracking Error 5% – 10% (but not limited)Derivative overlay can be taken as portfolio protection

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?

- 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.
- The strong rise in the sheer number of Asians entering the middle class and the growth in disposable income suggests that this is a multi year trend that is very hard to access by restricting the investible universe to Australian listed stocks.
- Investors appropriately diversify their portfolio by enhancing returns with a focus on the domestic demand thematic within Asia.
- It offers Australian investors a wider opportunity set without the requirement to have money invested in Asia through a pooled vehicle.

The Chester High Conviction Fund Competitive Advantage

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