Chester Opportunities Fund

Fund Update

October 2026

APIR OPS2344AU
ARSN 700 051 396

At 31 October 2026	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a	5 yrs % p.a	Incep. % p.a. *
Chester Opportunities Fund (after fees)	(6.6)	(1.7)	(4.3)	2.4	12.6	16.0	12.0	14.5
S&P/ASX Small Ordinaries Accumulation Index	(6.4)	(3.9)	(6.9)	(14.4)	2.6	10.0	0.6	4.6
Outperformance (after all fees, benchmark adjusted[#])	(0.2)	+2.2	+2.7	+16.8	+10.1	+6.0	+11.4	+9.9

The NAV of the fund as of 31 October was 1.4448. [#]Note the Fund's benchmark changed to the S&P/ASX Small Ordinaries Accumulation Index effective 1 September 2025. Benchmark returns shown for periods commencing before that date are presented for illustrative comparative purposes only and do not represent the Fund's benchmark for the entirety of those periods

* 26 August 2019

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves." Peter Lynch

Month in review

October was another difficult month for ASX small caps with the Small Ordinaries Accumulation Index down (6.4%) while the ASX 100 rose 2.0%, an ~8.4% performance gap. Within small caps, Resources were down (14.0%) compared with a (2.9%) decline for Industrials, as Materials were sold heavily across lithium, uranium, gold and rare earths. A sharp reassessment of the AI and data-centre investment cycle was the defining theme of the month after Firmus withdrew its IPO (on 9/10) and NextDC (NXT) fell over 40% (on 21/10) after cutting guidance due to power supply issues, which hit data-centre suppliers, contractors and AI-linked commodities alike. The Small Ordinaries has now fallen ~14% year-to-date (total return) and trades on ~12.6x FY28 earnings, a ~24% discount to the ASX 200 FY28 earnings (~16.6x). We remain constructive on small ordinaries and the potential for future interest rate easing with among other things corporate activity continuing to provide evidence of constructive valuations.

On the macro, we have seen the RBA now announce a 25bp rate hike,to 4.85% after September-quarter inflation rose 1.0% q/q (a ~4% annualised pace) and higher petrol prices are expected to add to October's print. Australian 10-year bond yields fell 23bp over the month, though less than the fall in the US, where the 10-year yield reached 5.36% on 7/10 (its highest since 2002) before AI capex concerns triggered a bond rally. The economy is increasingly two-paced. Private investment remains resilient, with business credit growing 11% y/y, partly reflecting AI and data-centre capex. By contrast, the housing market continues to deteriorate, and Wesfarmers (WES), JB Hi-Fi (JBH) and Super Retail (SUL) all flagged softer October trading as fuel costs, mortgage pressure and Black Friday deferral weighed on discretionary spending.

Commodity markets were weak outside of energy. Brent crude rose ~14% to ~USD118/bbl as Middle East supply risks intensified, supporting energy producers but adding pressure to consumer, transport and industrial cost bases. Gold fell ~7% to ~USD3,875/oz, iron ore declined ~3% to ~USD91/t, while copper was flat at ~USD14,450/t. Lithium spodumene prices fell a further ~25% on various narratives including BESS output cuts and Jianxiawo mine reopening.

Portfolio Review

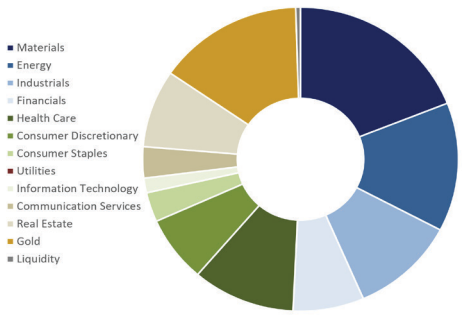
During October, the Fund declined (6.6%), compared with a (6.4%) drop in the S&P/ASX Small Ordinaries Accumulation Index. The Fund's modest underperformance largely reflected its resources exposure in a month when small resources fell (14.0%).

Light & Wonder (LNW) was the strongest contributor, rising 15% on limited news flow. LNW hosted investors at the Global Gaming Expo (G2E) in Las Vegas, and while we were unable to attend, feedback suggested LNW has delivered the strongest improvement in hardware among the EGM operators with its Lightwave Solar Cabinet. A portfolio of new games, including Kong: Skull Island Unchained, Gremlins and Wizard of Oz, was also well received. Feedback also pointed to challenges at competitor IGT, which lacks strong new games and hardware, a dynamic that directly benefits LNW. AUB Group (AUB) rose with little company-specific news, benefiting from its relative defensiveness, ongoing M&A interest in the insurance broking sector and the earnings support of still-elevated interest rates. Cogstate (CGS) released its Q1 FY2027 update showing strong contracted revenue for the quarter, highlighting its ability to win market share in mood disorders, including competitive wins on five Phase 3 trials in bipolar disorder and depression across two customers.

Elevra Lithium (ELV) was the largest detractor, a quarterly release showing strong operational delivery. Price realisations at North American Lithium (NAL) were below expectations, primarily due to the timing of cargoes. The weakness was compounded by a further ~25% fall in spodumene prices during October. Maas Group (MGH) almost halved after Firmus withdrew its IPO on 9/10 reversing the prior month's gains. This came despite MGH confirming that it acquired its Firmus shares at AUD3.76/share, well below the mooted IPO price, and that it had received payment for its Firmus work orders. At cost, the Firmus stake is worth ~AUD0.63 / MGH share. Looked at another way, adjusting MGH's ~7k land lots to market value and attributing no value to Firmus, we estimate an adjusted NTA of ~AUD5.00/share. With MGH closing the month at AUD3.86/share, ~25% below that level, we believe the asset backing is interesting. Small-cap miners were sold almost indiscriminately during the month, and Havilah Resources (HAV) was not spared despite its unprecedented balance sheet position and free-carried asset interests. We continue to treat the future Stage 2 consideration payable by Sandfire Resources (SFR) and Kantra (KAN) for Kalkaroo and Coburn as pro forma cash. On that basis, HAV trades at ~75% of its pro forma cash backing (~30% upside just to reach pro forma cash), with material free-carried interests in Kalkaroo and Coburn effectively attributed no value at the current share price. We continue to see extreme asymmetry in the name.

Top 3 holdings	Portfolio breakdown	
Havilah Resources	Materials (ex Gold)	19.0%
Light & Wonder	Gold	14.9%
St Barbara	Energy	13.7%
Top 3 portfolio attribution	**Bottom 3 portfolio attribution**	
Light & Wonder	Elevra Lithium	
AUB Group	Maas Group	
Cogstate	Havilah Resources	

Fund weights



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APIR OPS7755AU
ARSN 700 051 396

Investment objectives and philosophy

Consistent returns with lower volatility
We utilise the same portfolio construction methodology as the High Conviction Fund, allocating sleeves of the portfolio into "Predictables," "Cyclicals," and "Defensives."

Small cap focus
The Opportunities Fund comprises stocks predominantly outside the ASX100, given a strong alpha track record in this segment, macro tailwinds favouring small caps, and a commodities-tailored skill set.

25–60 Australian listed stocks
A concentrated yet flexible approach enables high conviction stock selection while remaining nimble to seize tactical opportunities. No more than 10% of the Fund will be held in any one stock.

Limited ASX100 exposure
No more than 20% of the Fund's capital will be invested inside the ASX100, allowing flexibility to hold companies that have grown into larger caps while maintaining a small-cap bias.

Participation in placements and IPOs
The Fund's size provides a competitive advantage in accessing placements and IPOs. Participation will be assessed on a stock-specific basis, recognising that not all opportunities will succeed.

Fund facts

Investment strategy	Australian equity small caps
Investment style	GARP Australian equity with defensive sleeve
Cap bias target	Small caps
Fund inception	26 August 2019 (Strategy September 2022)
Objective	To outperform the Small Ordinaries Accumulation Index by 5% on a rolling 3-year basis
Distribution	Six-monthly
Number of stocks	25–60
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Management fee (pa)	1.00%
Performance fee	20% of benchmark outperformance

The investor benefits of the Fund include:

- Access to a focused, high-conviction portfolio of quality Australian investment opportunities
- Complementary diversification through a benchmark-unaware strategy designed to sit alongside core equity holdings
- Disciplined risk management with an emphasis on capital preservation and flexible portfolio construction

For further information, please contact
Copia Investment Partners

In partnership with COPIA



Mac Dinsmore
Distribution Manager

M +61 410 762 135
E mdinsmore@copiapartners.com.au

1800 442 129

clientservices@copiapartners.com.au

www.copiapartners.com.au

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