Chester High Conviction Fund

FUND UPDATE | OCTOBER 2026

As of 31 October 2026	1 mth (%)	3 mths (%)	6 mths (%)	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	Inception (% pa)*
Chester High Conviction Fund (after fees)	-2.6	-1.6	-1.6	-2.2	12.4	8.1	11.6	11.3
S&P/ASX 300 Accumulation Index	1.1	0.2	4.3	3.1	13.2	7.7	8.0	8.4
Outperformance (after all fees)	**-3.7**	**-1.8**	**-5.9**	**-5.3**	**-0.8**	**+0.4**	**+3.6**	**+2.9**

*27 April 2017.

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."
Winston Churchill

Month in review

Like Winston Churchill, we remain optimistic despite the challenges that 2026 has created thus far. Whilst we understand the logic for large caps to outperform small caps in the face of rising interest rates and significant geopolitical uncertainty, the fact that the ASX20 leaders have returned 12.1% for the 2026 CYTD, relative to the ASX Small Cap index return of -14.3% CYTD is exceptional dispersion. More exceptional when the ASX Banks make up almost half of the ASX20 leaders, which as a group are facing headwinds that they haven't experienced since the early 1990s. Declining house prices and SME businesses across retail, travel and hospitality telling us that the economy is in the middle of a significant slowdown do not suggest to us that ASX Banks should have risen 7% in the month of October. Nor do the reporting season updates from NAB and Westpac thus far, with eps momentum deteriorating. Despite this, the larger macro forces of global capital flows unwinding large positions in Korea and Taiwan (in semiconductors and the AI trade), where the funding for these positions came largely from the top 20 names in Australia (long Asian tech/short the ASX) has been significantly unwound, reversing this positioning over the course of October.

The failed Firmus float (which in our view was extremely poorly priced) seemed to set this chain of events off, with large drawdowns across the rest of the Neocloud business models. We are now contemplating the new world order post the Democrats win in the US midterm elections, which according to various sources was a referendum on the unpopularity of the Iran War or data centres being built without significant community consultation. Or both. Or just Trump. It now appears highly likely that the pace of data centre rollouts slows down (particularly in Texas), which all else being equal, will offer more support to the incumbent data centres (those already built or with access to power already). From a market perspective, the upcoming Anthropic IPO will be an interesting litmus test as to investor appetite to keep funding loss making LLMs, and with it, the sentiment of the AI trade.

From an Australian perspective there will be much debate around the notion of whether the economic weakness we are currently experiencing will destroy enough demand for the RBA to reverse course in 2027. Whilst overly simplistic, the notion of the ASX20 leaders outperforming small caps by such a margin in 2026 will be reversed in 2027 should the RBA start framing a more dovish monetary view. This would also augur well for Australian property where confidence is extremely low. The one variable that remains unknown is the propensity for the Trump administration to continue the Iran war. Any resolution would be very positive for risk assets, which by extension would see much of the current crowding in large ASX defensive companies unwind.

Portfolio review

For the month of October, the fund returned -2.6% relative to the 1.1% return of the index. The outperformers were led by Light & Wonder (LNW), which saw positive momentum from the Global Gaming Expo (G2E), with strong new game releases, which should lead to an acceleration of game sales into 2027. The lack of top line momentum has seen LNW trade at what we consider to be a significant discount to any reasonable valuation as it trades on 9x FY27 PER with a forecast 16% eps growth. Challenger (CGF) received a bid from its largest shareholder, Dai-Ichi Life for AUD11.80. The fact that CGF is trading above these terms suggests the market is expecting a higher price from Dai-Ichi to get board approval. The Lottery Corp (TLC) also had a strong October after a better jackpot sequence that drives a better fundamental view of earnings in 1H27. This saw technical buying as it now appears less likely that TLC will be removed from the MSCI Global Index in November, an outcome that hedge funds had been positioning for with a significant increase in the short position of TLC over the past 3 months. Without the index removal, it is likely that these shares will end up being bought back at some point.

Whilst materials (-8%) was the worst performing sector for the month, our worst performing individual stock was Telix (TLX), which was slightly bemusing to us, given it fell 20% on the back of an innocuous quarterly update where 3Q sales fell 1% shy of expectations in a seasonally soft quarter (northern hemisphere summer). The TLX investment thesis does not hinge on one quarter given the raft of new products providing material new revenue streams over the coming years. Lend Lease (LLC) continues to trade at a material discount to NTA and will continue to do so until further progression of the international asset sale program is announced, while Ampol (ALD) had a softer quarter than some forecasts based on a refining margin short of expectations, but remains close to record highs. The outcome of the Fuel Security Service Payment (FSSP) is still a near term catalyst for ALD.

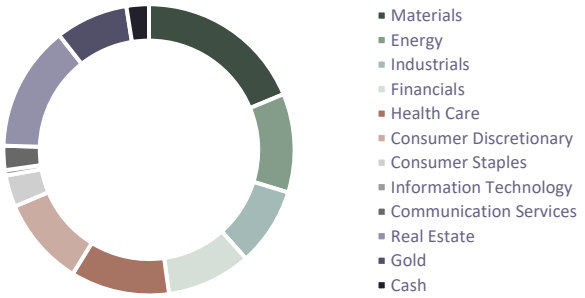
Top 3 holdings
Light & Wonder
Nufarm
AUB Group

Portfolio breakdown	
Materials ex Gold	18.8%
Real Estate	14.0%
Health Care	11.0%

Top 3 portfolio attribution
Light & Wonder
Challenger Financial
The Lottery Corp

Bottom 3 portfolio attribution
Telix
Lend Lease
Ampol

Fund weights - diverse sector exposure



Chester High Conviction Fund

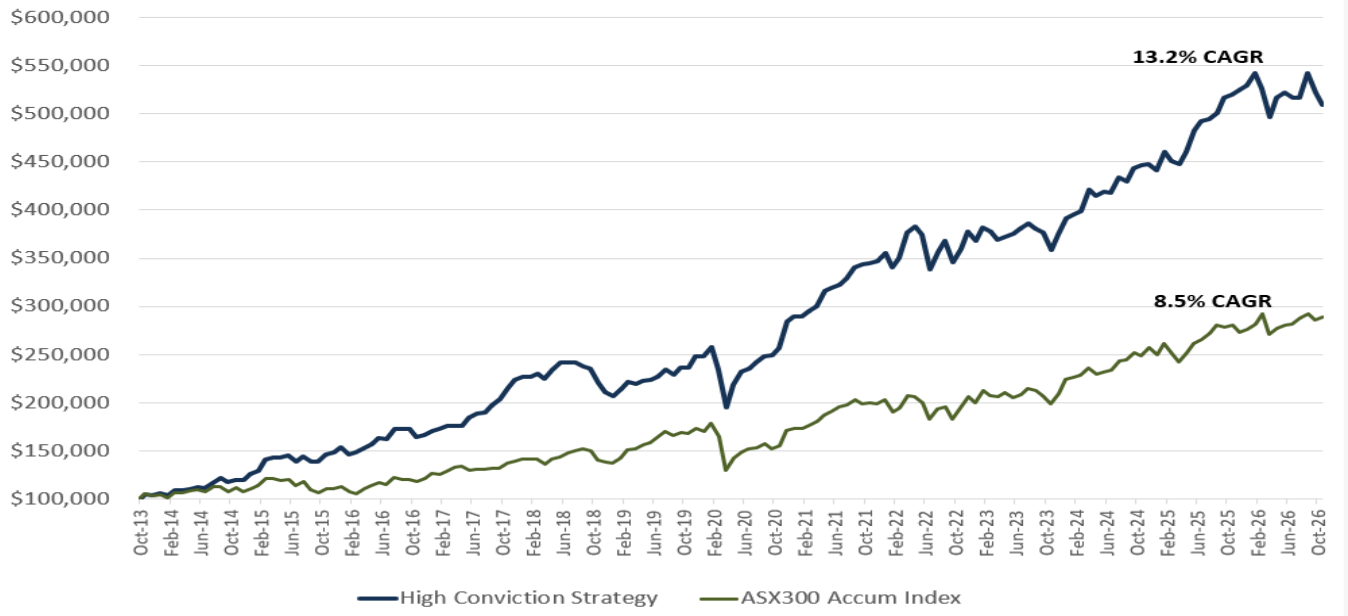
PERFORMANCE

ACCUMULATED PERFORMANCE BY FINANCIAL YEAR | Same Strategy

(%)	FY14#	FY15	FY16	FY17*	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	Since Incep
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	-1.6	+13.2
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	+2.4	+8.5
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	-4.0	+4.7

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 27th, 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.

HIGH CONVICTION 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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Past performance is not a reliable indicator of future performance. The total return performance figures quoted are historical, calculated using end-of-month mid prices and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The indices do not incur these costs. This information is provided for general comparative purposes. Positive returns, which the Chester High Conviction Fund (the Fund) is designed to provide, are different regarding risk and investment profile to index returns. A performance fee of 15.0% is payable quarterly on any excess performance (after deducting the management fee) above the benchmark, S&P/ASX 300 Accumulation Index. A performance fee is only payable where the unit price is higher than when the last performance fee was paid. This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this document, readers should consider the appropriateness of the information to their needs. This may involve seeking advice from a qualified financial adviser. Copia Investment Partners Ltd (AFSL 229316) (Copia) is the Responsible Entity (RE) and issuer of the Chester High Conviction Fund (ARSN 620 091 858). A current (PDS) and Target Market Determination (TMD) is available from chesteram.com.au. A person should consider the PDS and TMD before deciding whether to acquire or continue to hold an interest in the Fund. Any opinions or recommendations contained in this document are subject to change without notice and Copia is under no obligation to update or keep any information contained in this document current.