CHESTER HIGH CONVICTION FUND

Quarterly Overview

As of 30 September 2025	1 mth (%)	3 mths (%)	6 mths (%)	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	Inception (% pa)*
Chester High Conviction Fund (after fees)	3.1	4.8	15.3	16.6	14.3	15.7	13.0
S&P/ASX 300 Accumulation Index	-0.7	5.0	14.9	10.8	15.0	12.9	9.1
Outperformance (after all fees)	+3.8	-0.2	+0.4	+5.8	-0.8	+2.8	+3.9

*27 April 2017.

"In investing, what is comfortable is rarely profitable." Robert Arnott

Growing up in Tasmania was a wonderful upbringing. Living on a ¾ acre block it was our job on the weekends to tend to the gardens, which involved mowing the lawns and raking up all the leaves. We probably earnt $1/hour of pocket money for the effort, but $1 worth of mixed lollies went a long way back in the mid 1980's. In Autumn, there were a lot of leaves. Raking them up often took the better part of the day, creating 2-3 enormous piles in different parts of the garden. About the age of 12, we realized that it was easier to burn the leaves, than pick them up and put them on the garden beds. Watching (TV show) MacGyver was a staple in Tassie in those days and he taught us that we could start a bonfire in the pile of leaves very easily. We just had to douse the leaves in petrol, then create a petrol trail to about 2 metres away from the pile. Once we were 2 metres away, we simply lit the trail of petrol, sat back and watched the bonfire take off. Clearly, this was well before we understood the world needed fewer carbon emissions.

We are of the view that President Trump is lighting a bonfire in the US equity market by dousing the market with his lower interest rate rhetoric. Risk tolerance is everywhere. Trump has appointed Stephen Miran to the board of Fed Governors to actively agitate for an extremely dovish monetary policy. The recent "dot plot" (a guide to how the 12 Federal Reserve governors see interest rates progressing over the next 3 years) showed one extreme outlier. If Trump has his way, in 6 months time when Jerome Powell is out of the way, that extreme outlier (Miran) will most likely be joined by other like-minded monetary policy doves. There remains a possibility that a new Fed Chair will find it necessary to embark on yield curve control (YCC). This would be remarkably bullish for equities, but gold even more so, although we doubt YCC would be enacted without significant financial market stress first. This all leads to the inevitable conclusion that Trump and Bessent want to run inflation far higher than it has been historically. It's the easiest way to solve the debt burden. We wrote about fiscal dominance in the July quarterly. This is watching fiscal dominance occur in real time.

The September quarter saw various markets make record highs while some extreme speculation is occurring across certain sectors. The AI thematic continues unabated, while the defence spending narrative is at peak exuberance with DroneShield (DRO) up 670%, while Electro Optic Systems (EOS) has risen 580%, both in just 9 months. CBA still trades on an FY26 PE of 26.9x, 80% higher than its long-term average. The ASX microcap index just posted a 29.7% return for the September quarter. All combined suggest to us that we are in the midst of a strong bull market, which given the backdrop of increasing inflationary pressures, tariff uncertainty and an ongoing conflict in Europe, that risk tolerance is higher than it should be. Using the famous Chuck Prince analogy from 2007, "as long as the music is playing you've got to get up and dance". Many stocks in our portfolio weren't invited to the party and didn't even know there was one.

So what do we do now?

We believe we are entering a period of fiscal dominance, which is absolutely the reason gold, silver and other precious metals are behaving the way they are. Undoubtedly there will be a point of exhaustion in this current melt up, albeit we are of the view that it has only been recently that many asset allocators are aligning their thinking with having a higher weight to gold/commodities. The historical asset allocation of 60% equities and 40% in bonds is being reconsidered across many wealth management businesses, with some considering a 60% equity/20% bond/20% gold allocation to be far more fitting for the era we are entering in to. This suggests to us, that actually, the shift towards gold as an alternate asset class may just be getting under way, which is supported by the modest ETF flows into the gold space.

From an equity perspective, we believe that as energy prices are broadly lower (very much part of the Trump policy agenda, which OPEC is acquiescing to), this backdrop remains supportive of corporate margins, personal consumption and power required to meet the roll out of data centres driving the AI industrial age. Energy remains a key focus of ours given the benign backdrop currently. A reversal of the energy price could disrupt this bull market. We see the biggest threat to markets at this juncture being a spike in economic data or inflation that would raise significant questions as to how the US Fed could justify the rate cuts currently being extrapolated by equity markets. Of course, if rate cuts did not occur as foreshadowed, it would place more pressure on long duration assets (read momentum), while providing a more appropriate backdrop for fundamental investing.

Quarterly Overview

We wrote last quarter, that *conceptually, this is a bullish set up for equities over the medium term as this administration lets the economy run hot with higher deficits, less regulation and lower interest rates. Potentially a powerful combination. What we believe might transpire is a change of leadership from the Mag7 to a broad based market rally. Under this thesis, the USD would continue to weaken against other currencies, which broadens the appeal of other asset classes outside the US.*

While this has broadly played out, we see the next leg of economic growth as a cyclical recovery in the US housing market. Given the Trump agenda is to see an accelerating US economy into the mid term elections next November, it appears logical to us that he will try to reignite US housing, which represents around 16% of GDP but has been very soft due to significantly higher borrowing costs (30-year mortgage rates) currently, than much of the refinancing that occurred with low rates during the COVID era. There is potential for Trump to use the Freddie Mac and Fannie May mortgage facilities to offer teaser loans or tax incentives to reignite the sector. The level of capital investment into data centre and AI infrastructure is staggering, but we lean towards the view that this acceleration that has occurred over the past 2 years will fade, meaning growth and investment will have to come from other industries. Our jury is still out on how these Mag7 companies will generate a material return on this investment over the next decade.

So what does this mean for positioning?

We try to insulate the fund as much as possible from macro variables by allocating most of the capital (60-70%) to predictable cash generating companies where there is evidence of sustainable cash flow growth. Given the backdrop of fiscal dominance and a supportive environment for hard assets, we have tweaked up our investment in cyclicals over the September quarter, while a consistent allocation to gold equities tends to assist the fund in times of inherent volatility. Our philosophy with the Chester High Conviction Fund remains to protect and then grow (what we hope to be) generational wealth. Protecting capital means a rigorous focus on asymmetric investing. This focus on fundamental investment drivers we believe will benefit our fund over the next 2-3 years as we believe the style bias will favour value-oriented investing, which hasn't really been the case over the last 15 years.

Portfolio changes this quarter

The portfolio was active during the third quarter taking a new position in Iluka Resources **(ILU)** after the US Department of Defence (DoD) effectively underwrote an NdPr price for MP Materials (a US Rare earths producer) at USD110/kg. This was the price deemed appropriate to incentivise Western world NdPr production to shift away from the reliance on Chinese rare earths, who still produce 90% of the worlds supply. While Lynas is the logical beneficiary in Australia, ILU has a large rare earths refinery under development in Eneabba, WA, with the majority of funding coming from the Australian government. Using the new USD110/kg as a benchmark price, our assessed NAV of ILU rose to over AUD8.00/share, where trading around AUD4.60/share we saw a significantly positive risk/reward trade off, subject to the plant being commissioned on time. The fund also took a new position in Northern Star **(NST)** in early August after NST had been a material underperformer against other gold miners. We are of the view that production guidance for NST has been revised sufficiently low enough to reduce the risk of further disappointments, while trading below AUD17.00/share was a material discount to our assessed NAV of circa AUD26.00/share. It remains one of the highest quality gold producers in Australia. Dexus **(DXS)** was also added to the fund with a small position during the quarter as it trades significantly below the NTA of the group of AUD8.81, where below AUD7.00/share it appears asymmetric to us, albeit that sentiment needs to improve. Most REITs are now trading at or above their stated NTA currently. Historically we have found that once a REIT industry sector experiences tailwinds (retail, commercial, residential etc) the valuations of these REITs tend to gravitate towards NTA. With modest NOI growth and a 5.1% yield, we just need to see better momentum in the office market for DXS to close the NTA gap and deliver strong capital growth over the next 18 months.

The fund sold out of its long held position in Austal **(ASB)** during September. With a holding period of over 4 years, we had to be extremely patient with the defence spending thematic to play out, even though many of the recent contracts ASB has been awarded have been in the works for 4-5 years. The ongoing conflict in Europe has driven enthusiasm for the defence sector, so much so, we see little fundamental support for the current share prices of not just ASB, but DRO and EOS as well. Irrational exuberance can last for a long time. Our investment generated close to 400% TSR over our holding period. Block **(XYZ)** was also exited during the quarter. XYZ made modest gains for the fund, but we're observing rising credit stress in the US. We broadly look at an investment thesis through 3 lenses. Quality, Valuation and Insight. After holding XYZ for over a year, we see reasonable quality in the Cash App business, but Square is a highly competitive industry across many players. Offering a superior product in payments comes down to service and reliability. There is valuation support, but we simply don't feel like we can add any unique insight to XYZ from Australia (as much as we have tried). With only valuation support and a reasonable business in Cash App, we are preferring to deploy capital elsewhere where we hold higher conviction. We sold Virgin **(VGN)** for a strong gain over the holding period since the IPO. While domestic travel remains robust and optically VGN remains cheap, we are mindful that Bain will be looking to sell a significant portion of its 70% stake after the escrow period ends in February, hence we see a significant overhang now the catalyst of prospectus earnings have been met along with index inclusion in September.

Quarterly Overview

How is the portfolio positioned?

Our macro lens sees the biggest challenge for markets being ongoing deficit spending across the western world, and because of that, a desire from governments to keep interest rates as low as possible. The US being the case in point. This leads itself to the notion of financial repression (inflation being higher than interest rates over the medium term) as the solution for the debt burden the world is faced with. This framework leads our investment thesis that has been focused on structurally higher inflation during this decade, as opposed to the past 2 decades of deflationary forces. We separate near term disinflationary pressures from an economic slowdown from this structural thesis around monetary debasement. Our focus remains on four key areas of investing, which are listed below and have been consistently applied for the past 5 years.

Gold. We continue to hold a high conviction view that gold equities will perform strongly over the next 2-3 years. While sentiment towards gold as a store of value has significantly improved over the past 6 months, we believe sentiment towards gold miners has only really improved in 2025 (which admittedly has been a very strong period for gold equities). Gold equities have only just recaptured the 2011 peak (as per the HUI gold miners index) and as such, we believe as deficits grow, and interest rate cuts are inevitable (in the US), gold miners will continue to have a very strong period ahead of them as earnings momentum accelerates. Gold equities currently comprise around 11% of the portfolio.

Real assets. Artificial Intelligence will find it hard to disrupt real assets. Assets that are very hard to replicate or occupy a strategic position within an industry is a strong starting point. All remain essential services in a modern economy. We would place QUB, EGH, MIN, AGL and DXS in this category.

Valuation margin of safety. An asymmetric risk profile. We would place CGF, LLC, NUF and MTS in this category. A material discount to book value has provided a strong starting point in many cases with catalysts emerging over the next 12-18 months to see the valuation gap close. We are mindful that several of these positions simply haven't worked as yet, with the catalysts for any re-rating being pushed to the right.

Pricing power, or at a minimum pricing pass through. How likely is a company to be able to at a minimum hold margins, that is, pass through higher costs to their customers without impacting customer engagement? We would place CSL, RMD, NEU, TLC and NWS in this category. We think margin resilience becomes an important driver of equity returns in a higher inflationary environment.

The Portfolio

The CHCF posted a 4.8% gain in the quarter, relative to the 5.0% rise in the ASX300 Accumulation Index. Mineral Resources (MIN) was a key contributor to relative performance for the quarter (+90.8%). MIN has been a long-term holding that has finally delivered the Onslow iron ore project. With the large capex wave behind it, at USD100/t iron ore, MIN will start deleveraging the balance sheet quickly over the next 18 months, while the mining service division is forecast to produce ~AUD1.0bn in EBITDA in FY26, which suggests to us that this division should be worth at least AUD8.0bn as a standalone entity. Neuren Pharmaceuticals (NEU) benefited from a strong Acadia (NASDAQ: ACAD) quarterly result in August, which showed that Daybue (NEU's treatment for Rett Syndrome, which it licences to ACAD) achieved USD 96m in net sales, a 14% increase both year-over-year and sequentially from Q1 2025. NEU also announced the commencement of Phase 3 clinical trial of NNZ-2591 in Phelan-McDermid syndrome (PMS), NEU's second generation drug. While the movement in Nufarm's (NUF) share price was somewhat benign (-6.9%) during the quarter, the position detracted from performance against the Index . During the quarter, NUF released a trading update which detailed 1) deleveraging of its balance sheet and 2) the strategic review of Seed Technologies platform is progressing as planned, however these were not enough to capture market attention. After a positive June quarter (+78.2%), Develop Global (DVP) detracted from relative performance during the September quarter (-13.7%). While there was relatively little news flow during the quarter, it's likely that the market digested a well-timed equity raise in June and took profits. The commissioning of Woodlawn, the DVP owned and operated copper mine in NSW, is ramping up as planned and will be a transformative event in the cash generation of DVP.

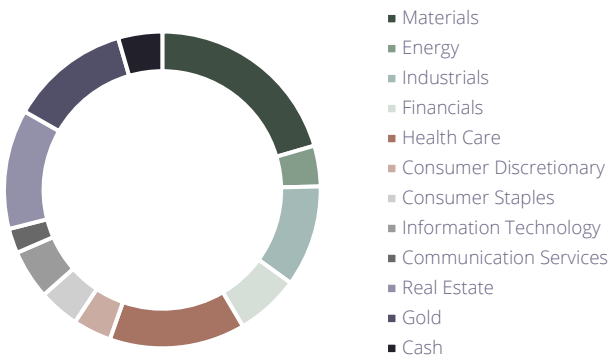
Top 3 holdings
CSL
Mineral Resources
Challenger

Portfolio breakdown	
Materials ex Gold	19.7%
Health Care	13.3%
Real Estate	11.8%

Top 3 portfolio attribution
Mineral Resources
Neuren
Westgold Resources

Bottom 3 portfolio attribution
Develop Global
Nufarm
Botanix

Fund weights - diverse sector exposure



What are we thinking about?

THEME	EQUITY CONSIDERATIONS
DEBT CYCLES	One of the reasons for our long held view of holding gold has been the same notion that Ray Dalio has been commentating on for years. His newest book "How Countries Go Broke" again brings light to the history of how countries or societies create credit for productive purposes, extend the use of credit into unproductive purposes, borrow too much to continue the lifestyle that society has become used to, become too indebted and then ultimately suffer an unsustainable debt burden which needs to be resolved through accelerating inflation, materially lower spending or defaulting on the debt burden. These cycles historically last for around 80 years. We believe the price action of gold and silver are telling us that the end of a large credit cycle is coming.
US ECONOMIC GROWTH	There are signs of credit stress emerging in the US economy (housing and auto financing) as well as the underperformance of private equity firms more recently (KKR, Apollo and Blackstone) leads the view that Trump is screaming for US interest rates to be lower for a reason. The easiest policy response Trump can pull is to reignite the US housing market with lower rates (beyond the obvious need for US government interest repayments to be lower). Whilst it's not entirely obvious on the surface that an aggressive interest rate cycle is needed yet, Trump is very focused on delivering a strong economy into the mid term elections in November 2026, and using the housing lever (along with onshoring of manufacturing) is the easiest way to do it.
EUROPEAN DEFENCE SPENDING	We have been fascinated with the speculative bubble that has emerged in ASX listed defence stocks in 2025. What started out as a fundamental view has emerged into a full-blown mania. The reason for this is quite morbid in our view. The EU has realized the easiest growth engine for the EU economy is to rachet up defence spending (somewhat at the behest of Trump). Keeping the defense industrial base going requires an ongoing conflict to manage, hence our cynical view that actually, it is in the economic interest of the EU to keep the Russia/Ukraine conflict going.
AI GOING EXPONENTIAL BUT WHO WINS?	Claude, Perplexity, Grok, Gemini, ChatGPT, Co-Pilot, Deepseek. The list goes on. We continue to be amazed with the ongoing capital investment announcements in the space by the race to dominate the future of AI. Much of this investment is circular (see Open AI, Nvidia and Oracle announcements). JPMorgan estimates that in the first 6 months of 2025, AI capex spend added 1.1% to US GDP growth. Nvidia has added USD4.0Tn to its market cap in 3 years, almost 1.5x the Australian GDP. What happens if Nvidia chips or GPUs are superseded by new technology (quantum computing) in 2-3 years time? It's something we are monitoring very closely, but remain concerned that much of this capex spend will never see an appropriate return on investment.
ANTI-INVOLUTION	Honestly, a phrase we hadn't heard until 2025, but has been used in describing China's policy initiatives relentlessly this year. Effectively the anti-involution campaign is trying to purge excess capacity and control disorderly competition amongst the Chinese industrial base (think excess steel production or EV manufacturing). Beijing sees excess capacity as the primary source of the deflationary wave China continues to experience. It may yet signal that for China to participate in the US consumer market, much of their manufacturing may yet end up onshore US. There is much speculation that a potential trade deal between China and the US could see a significant commitment from China to build US supply chains. This would be seen as positive for global economic growth.
REPORTING SEASON/DISPERSION OF RETURNS	From an equity market perspective, we are observing the structural change in market forces every day. Our investment philosophy is based on fundamental cash flow investing trying to determine a disconnect between the price we are being asked to pay for a company, relative to our assessed valuation. Simple. With the rise of momentum based factors (and as more investors base their strategy on a style that has worked) earnings momentum (brokers revising up or down their forecasts) appears to be the only game in town. This year in August, a 2-3% eps upgrade often meant a 15% increase in the share price. Which is fine, until it isn't. Share prices can only react for so long until they disconnect from reality. We see the dispersion of returns/stock prices between (simplistically) the winners and the losers as far too wide. We think this is creating opportunities in valuation based investing over the next 2-3 years.
DOES AUSTRALIA NEED MORE INTEREST RATE CUTS?	The strength in small caps and micro caps during the September quarter has bought attention to these asset classes (after a very tough few years). Much of this strength has been based on the domestic economy and expectations of ongoing rate cuts in Australia. The strength of the retail sector and residential real estate exposures suggests that the past 3 interest rate cuts are working. Recent inflation prints and credit growth suggests we are far closer to the end of that interest rate cycle than previously thought.

Stock Selection

AGL Energy Limited (AGL)

DESCRIPTION	AGL Energy (ASX: AGL) is a leading integrated energy company in Australia, operating across both electricity generation and customer retailing. • Generation: AGL is the largest electricity generator in Australia, producing approximately 20% of the electricity on the National Electricity Market (NEM). Its generation portfolio includes the two major coal-fired power plants, Loy Yang A and Bayswater, as well as hydroelectric assets and electricity sourced through power purchase agreements (PPAs). In line with its commitment to a low-carbon future, AGL has set targets to progressively retire its coal-fired power stations and replace their output with renewable energy sources and firming capacity, including batteries and flexible generation. Over the next decade, the company plans to invest around $20 billion in this transition, using a combination of on-balance sheet investment, off-balance sheet arrangements, and third-party capital through PPAs to ensure a reliable, decarbonized energy supply. • Customers: In addition to its generation business, AGL is one of the largest utility retailers in Australia, with a customer base of over 4.5 million services nationwide. This includes electricity, gas, and telecommunications services, reflecting the company's strategy of diversifying its offerings and providing integrated solutions to households and businesses across the country.
VALUATION	Our DCF & SOTP valuation of AGL is AUD$10.10/share.
QUALITY	AGL possesses a unique portfolio of energy assets that are challenging to replicate in the Australian market. While its coal-fired power stations have medium-term indicative closure dates, the company's retail customer base provides a stable and predictable demand profile, enabling AGL to invest in renewable generation and firming capacity without taking on significant contracting risk at better returns than others in the market. Additionally, AGL's flexible generation and storage assets, including batteries and hydro facilities, position the company to benefit from increasing volatility in electricity prices, providing opportunities to capture positive market exposure while supporting a reliable, low-carbon energy supply.
INSIGHT	AGL's current share price implies an EV/EBITDA multiple of 4.4x which is at a significant discount to international peers trading between 10-15x EBITDA. While AGL is facing a significant investment phase to replace coal-fired generation earnings over the next decade, we would expect the multiple to rerate as the portfolio transitions away from coal towards lower-carbon sources of generation. A re-rate to the average peer multiple of 12x would imply a share price of $33/share for AGL based on forecast FY26 EBITDA. One of the concerns for AGL is the ability to fund the transition. We believe AGL has multiple levers to cover the required investment and continue to deliver a generous dividend: • Divest non-cash-generating investments, such as TILT, to which AGL has contributed $550mn of capital. • Organic funding through $750–$900mn of annual pre-dividend free cash flow over the next decade. • Balance sheet expansion where appropriate.

SOTP AGL valuation highlight upside to current share price

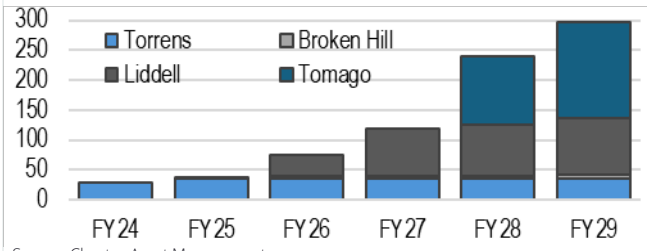
Chart 1

Segment	Value	Per Share
Retail Book	2,964	4.41
Generation - Coal	1,120	1.66
Generation - Gas / Renewable	4,537	6.74
QGC Gas Contract	300	0.45
Investments	757	1.13
Enterprise Value	9,678	14.39
Net Debt	-2,900	-4.31
Equity Value	**6,778**	**10.08**

Source: Chester Asset Management,

AGL forecast battery earnings (EBITDA $m)

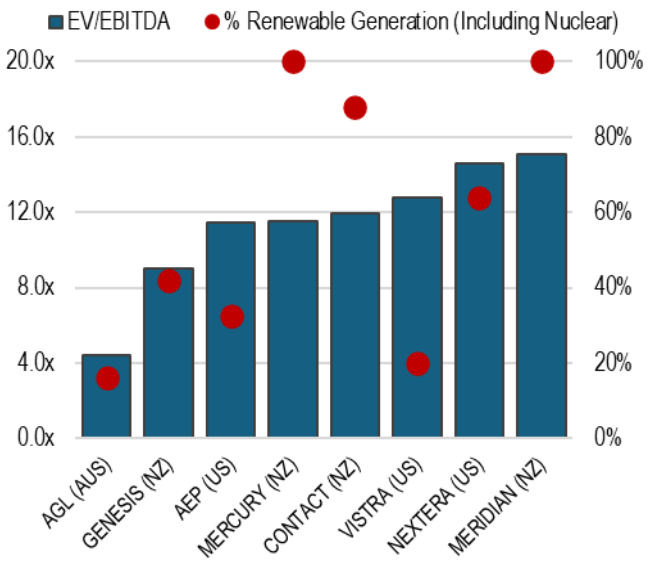
Chart 3



Source: Chester Asset Management,

AGL lagging international peers – transition a catalyst for re-rate

Chart 2



Source: Chester Asset Management,

Stock Selection

Eureka Group (EGH)

DESCRIPTION	**Eureka Group (ASX: EGH)** owns and operates a growing portfolio of retirement villages across Australia, providing quality rental accommodation for independent seniors and disability pensioners in community-focused environments. In addition to owning properties, the company manages villages for third-party owners, expanding its reach and operational expertise. As of now, Eureka manages more than 50 villages nationwide, representing over 2,800 rental units across six states. Eureka's business model is underpinned by stable, government-supported rental income streams, as many residents receive pensions or government assistance. This provides Eureka with reliable occupancy rates and predictable cash flows. Eureka's approach emphasizes affordability, distinguishing it from traditional retirement village operators who often focus on higher-cost, buy-in models.
VALUATION	Our DCF valuation of EGH is **AUD0.75/share.** • AUD0.75/share implies a cap rate of 6.5% or ~35% premium to current NTA.
QUALITY	Eureka 's villages are high occupancy, low-cost solutions targeted at senior residents. With 95% of the residents receiving government support payments which are indexed annually to a minimum of CPI, this provides Eureka with: 1) A highly defensive cash flow stream backed by the Australian Government; 2) Secure rental growth rate which would be at a minimum of CPI. Developing scale in the segment will now allow Eureka to grow inorganically with a cost of debt which is lower than the capitalization rates of new opportunities which will see acquisitions instantly earnings accretive with virtually no other institutional capital to compete with.
INSIGHT	EGH property is valued using a weighted average capitalisation rate of 8.15%, based on recent market transactions and likely reflecting their own deals. For comparison, peers value their investment properties at lower capitalisation rates: • Aspen (APZ): Cap rate of 6.94%, trades at 1.9× NTA • Lifestyle Communities (LIC): Cap rate of 5.24%, trades at 1.1× NTA • Ingenia Gardens (INA): Cap rate of 6.5% (weighted average across portfolio), trades at 1.4× NTA If we apply these lower capitalisation rates and NTA trading multiples to EGH, we estimate a value per share of $1.00–$1.45, representing a 95–180% premium to the current share price. Additionally, EGH has approximately $130 million in facilities available to acquire additional properties. Given the high cap rates at which they are sourcing deals and a weighted average cost of debt of 5.23%, we see significant potential for earnings accretion from deploying this capital.

Recent EGH transaction yields support earnings accretion

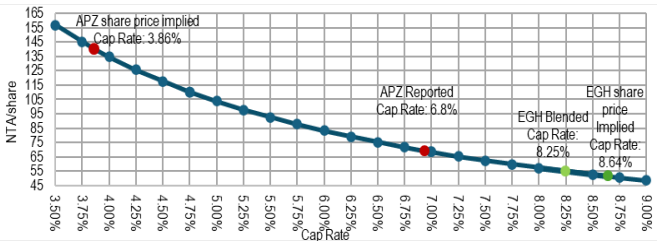
Chart 4

Acquisition	Location	Price (000's)	Yield
Barrier Reef Tourist Park	Cairns	3,500	9.7%
Barrum River Caravan Park	Hervey Bay	5,300	8.6%
Tuggerah Shores Residential Home Village	Tuggerawong	8,250	8.6%
Gladstone Residential Village & Caravan Park	Gladstone	4,500	10.6%
Seniors Rental Village Mount Barker	Mount barker	10,300	9.2%
Emerald Tourist Park	Emerald	7,500	8.5%
Coral Tree Tourist Lodge	Nowra	6,700	9.8%

Source: Company Reports

High cap rate but unlike peers' stock trades inline with NTA

Chart 5



Source: Company reports, Chester Asset Management

Sensitivities to EGH share price from cap rate and trading NTA multiple highlight material upside in comparison to peers

Chart 6

NTA (x) \ Cap Rate	4.50%	4.75%	5.00%	5.25%	5.50%	5.75%	6.00%	6.25%	6.50%	6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%	8.75%	9.00%
0.90	1.06	0.99	0.93	0.88	0.83	0.79	0.75	0.71	0.68	0.64	0.62	0.59	0.56	0.54	0.52	0.49	0.47	0.46	0.44
0.95	1.12	1.05	0.99	0.93	0.88	0.83	0.79	0.75	0.71	0.68	0.65	0.62	0.59	0.57	0.54	0.52	0.50	0.48	0.46
1.00	1.18	1.10	1.04	0.98	0.93	0.88	0.83	0.79	0.75	0.72	0.68	0.65	0.62	0.60	0.57	0.55	0.53	0.51	0.49
1.05	1.23	1.16	1.09	1.03	0.97	0.92	0.87	0.83	0.79	0.75	0.72	0.69	0.66	0.63	0.60	0.58	0.55	0.53	0.51
1.10	1.29	1.21	1.14	1.08	1.02	0.96	0.91	0.87	0.83	0.79	0.75	0.72	0.69	0.66	0.63	0.60	0.58	0.56	0.54
1.15	1.35	1.27	1.19	1.13	1.06	1.01	0.96	0.91	0.86	0.82	0.79	0.75	0.72	0.69	0.66	0.63	0.61	0.58	0.56
1.20	1.41	1.32	1.25	1.17	1.11	1.05	1.00	0.95	0.90	0.86	0.82	0.78	0.75	0.72	0.69	0.66	0.63	0.61	0.58
1.25	1.47	1.38	1.30	1.22	1.16	1.10	1.04	0.99	0.94	0.90	0.85	0.82	0.78	0.75	0.72	0.69	0.66	0.63	0.61
1.30	1.53	1.43	1.35	1.27	1.20	1.14	1.08	1.03	0.98	0.93	0.89	0.85	0.81	0.78	0.74	0.71	0.69	0.66	0.63
1.35	1.59	1.49	1.40	1.32	1.25	1.18	1.12	1.07	1.01	0.97	0.92	0.88	0.84	0.81	0.77	0.74	0.71	0.68	0.66
1.40	1.65	1.54	1.45	1.37	1.30	1.23	1.16	1.11	1.05	1.00	0.96	0.91	0.87	0.84	0.80	0.77	0.74	0.71	0.68
1.45	1.71	1.60	1.51	1.42	1.34	1.27	1.21	1.15	1.09	1.04	0.99	0.95	0.91	0.87	0.83	0.80	0.76	0.73	0.71
1.50	1.76	1.66	1.56	1.47	1.39	1.31	1.25	1.18	1.13	1.07	1.03	0.98	0.94	0.90	0.86	0.82	0.79	0.76	0.73

Source: Chester Asset Management

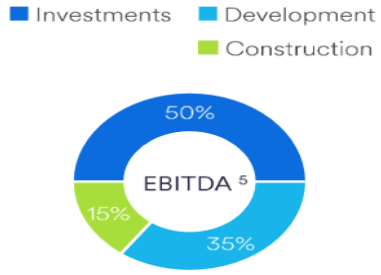
Stock Selection

Lendlease (LLC)

DESCRIPTION	**Lendlease (LLC ASX),** is is an international property and infrastructure company with operations across Australia, Asia, Europe, and the Americas. The company is implementing a significant restructuring strategy, focusing on its core Australian market. A key component is the establishment of a Capital Release Unit (CRU), which aims to divest up to AUD4.6 billion in non-core assets. This strategic shift involves exiting overseas construction businesses, including the UK market, to concentrate on Australian operations. The restructure aims to simplify the business, reduce debt, and improve shareholder returns, addressing recent poor performance and a declining share price. Once complete the focus of the business will be on (International) Investments, Australian developments and an Australian construction business.
QUALITY	LLC is implementing a significant restructuring strategy to focus on its core Australian market where they have a strong brand and are highly rated builders for their work in sustainability and developing urban regeneration assets. The company's strategic initiatives, including the establishment of a Capital Release Unit to divest non-core assets, aim to simplify the business, reduce debt, and improve shareholder returns.
VALUATION	**AUD11.15/share** DCF derived valuation with a comparable valuation on a sum of the parts cross-check Refer below for multiple based valuation scenarios
INSIGHT	The market rightly or wrongly is currently considering LLC as a capital release story, with a near term hole in earnings. We believe this heightened focus on this in the short term is detracting from what LLC may look like when the business' capital is restructured, earnings ramp-up and ultimately stabilise. From our calculations (refer charts below), we believe that if LLC are able to divest the CRU at ~book value there will be: - AUD1.8bn used to repay debt and obtain the midpoint of targeted gearing levels - AUD900m extra allocated to Australian developments - Over AUD1bn invested into their Global Investments business - ~AUD900m in surplus capital that could be distributed to shareholders, We believe this capital could potentially generate LLC ~AUD1bn in EBITDA p.a. (~AUD600m in NPAT). The first of the steadier years will be FY2027 but we see it unlikely earnings ramp up to this level until FY2028. We know LLC is in the too hard basket for many investors, and the noise around the APPF management rights is a distraction but doesn't alter our view of the value on offer. LLC is currently 3.5 years into a 5-year turnaround. We think the upside is significant, while admit patience is required.

LLC Post restructure should skew to Investments & Development

Chart 7



Source: Lendlease 1H FY25 results presentation

This requires a restructure of capital

Chart 8

Capital restructure, assuming no Profit	Capital 30/06/25	Capital LT Target	Movement
Developments (AUS)	1,100	2,000	-900
Construction (AUS)	0	0	0
Investments (Global)	3,300	4,300	-1,000
CRU	4,600	0	4,600
Net Debt	-3,400	-1,600	-1,800
Capital Return			900
Shares			690
AUD/share			1.30

Source: Chester Asset Management

LLC could see this level of earnings once restructured

Chart 9

Segment	ROIC/ Margin Target	Midpoint/ Target	Capital / Revenue	NPAT	PBT	Interest, D&A, etc	EBITDA	EBITDA % at this level
Developments (AUS)	12-18%	14.0%	2,000	**280**	373	-5	378	37%
Construction (AUS)	3-4%	3.5%	5,000	109	155	-20	**175**	17%
Investments (Global)	7%-9%	8.0%	4,300	**344**	459	-5	464	46%
Corporate				-126	-180	-120	-60	
Total				**607**	**807**	**-150**	**957**	

Source: Chester Asset Management

LLC has historically traded on a 12x multiple, upside is material

Chart 10

Item	10x	11x	12x	13x	14x	15x
Profit	607	607	607	607	607	607
Shares	690	690	690	690	690	690
EPS	0.88	0.88	0.88	0.88	0.88	0.88
Val at PE	9.67	9.67	10.55	11.43	12.31	13.18
Capital Return	0.00	1.30	1.30	1.30	1.30	1.30
Total (A)	**9.67**	**10.97**	**11.85**	**12.73**	**13.61**	**14.49**
Discounted 2yrs (B)	**7.99**	**9.07**	**9.80**	**10.52**	**11.25**	**11.97**
Upside from $6 (A)	**61%**	**83%**	**98%**	**112%**	**127%**	**141%**
Upside from $6 (B)	**33%**	**51%**	**63%**	**75%**	**87%**	**100%**

Source: Chester Asset Management

Stock Selection

Qube Holdings Limited (QUB)

DESCRIPTION	**Qube Holdings Limited (ASX: QUB):** is a leading provider of integrated import and export logistics services across Australia, New Zealand, and Southeast Asia. Its business is split into two principal components: the Operating Division, and its 50% ownership in Patrick Terminals. • **Operating Division:** provides end-to-end logistics and infrastructure services across Australia, New Zealand, and Southeast Asia. It includes Logistics & Infrastructure, handling containerised cargo, road and rail transport, warehousing, freight forwarding, heavy and project logistics, and terminal operations; and Ports & Bulk, managing port logistics, bulk commodity transport, stockpile management, and stevedoring services. Together, these units offer integrated, multimodal supply chain solutions across key industries such as mining, agriculture, energy and automotive • **Patrick Terminals:** is a major container terminal operator. It has terminals at four key Australian ports: Sydney, Melbourne, Brisbane, and Fremantle. The operations include stevedoring, automated and intermodal (road/rail) container handling, and vessel servicing with significant quay line and crane capacity
VALUATION	Our valuation of QUB is **AUD4.80/share.** • This is based on a 50/50 DCF / SOTP
QUALITY	Qube Holdings owns a portfolio of high-quality logistics and infrastructure assets that are strategically positioned, difficult to replicate, and generate defensible cash flows. The core operations span port terminals, intermodal hubs, bulk handling, and rail-linked logistics infrastructure, providing both scale and geographic diversification across Australia's key trade corridors. High capital intensity, regulatory barriers, and their strategic locations give pricing power and help safeguard earnings, while the integrated portfolio supports operational stability. The portfolio is complemented by Qube's 50% interest in Patrick Terminals, which operates container facilities in four of Australia's largest ports. Combined, the operating assets and Patrick exposure create a diversified, resilient business with defensible margins, predictable cash generation, and exposure to long-term growth in Australia's import, export, and logistics sectors.
INSIGHT	Qube's valuation metrics can be somewhat misleading due to the accounting treatment of its 50% stake in Patrick Terminals. Under reported figures, Patrick Terminals is equity-accounted, which can obscure the underlying value contribution of Qube's core operating assets. When the implied valuation of Patrick is stripped out, Qube's remaining operations are valued at approximately 8.7x 1-year forward EV/EBITDA, compared with 14x if Patrick's contribution is not properly accounted for. On a relative basis, this adjusted multiple compares favorably with ASX-listed industrial and logistics peers, many of which trade at significantly higher EV/EBITDA multiples. This suggests that, excluding the Patrick stake, Qube's core operating business may be undervalued relative to the broader sector, highlighting potential upside for investors focusing on the company's high-quality, hard-to-replicate infrastructure assets.

Implied EV/EBITDA for QUB operations

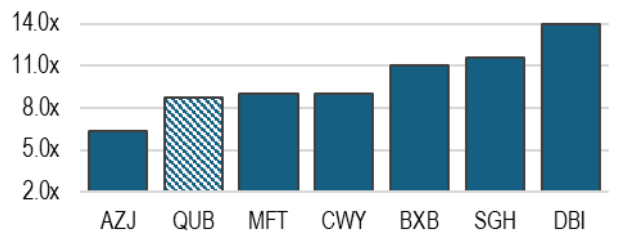
Chart 11

Chester Non Patricks EV/EBITDA Val	Measure	Amount	Value
Market Cap	AUDm	7,432	At AUD4.20/share
QUB Net Debt	AUDm	1,618	Per QUB FY25 Accounts
Enterprise Value	**AUDm**	**9,051**	Per QUB FY25 Accounts
Patrick Valuation	AUDm	2,645	Per QUB Presentation (AUD6.7bn - 1.4bn debt)
Valuation Ex Patrick	**AUDm**	**6,406**	EV - Patrick Val
EBITDA 1 year forward	AUDm	736	Chester Projection
EV/EBITDA Operational Division - Corporate	AUD	**8.7**	Valuation / EBITDA

Source: Chester Asset Management

EV/EBITDA for QUB operations versus ASX Industrial peers

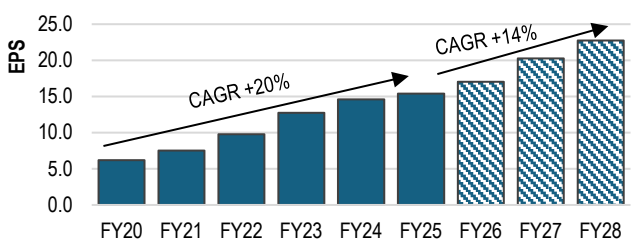
Chart 12



Source: Iress

Sustainable delivery of earnings growth for shareholders

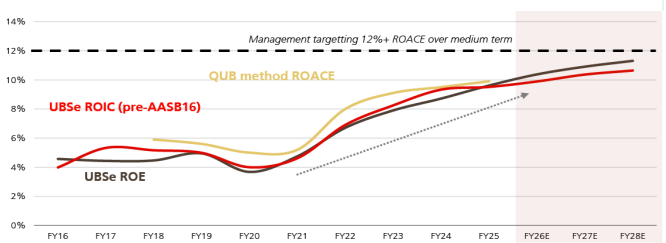
Chart 13



Source: Chester Asset Management

ROACE continues to improve towards management target

Chart 14



Source: UBS

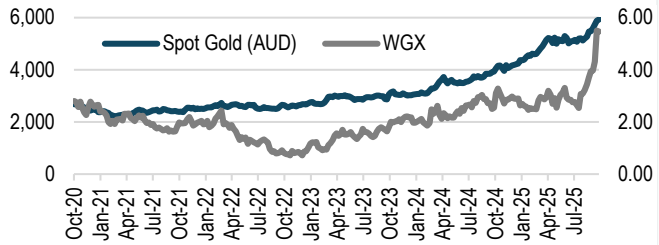
Stock Selection

Westgold Resources (WGX)

DESCRIPTION	**WestGold Resources (ASX: WGX):** is an Australian-focused gold producer with a long-standing operational footprint in Western Australia. Historically, the company's production has been concentrated in the Murchison region, including the Fortnum, Meekatharra, and Cue projects, where it has established a strong track record of underground and open-pit mining. The recent merger with Karora Resources, completed on 2 August 2024, significantly expands WestGold's asset base, adding the Beta Hunt and Higginsville projects to its portfolio. These additions increase the company's operational scale and technical depth, establishing it as a +400,000 ounces per annum (kozpa) gold producer with five processing plants and at least six underground mines. Looking ahead, WestGold is targeting production growth to approximately 470kozpa by FY2028, driven by incremental throughput increases, higher-grade ore feed, and operational efficiencies across the integrated portfolio. The company's expanded scale and diversified asset base enhance resilience to site-specific risks, while its exposure remains 100% leveraged to the gold price. Management's focus on disciplined capital allocation and balance sheet strength provides further upside optionality through potential organic growth and exploration-led resource extensions across both the Murchison and Kalgoorlie regions.
VALUATION	Our risked NAV of WGX is **AUD7.25/share.** • Assumes a USD3,000oz gold price
QUALITY	WGX has seen a marked improvement in safety and culture, seeing its reputation and operations materially improved over the past 2-3 years under Wayne Bramwell's stewardship. It has been about simplifying operations into key hubs, reducing costs through organic growth and enhancing reliability. Notably WGX is also now completely unhedged and will see an AISC conservatively below of ~AUD2,500/oz which is inline with ASX listed gold producers. WGX also enjoys an enviable portfolio of upside options with the expansion projects providing a pathway for meaningful growth beyond the 3-year outlook provided by the company which will see production grow to 470,000koz on the company base case with optionality on expansion projects to see this expand further.
INSIGHT	Until recently, WestGold Resources (WGX) had been a relative laggard versus the broader gold price rally. While this performance gap has narrowed following the release of the company's three-year production outlook, we believe WGX still offers meaningful leverage to further upside in the gold price. The company's unhedged sales profile ensures full exposure to prevailing spot prices, and the share price continues to trade at one of the largest discounts to our assessed valuation among ASX-listed mid-tier gold producers. While the market appears to be pricing in production broadly consistent with WGX's published three-year outlook, we note that the gold price assumptions embedded in consensus forecasts remain materially below current spot levels. With gold now trading above US$3,800/oz, our analysis suggests this would translate to an EBITDA uplift of approximately 33% relative to base-case assumptions from WGX outlook presentation — highlighting the substantial operational leverage WGX retains to further strength in the gold price.

WGX Share price only recently showing leverage to the gold price

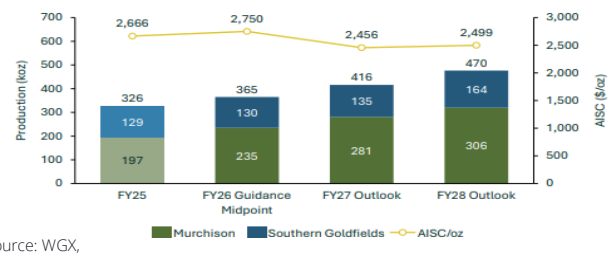
Chart 15



Source: Iress

3-year outlook highlights growth and

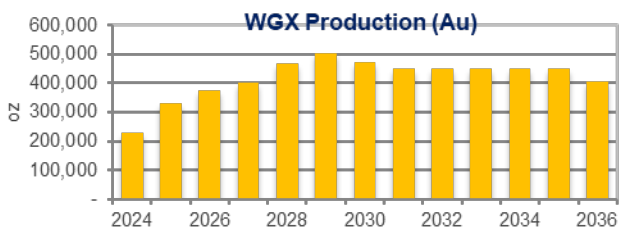
Chart 16



Source: WGX,

Forecast production to peak beyond outlook period

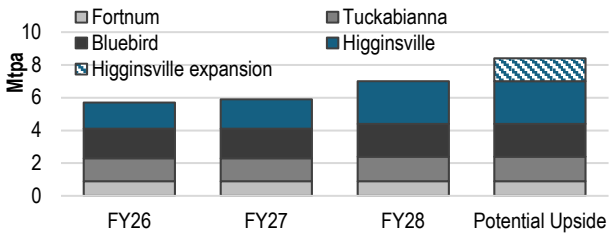
Chart 17



Source: Chester Asset Management

Upside to 3-year outlook from mill expansions

Chart 18

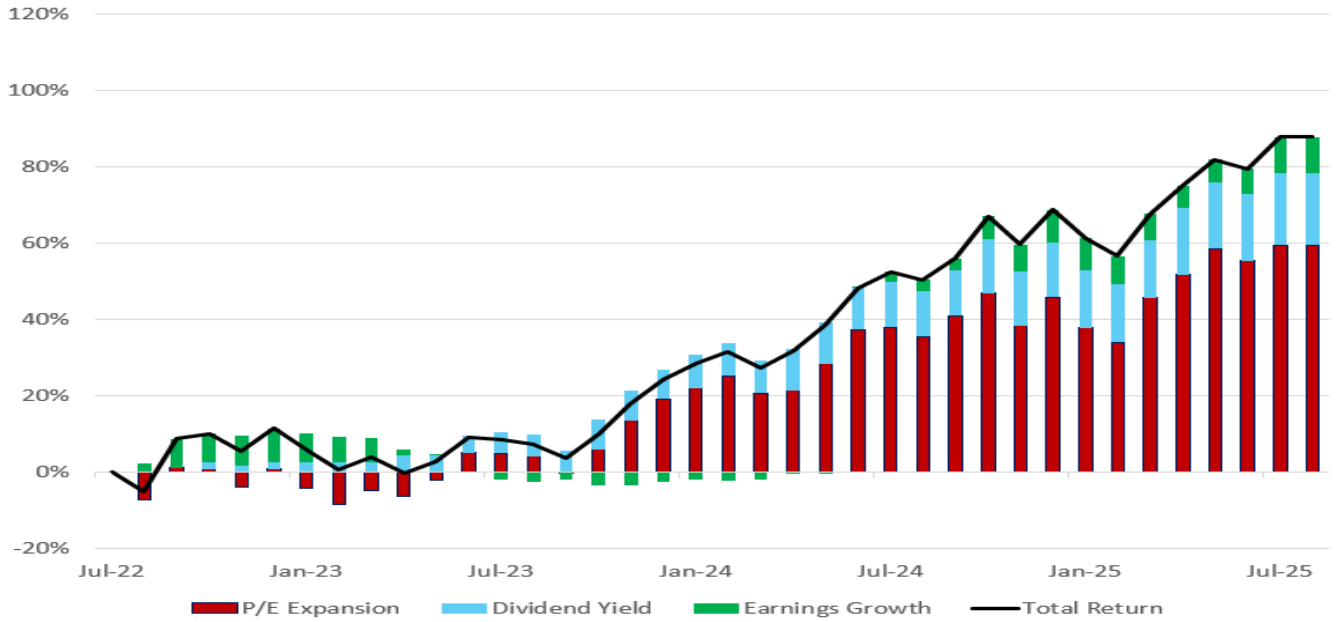


Source: WGX

Key Themes Deep Dive

Australian Bank returns over the past 3 years – what about stablecoins?

Chart 19



Source: Macquarie Research

AUSTRALIAN BANK PERFORMANCE

The ASX Bank Index has returned 88% over the past 3 years (since September 2022), or 22.7% p.a. Earnings growth has driven 9.5% of this return, or 3% p.a. Dividends have driven 18.7% of this return, or 5.7% p.a. The PE rerating (trading at higher multiples) has driven 60% of this return (16.3% p.a.).

Are Australian banks really the best banks in the world, given the rating they are now trading on (21x FY26). This has driven 5.4% p.a. of the ASX Accumulation return over the past 3 years, which in our view is unlikely to be sustained.

It is unlikely to be sustained in our view (not because impairment charges are at historic lows), because of the political capital being thrown at stablecoins in the EU and the US currently.

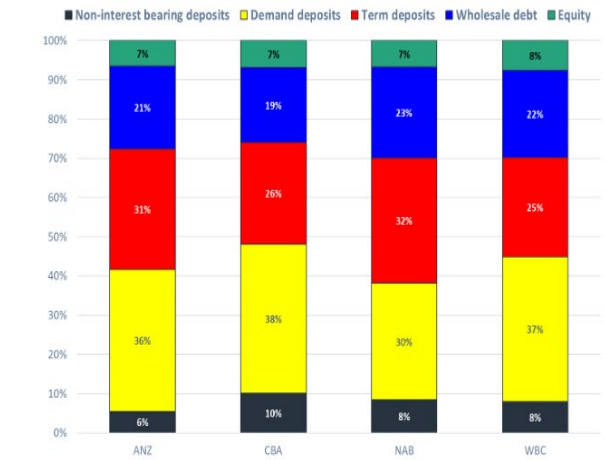
Stablecoins are a digital currency designed to maintain a stable value (pegged notionally to a traditional fiat currency such as the USD or EUR). In the past 18 months stablecoins have grown from USD120bn of capitalisation to USD250bn, while industry forecasts have it growing to over USD2Tn by 2028. Why the growth? Simplistically stablecoins are trying to protect consumers from traditional bank volatility by offering a means of interest-bearing deposits outside the traditional banking ecosystem. The US government is investing heavily in this technology.

McKinsey in July said *"the receipt of deposits as stablecoins could create funding challenges for many institutions. Historically, financial institutions have relied on deposits for generating healthy margins through investments in market assets and credit activity."*

So the medium-term challenge for retail banks appears to be the likelihood of competing for traditional deposits from consumers with stablecoins (backed by governments) offering higher interest margins. These stablecoins can be held outside the traditional retail banking ecosystem which creates a medium-term risk for how banks manage their funding requirements. As per chart 21, given (CBA in particular) banks are large beneficiaries of lazy customers that generate no interest on cash accounts, the risk to banks grows as these customers become aware of higher interest bearing stablecoins outside the banking ecosystem. So while this is a structural challenge that is unlikely to move the needle in the short term, we are bemused the market has been so willing to rerate the entire sector so aggressively over the past 3 years, with this structural challenge emerging quickly. Banks have historically traded on 10-13x PERs, not 21x.

Banks are heavily reliant on deposit funding for NIM spread

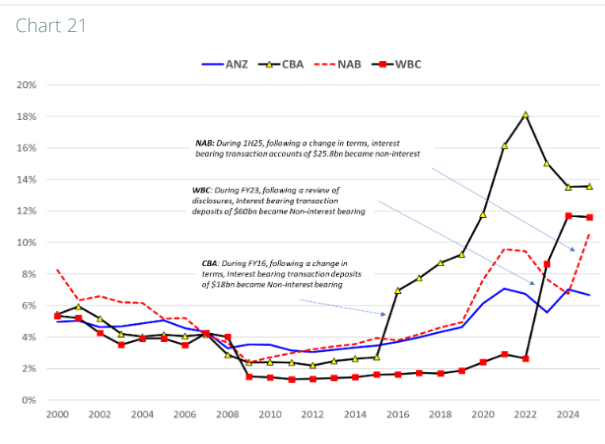
Chart 20



Source: Jarden Research

CBA has the highest NIM due to larger non-interest bearing deposits

Chart 21



Source: Jarden Research

Key Themes Deep Dive

Chester runs very detailed models across a wide range of gold equities

Chart 22

Gold Stocks Valuation Summary

Gold Stocks

Date: 1/10/2025

AUD5,000/oz

Company	Model Link	Market Price	Shares	Ref WACC	Adj NPV	Price Diff.	Gold +5%	FX -5%	FY25 Prodn	FY25 AISC AUD/oz	Mkt Cap (AUDm)	Net Debt (AUD)	EV (AUD)	25 ND/ EBITDA	Act2025 PE	Est 2026 PE	Est 2027 PE	2025 EV/EBITDA	2026 EV/EBITDA	2027 EV/EBITDA	2026 FCF yield	2027 FCF yield	Financial Quality	Asset Quality	Mgmnt Quality	Insight Score
Aurelia	AMI	0.25	1,692.6	10.0%					47,893	N/A	423	-102	321	-0.9	7.4	5.5	3.8	2.8	2.8	2.5	-6.2%	5.6%				
Antipa Minerals	AZY	0.68	611.5	10.0%					N/A	N/A	441	-37	404	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A				
Bellevue	BGL	1.15	1,464.0	7.0%					126,139	2,422	1,695	-58	1,638	-0.23	6.7	4.9	4.9	7.0	3.7	2.8	12.0%	22.0%				
Brightstar	BTR	0.57	701.0	10.0%					N/A	N/A	327	-16	311	1.11	N/A	N/A	N/A	N/A	N/A	3.8	N/A	N/A				
Capricorn	CMM	13.23	412.3	6.0%					117,076	1,468	5,710	-362.2	5,348	-1.3	36.3	20.2	15.0	19.6	12.3	9.3	2.8%	1.9%				
Catalyst Metals	CYL	7.90	251.0	8.0%					87,105	2,210	2,009	-29.5	1,979	-0.3	0.00	0.00	0.00	12.6	8.1	3.6	4.9%	12.3%				
Emerald	EMR	5.02	661.0	12.0%					118,000	1,450	3,312	-199	3,113	-1.0	40.1	19.9	7.3	14.8	11.1	4.4	3.6%	0.1%				
Evolution	EVN	10.83	1,383.4	6.0%					772,214	1,525	21,809	1,382	23,191	0.5	16.1	12.7	10.6	9.1	7.4	6.6	7.9%	9.4%				
Genesis	GMD	5.89	1,123.7	6.0%					206,828	2,399	6,725	-85	6,640	-0.6	30.1	13.6	11.8	14.6	7.8	6.8	4.0%	4.2%				
Gold Road	GOR	3.04	1,086.0	6.0%					144,206	2,794	3,805	-1,041.4	2,764	-2.0	8.2	7.6	7.4	4.1	3.9	3.8	3.9%	7.8%				
Greatland Gold	GGP	7.45	670.6	6.0%					198,319	1,849	4,997	-618	4,379	-1.0	13.3	7.5	10.9	8.2	4.9	5.6	7.1%	-4.1%				
Newmont	NEM	129.22	1,120.0	6.0%					5,878,000	1,544	143,051	1,449	144,500	-0.4	21.9	21.1	17.4	9.0	8.4	7.2	6.9	7.6				
Northern Star	NST	23.73	1,428.5	5.0%					1,618,497	2,163	33,951	-667	33,284	-0.1	24.3	17.3	12.6	10.5	7.9	6.2	3.1%	7.8%				
Ora Banda	OBM	1.18	1,883.4	7.0%					91,687	2,693	2,172	-89	2,083	-0.4	11.9	7.0	6.4	10.7	4.1	3.8	3.2%	15.8%				
Pantoro	PNR	6.06	401.0	8.0%					81,757	1,691	2,388	-60	2,328	-0.4	41.2	13.4	9.8	12.4	6.9	4.9	16.0%	19.1%				
Ramelius Resources	RMS	3.88	1,913.9	6.0%					301,664	1,551	7,427	-676	6,751	-1.4	9.5	16.7	10.6	8.2	11.6	6.9	0.4%	3.9%				
Regis Resources	RRL	6.01	755.8	7.0%					373,000	2,531	4,551	-514	4,037	-0.8	18.3	10.1	6.4	5.2	4.2	3.4	10.8%	16.7%				
Santana Minerals	SMI	0.80	747.0	10.0%					N/A	N/A	660	-22	638	-3.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A				
Vault	VAU	0.66	6,802.5	7.0%					380,385	2,422	4,489	-692	3,797	-1.3	18.9	6.9	5.2	6.0	4.2	3.0	11.7%	14.2%				
Westgold	WGX	4.48	943.1	7.0%					326,384	2,666	4,232	-93	4,139	-0.2	149.1	7.2	6.4	7.3	3.8	3.5	3.5%	13.2%				

Source: Chester Asset Management

Gold equities

The logical question to ask is, what now? Gold has had a very powerful move since breaking out in early 2024, while it took the gold miners a little longer to catch up, they have moved powerfully over the past 6 months as the index has doubled. We fully expect a retracement to occur before the year end and a consolidation of this most recent move, but looking at chart 22, we note the global gold mining index has only just recovered its previous peak from 14 years ago. At an index level, it was a very challenging period for gold equity investors, until 2025.

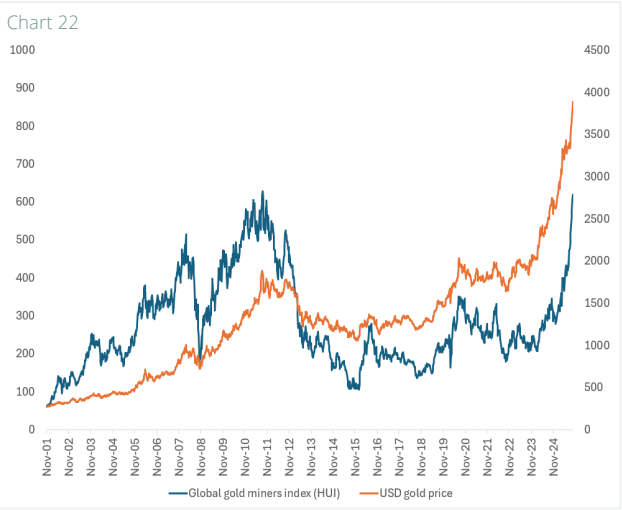
At Chester we have demonstrated a consistent allocation to gold for non correlated reasons, but also because we believe we have a competitive advantage in the gold equity space. Chart 21 above highlights a summary pack of all the detailed models we run across the ASX listed gold universe. Our valuations are not shown for IP reasons. We believe our consistent modelling across every asset that is operated by each mining company allows us a far deeper understanding of the merits of each investment than most of our peer group. The alpha generation over 12 years suggests we have been able to convert the detailed modelling into actionable ideas. Sometimes like Westgold (WGX) discussed on page 9, we have had to be patient with the thesis, as it was a significant laggard for much of 2025, albeit the recent 3-year production guidance has given the market far more confidence in the WGX operational story, which in turn has seen WGX rerate very quickly.

We always own between 2-5 gold companies in the portfolio which depends on how we see the opportunity set outlined above. This does become a competition for capital amongst the gold equities to find the highest asymmetric opportunities. Our current portfolio weight is at the higher end of historical weights, but the way we assess value of our gold holdings relative to other industrial companies leads to this outcome. It is very much a process of bottom-up stock picking.

Chart 23 highlights that ETF flows into gold suggests sentiment towards the sector is still (surprisingly) somewhat muted. We do believe that while a pull back/pause is highly likely, we see ongoing support from a cash flow perspective into gold miners, and further rebalancing towards gold at an asset allocation level.

Gold miners back to 2011 peak – spot gold is 100% higher

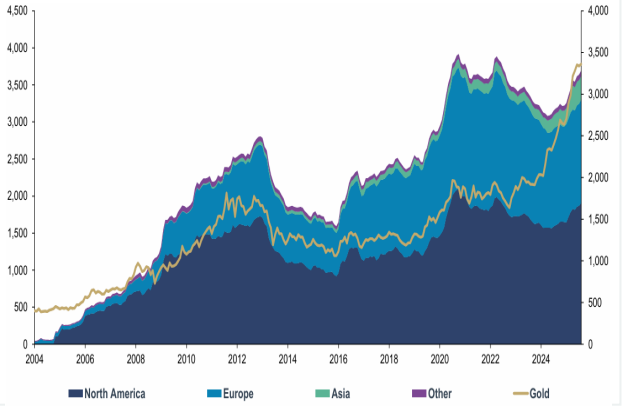
Chart 22



Source: Chester Asset Management, Bloomberg

EFT flows into gold suggest sentiment is still very muted

Chart 23



Source: In gold we trust report – monthly gold compass

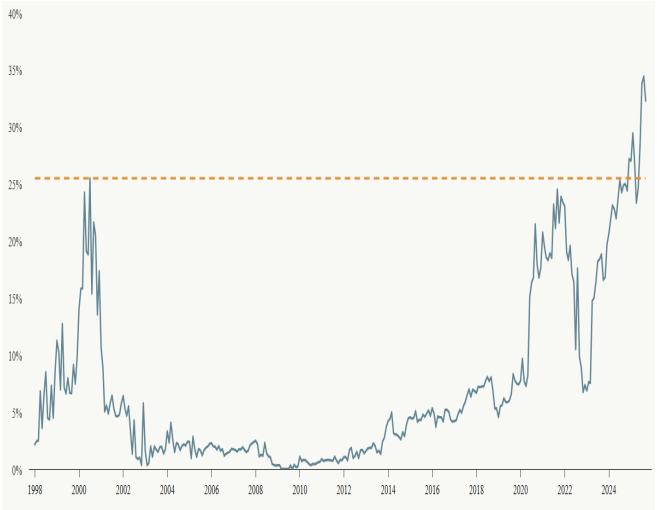
Key Macro Themes

US THOUGHTS

Chart 24 is instructive to us. There are various ways of illustrating just how stretched some components of the markets are at present, but around one third of all US companies trade with a historical price to sales of more than 10x. We can see through the collapse of the tech bubble in 2001, just how quickly this measure became irrelevant. This is something that concerns us. We are also concerned with the price action of the large US private equity firms (chart 26 below). KKR, Blackstone and Apollo are considered to be "the smartest guys in the room". We're not sure why the share prices have disconnected from the S&P500 over the past 4 weeks, but this type of price action to us (when the rest of the market is making record highs) is also concerning. We published in July some thoughts on the structural challenges of PE firms and the collapse in new fund raising activity. This is also worth monitoring. If nothing else it suggests that PE firms will not be providing the liquidity to the public markets they have done historically. Outside these price signals, US economic growth remains patchy, while still being led by AI investment spend. Trump may get his wish for lower rates with payrolls continuing to be weak (led by private payrolls as official numbers for September are yet to be released). The ongoing weakness in construction activity shows how poor sentiment is in the housing sector, hence our view that this is where Trump will focus his policy making in the next 3-6 months. This interest rate rhetoric of the administration is emboldened by chart 27, which shows a significant issue with sales of existing housing. Maybe the US cycle gets worse before further rate cuts alleviate some of these challenges?

Weight of names in the S&P500 trading at >10x trailing 12m P/S

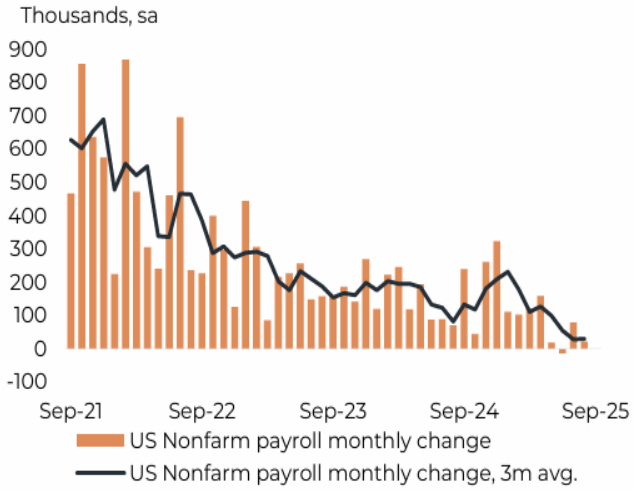
Chart 24



Source: GQG Partners

Ongoing weakness in payrolls allows the Fed to keep cutting rates

Chart 25



Source: Barrenjoey research

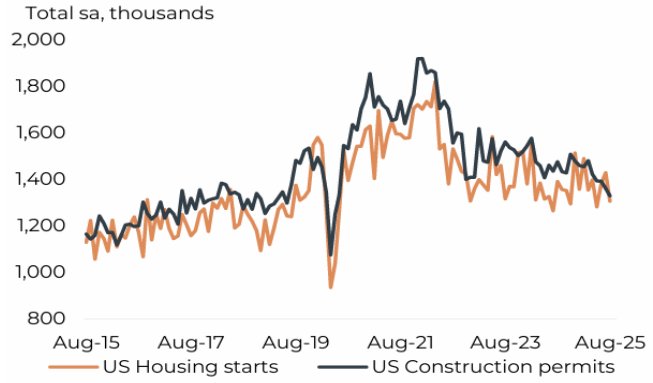
US Private Equity firms – the canary in the coal mine?

Chart 26

Source: Chester Asset Management, Bloomberg

US housing starts and construction permits – still very weak

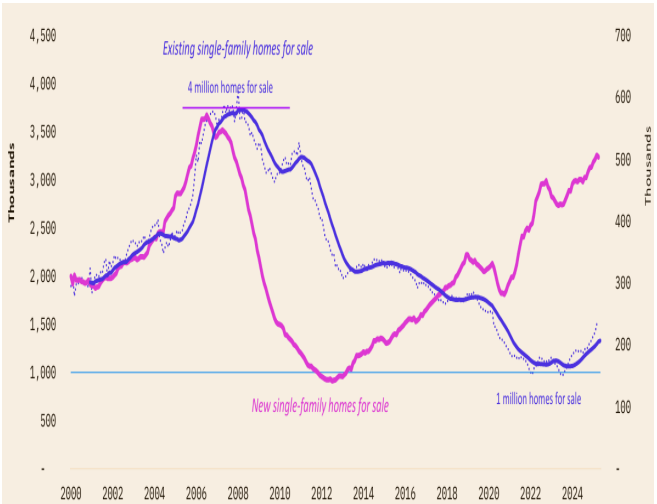
Chart 28



Source: Barrenjoey Research

Existing homes for sale so weak because of refinancing risks

Chart 27



Source: Peter Carroll, Cotality, Jefferies research

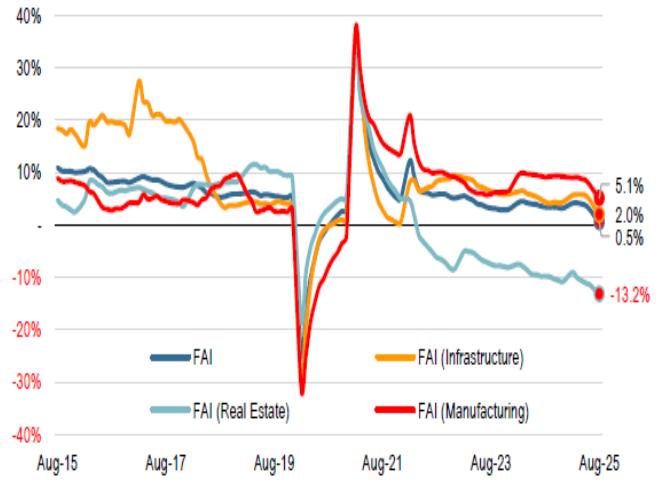
Key Macro Themes

CHINA

China has really just been stumbling along in 2025 with excess housing inventory combined with a declining birth rate leading to the structural challenges we all know China is facing. Chart 29 highlights fixed asset investment is now decelerating in every major category in 2025, which doesn't augur well for nominal GDP growth. We are still of the view that once a trade deal is announced with the US, we will watch with interest as to how credit growth picks up (which hasn't shown any material acceleration yet in 2025). President Xi is scheduled to meet with President Trump at the end of October in Seoul. This is the most likely date for a final signing of a deal, where the rhetoric from both sides has been decidedly quiet over the past quarter. Our understanding is that China may announce a material investment into US manufacturing supply chains, which could be seen to be very positive for global growth should it eventuate.

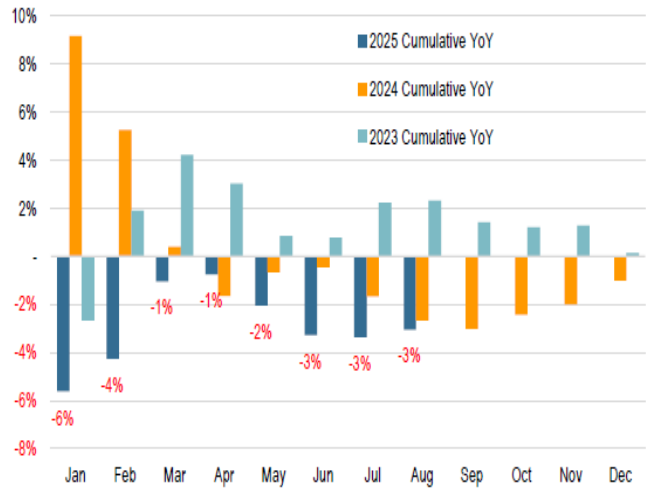
The policy objective around an anti-involution campaign should be seen as both a concerted effort to stem the deflationary spiral that China faces (chart 32), but also a desire from Beijing to exert more influence on local governments around central planning for strategic industries. The unified national market campaign requires all local governments rules governing industry development, market access, investment promotion and tax free deals to be reviewed by Beijing so they are seen as being compliant with fair competition and Beijing's own strategic objectives. This unified national market will impact the speed of decision making and potentially reduce the influence of the traditional Chinese business model, which is exporting spare capacity to the world. Think solar panels, fertilizers, EV cars etc. Potentially this overcapacity problem ends up with US manufacturing of Chinese goods.

Chinese fixed asset investment has fallen sharply
Chart 29



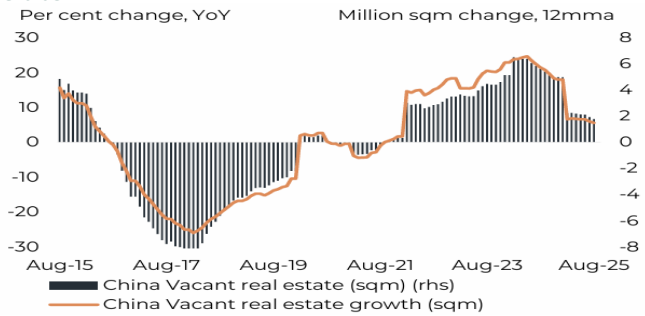
Source: JP Morgan research

Chinese steel production has been falling all year
Chart 30



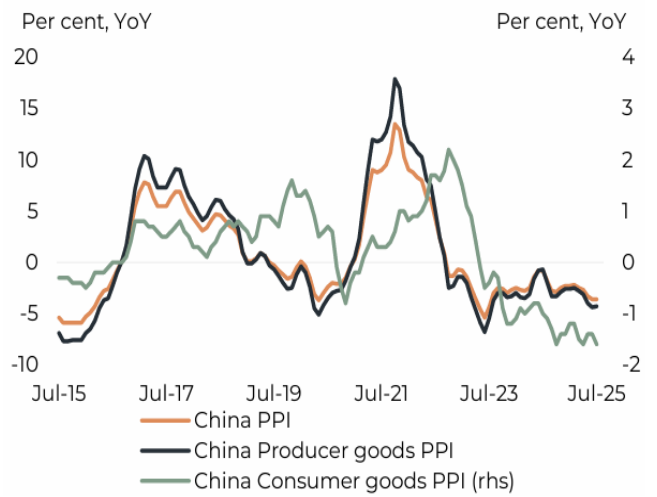
Source: JP Morgan research

Vacant real estate is becoming more balanced
Chart 31



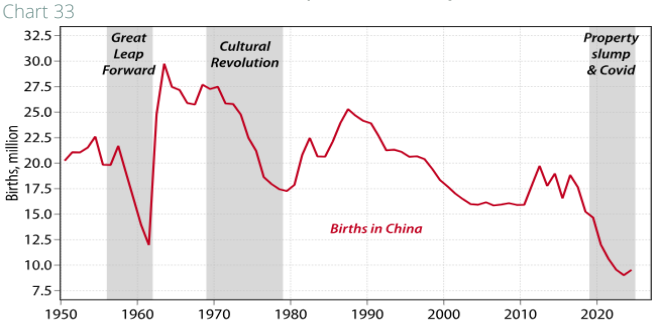
Source: Barrenjoey research

Persistent deflation is driving the anti-involution policy response
Chart 32



Source: Barrenjoey research

The Chinese birth rate has collapsed in recent years
Chart 33



Source: Gavekal research

Key Macro Themes

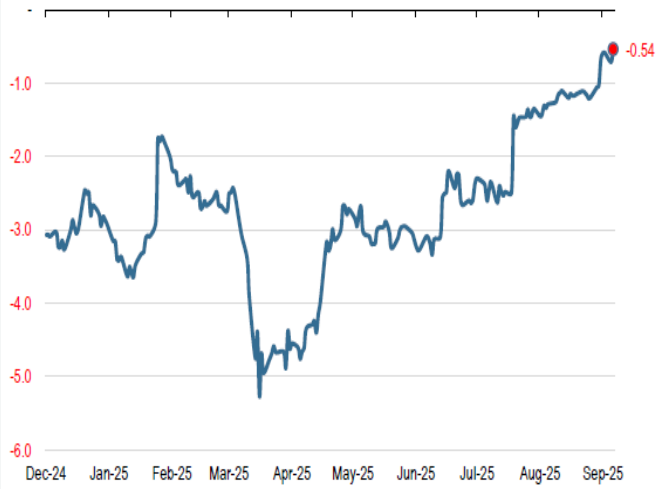
AUSTRALIA

Probably the key takeaway from reporting season for us was the strength in some of the discretionary retail names (JBH, WES, NCK, SUL) to name a few. Let's leave aside the fact that they are trading all at record high PE multiples. Combined with the confidence from the residential sector (MGR, SGP, APZ) and it appears to us the past 3 rate cuts have pretty much brought significant confidence back to the discretionary sector and housing market. The labour market remains tight, so it is no surprise to us that chart 34 has trended the way it has. This shows the market only expects a 50% chance of one more rate cut in 2025. Given chart 36 highlights that the trimmed mean inflation quarter on quarter showed a significant pick up (much of it was state based electricity subsidies rolling off), we are in the camp that suggests the RBA is potentially done with this rate cut cycle. Australia looks to be on a better footing than the US in terms of interest rate differentials, which all else being equal, suggests some support or upwards pressure on the AUD.

Chart 35 highlights one of the main reasons for economic strength in Australia is the increasing reliance on government consumption, rising from 18% in 2015 to just under 23% of GDP today. Chart 37 and 38 are data points we pay close attention to, given how chronic the housing shortage has been in Australia. Immigration is obviously a lighting rod for debate, but it seems too coincidental that the rental inflation pressure started rolling over as immigration did. 5% rental inflation is still too high, so needs monitoring.

The number of RBA rate cuts priced by Dec-25

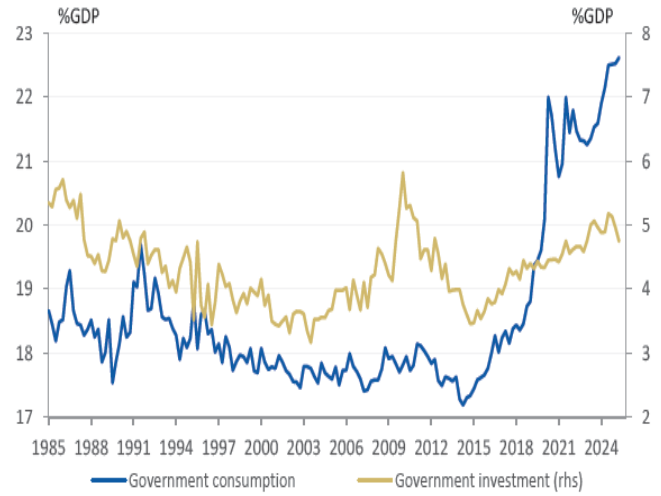
Chart 34



Source: JP Morgan

Where would we be without government spending?

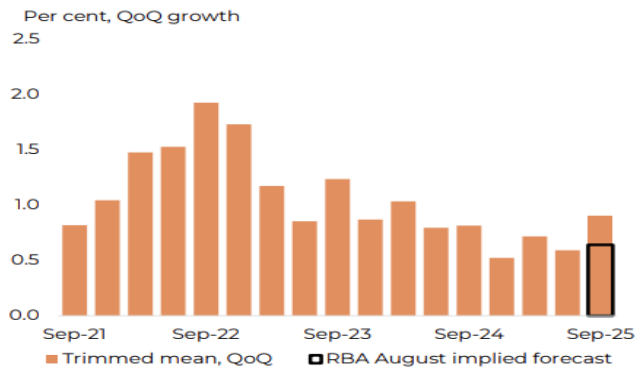
Chart 35



Source: Morgan Stanley research

Inflation in August was higher than expected – no more rate cuts?

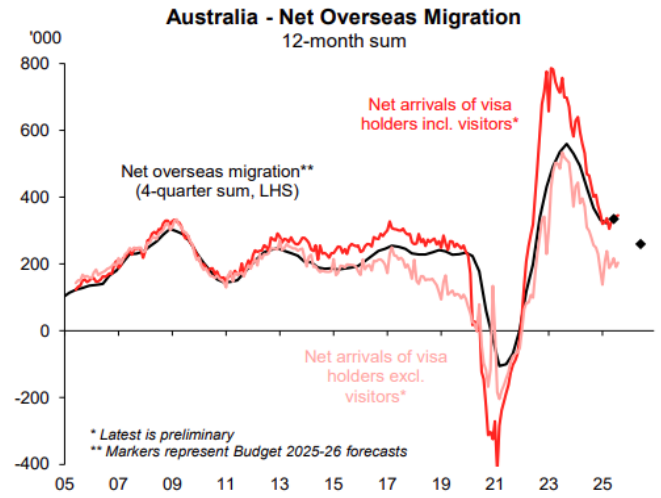
Chart 36



Source: Barrenjoey research

Interest rates have to improve the capacity to pay for housing

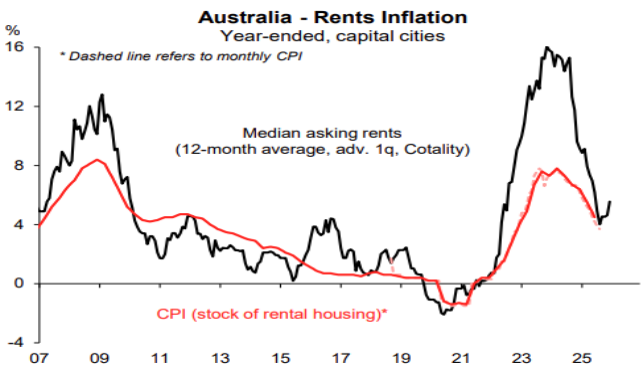
Chart 37



Source: Macquarie Research

Rental inflation starting to re-emerge as an issue?

Chart 38



Source: Macquarie Research

Key Macro Themes

CHARTS THAT MAKE YOU GO HMMM...

We often simply post some charts in the quarterly as we tend to think that sometimes, a picture is worth 1000 words. This is a collection of charts that help us make sense of what is happening. Chart 39 is a powerful visual of US exceptionalism. We are spending much time considering the notion of fiscal dominance in the US given the unsustainable debt burden. If this transpires in higher inflation and a weaker USD over the next 2-3 years, it is highly unlikely the trends of the past 15 years would continue. With this backdrop we would see the world transitioning from a disinflationary boom (inflation unwinding with strong economic growth) to an inflationary boom (strong economic growth with rising inflation). This would result in a very different investing climate than we have had for much of the past 15 years.

We always have one eye on valuations at the index level, chart 40 illustrates we are getting close to a record valuation (led by CBA and WES, not miners or CSL), while chart 41 is something we tend to lean towards (if we are right with the structural debasement of the USD), as we see many reasons why commodities can have a far stronger decade ahead of them than the 15 years just past. This includes silver (chart 42), which looks to be headed much higher. Chart 43 is something we are considering given the amazing interested/hype associated with all things AI. We are not very good at chasing momentum so see no reason to start now.

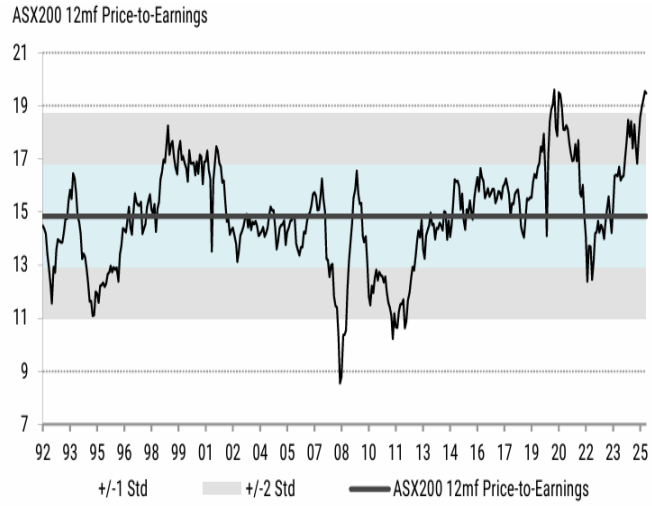
The spectacular outperformance of the US vs ROW

Chart 39

Source: Gavekal Research

The ASX is looking expensive on traditional metrics

Chart 40



Source: Morgan Stanley

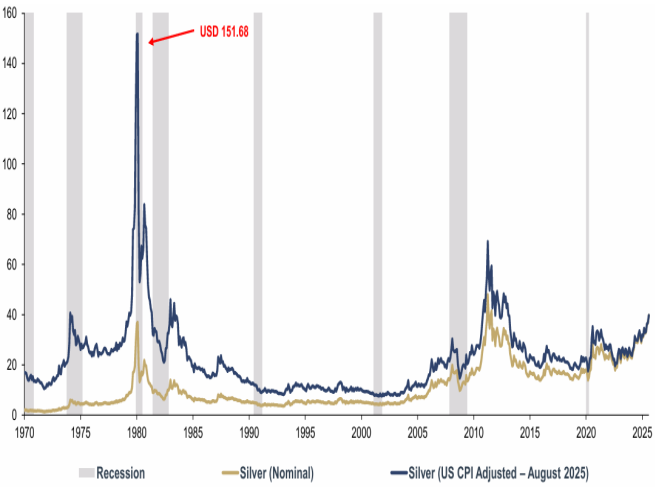
Commodities relative to the S&P500 – the end of a long bear market?

Chart 41

Source: In gold we trust report – monthly gold compass

Silver has a long way to go to recapture its inflation adjusted peak

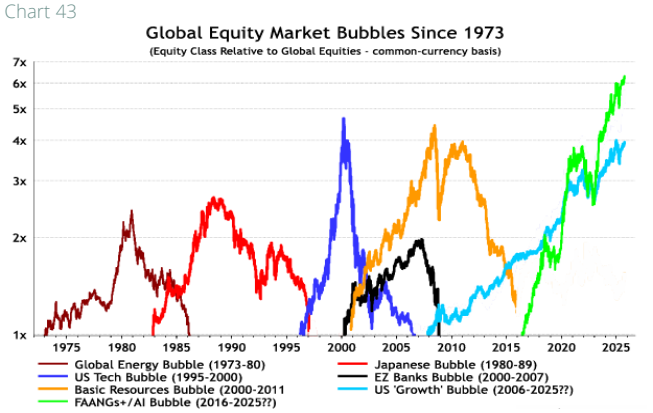
Chart 42



Source: In gold we trust report – monthly gold compass

Is AI the bubble of all bubbles?

Chart 43



Source: ASR research

Executive Summary

Equities

We really try to summarise our thoughts for our own benefit, as much as trying to articulate them to a wider audience. In our view the most significant change to markets over the past 3 months is the clarity with which this administration wants to run the US economy as hot as possible with a combination of tax cuts, deficit spending, deregulation and lower interest rates, which appears to be a formality in May 2026 when Trump can install a new Fed Chairman. One near term catalyst is the potential for the US and China to agree on a trade deal with a meeting in Seoul at the end of October. We believe this could signal Chinese investment into US manufacturing in return for market access. Potentially a strong catalyst for global growth as we look to 2026. By and large, we do see valuations across a range of sectors as full and while this never means anything in isolation, it (to us) means we should be far more focused on the asymmetry of risk we are currently taking.

- We are still of the belief we are entering a period of fiscal dominance, whereby fiscal policy drives the outcome of monetary policy, or in other words, the central bank loses its independence and only acts to support government policy (in the case of the US, this would result in lowering interest rates and financing the deficits to relieve some pressure of the debt burden).
- As a by-product of fiscal dominance, financial repression means inflation rates are higher than interest rates for a significant period. It is the only logical way of inflating the debt burden away. This does have ramifications for portfolio construction over the next 2-3 years. We believe the gold, silver and platinum markets are telling us a different era is emerging.
- We have been in a period of a disinflationary boom over the past 2 years, with inflation falling while the global economy has been on a stable footing (outside tariff uncertainty). A disinflationary boom tends to leave long duration and high growth stocks as the ultimate beneficiaries. The signing of OBBB and Scott Bessent acknowledging the US just needs to have the economy growing faster than the debt burden suggests to us we are entering a period of an inflationary boom. Simplistically inflation erodes the value of future profits, which makes expensive growth stocks less attractive.
- All else being equal, this thesis would see a period of value outperforming growth (much like 2022), a broadening of stock market performance outside US technology into small caps and international markets as the USD weakens on the relentless deficit spending and hard assets (property, commodities, etc.) providing a store of wealth.
- We do spend a meaningful amount of time considering the threats and opportunities arising from the accelerating trend of AI, autonomous vehicles and humanoid robots. These future facing trends are impossible to ignore. For now, though, outside select opportunities, we see far better comparative advantage in owning real assets (physical property or commodities or supply chains) that can't be disrupted by the digital world. We live in fascinating times.

Our view remains that real assets (property, infrastructure, agriculture, commodities, gold, etc.) will outperform capital light or long duration assets over the coming period for reasons listed above. We believe Australia is well placed to benefit from this trend over the coming decade, with an enviable lifestyle and strong (if not somewhat flawed) democracy. As a primary producer of agriculture and commodities, we are well set-up to continue to prosper as a nation, which should all else being equal, attract global capital and labour via both skilled and unskilled migration. We do think the RBA is closer to finishing its interest rate cycle than starting it. We are not sure this view is reflected in some sectors of the Australian market.

At a sector level, we see merit in the idea that select industrials look attractive from a valuation perspective, while healthcare should see earnings resilience in this environment. Healthcare (CSL) has had a very challenging year, but is now as cheap as it has ever been relative to the ASX industrial peer group. Gold equities look fascinating from a sentiment perspective. We are not convinced the gold bull market has been adopted widely yet (judging by the flows into gold ETF funds). Bull markets historically follow bear markets, and in that context, small caps tend to perform better as risk appetite increases. From a strategic perspective, as more dovish interest rate policies come into view (Australia appears at least 6 months behind the US), we may start to see some rotation from growth into value as a style, given many value driven stocks provide cyclical exposure to domestic economies. For the same reason, it would be a reason why small caps finally start outperforming large caps with higher domestic exposure. The Australian banks are priced as though there will never be another bad debt cycle. We remain very cautious towards the banking sector should we see unemployment pick up and are watching the developments with stablecoins very closely. There is no disruption risk priced into banks at this juncture.

By and large, our stock selection framework continues to focus on:

Real assets - **AGL, AZJ, QUB, EGH, ASK**
Valuation margin of safety - **CGF, LLC, NUF, MTS**
Pricing power - **CSL, RMD, NEU, NWS**
Gold - **WGX, GMD, AZY, NST**

As we have demonstrated over the past 12 years with this strategy, the returns we generate do deviate significantly from the benchmark, where we are proud of the track record of the strategy, delivered with lower volatility than the ASX300.

Fund Philosophy

TOP 10 HOLDINGS

COMPANY	QUALITY	VALUATION	INSIGHT	REAL ASSETS	THEMATIC TAILWIND
CSL Limited (CSL)	✓	✓	✓		Aging population
AGL Energy (AGL)		✓	✓	✓	Energy transition
Mineral Resources (MIN)	✓	✓		✓	Energy transition / Deleveraging
Westgold (WGX)		✓	✓	✓	Gold
Eureka Group (EGH)	✓	✓	✓	✓	Social infrastructure / rental crisis
Qube Logistics (QUB)	✓	✓		✓	Infrastructure / consumption
Challenger (CGF)	✓	✓		✓	Retirement income / regulatory change
Nufarm (NUF)		✓	✓	✓	Agriculture / Biofuels
Develop Global (DVP)		✓	✓	✓	Energy transition / Copper
Lend Lease (LLC)		✓	✓	✓	Housing shortages/ urban development

Source: Chester Asset Management, in no particular order

Above are our top ten holdings as at the 1st of October, 2025. Our fund is actively managed and has no positions held simply to reduce tracking error against the index. It is truly benchmark unaware investing. Position sizes typically range between 1% and 6%, determined by our conviction level and the company's market cap.

Our conviction in a stock is based on a combinations of three factors:

1. The appropriate valuation of the stock, with;
2. Our assessment of the quality of the assets and management team, overlayed by;
3. Our expectations vs the market (or insight/edge) of the earnings projection. I.e. Do we think the market is mispricing earnings?

We require at least two of these three factors to be validated to support any investment thesis.

To illustrate this, we refer to Chart 45 from our presentation material. Most of the current top ten holdings are classified as "predictables" (industrials, REITs or healthcare, etc). Develop Global (DVP) falls under the "cyclicals" category, as does Mineral Resources (MIN) and Nufarm (NUF) while our gold exposures, including Westgold (WGX) are considered defensive.

When allocating capital to more predictable sectors, our primary focus is the quality of the industry position they hold and relative cash flow certainty. We use a structured framework, asking seven key questions competitive advantage (e.g. pricing power, barriers to entry, threat of disruption, etc), as well as assessing the managements teams track record and invectives.

Once we decide that a company is well positioned, we then look for at least one other "thesis" to hold true. For predictable companies, we prioritise quality first, then valuation or edge. For cyclical or defensive (gold) companies, the starting point is valuation, given the inherent uncertainty in cash flows. From there, we look to build conviction in the management team and whether we have a unique insight ("edge") into the assets.

Chart 45

Source: Chester Asset Management

CHCF portfolio construction framework

We categorise holdings into three buckets as outlined in Chart 3.

Predictables include sectors like healthcare, consumer staples, defence, infrastructure, etc. as, in general, able to offer relatively predictable cash flow profiles from the industry structure they operate in. We are the first to admit this is a relatively primitive exercise given that many stocks have very different cash flow characteristics that may be categorised in several ways. For example, gaming or more specifically casinos have historically been relatively predictable cash flow generators, but COVID derailed many of these formerly "predictable" sectors. We focus heavily on the industry structure and competitive advantages of each company when assessing the investment thesis for "predictable" stocks.

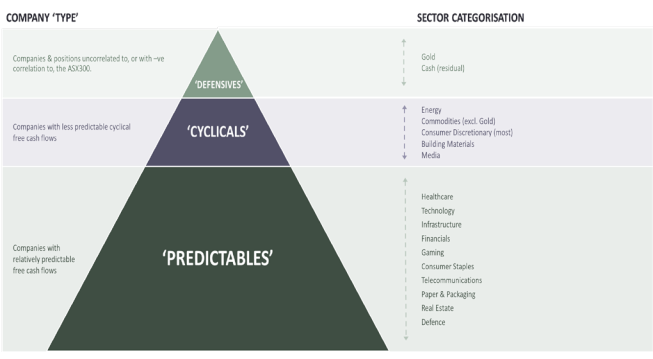
Cyclicals such as energy, commodities, and select industrials, have less predictable earnings. We use the word "relatively" predictable, as there is always less certainty over the longevity of a cash flow cycle and sustainability of margins, hence given the uncertainty, we tend to desire much greater valuation support in cyclical sectors.

Defensives include gold, which we view as uncorrelated to the ASX300. We classify gold equities with this lens, as a historical study of large equity market drawdowns highlights how well gold holds up in extremely volatile markets.

Cash is often a residual position that we simply state as the option to buy something cheaper in the future.

How do we allocate capital

Chart 44



Source: Chester Asset Management

Fund Philosophy

Chart 46 illustrates how our portfolio allocation across the three buckets – Predictables, Cyclicals, and Defensives – have evolved over the past 12 years, On average, Predictables have made up 60-70% of the portfolio, Cyclicals around 18% (within a 10-25% range), and Defensives between 10-25% averaging approximately 15%.

Over the past 3 months, we have increased our cyclical exposure marginally. While this strategy has delivered strong alpha over time, FY19 was an exception: the portfolio was too heavily weighted to cyclicals in late 2018, and then overly defensive through early 2019. We remain mindful that cyclicals are higher beta and can be either standout performers or detractors. As such, our exposure is managed with discipline and selectivity.

Chart 47 compares the portfolio characteristics of CHCF with the ASX300. While these metrics offer a snapshot at a point in time, they tend to be fluid, shifting with portfolio changes and position sizing. As such, we view them as descriptive rather than deeply insightful.

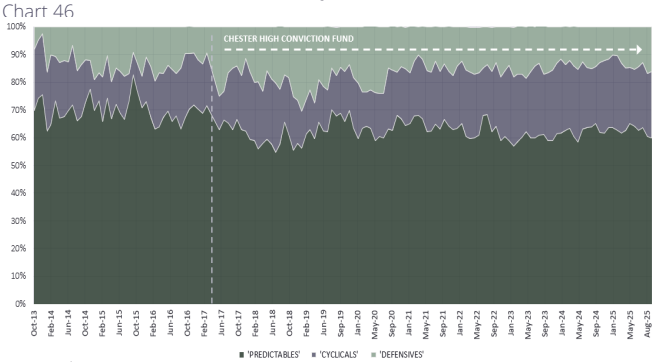
The data does highlight a clear value bias, influenced by positions such as Westgold (WGX), which trades at 5.9x PER and is forecast to deliver over 150% EPS growth in FY26. These types of idiosyncratic holdings can meaningfully shape the portfolio.

The fund's yield is lower than that of the ASX300, largely due to lack of exposure to BHP, RIO and major banks, the key contributors to the index yield. The fund also shows superior eps growth and stronger valuation support relative to the ASX300.

This reflects the deliberate construction of a benchmark-unaware fund, designed to deliver something fundamentally different. Without the differentiated approach, we would not have achieved our 12-year track record, one built with lower volatility than the broader market. It is truly index unaware investing.

Which has been done consistently over time

Chart 46



Source: Chester Asset Management

Chester High Conviction Fund portfolio characteristics

Chart 47

	CHCF	ASX300 Index
PER FY1	17.4	19.5
PER FY2	14.1	19.1
FY1 EPS growth	13.4%	3.7%
FY2 EPS growth	15.0%	7.7%
ROE	13.1	12.4
Beta	0.86	1.00
FY26 Yield	2.1	3.3
FY1 DPS growth	16.1%	3.1%

Note: Chester data excludes non revenue generating companies. To end September 2025
Source: Chester Asset Management, Bloomberg, Morgan Stanley research

HIGH ACTIVE SHARE

For active managers to outperform over the long term, the fund has to be truly different than the benchmark. This strategy has had an active share above 80% since inception. Don't follow the crowd.

MID CAP BIAS

Broadly speaking, we find more interesting opportunities outside the large cap universe. Exposure to mid and small caps is essential for long term outperformance.

CASH FLOW GROWTH

We seek to invest alongside companies that either generate predictable cash flows in high quality industries, or determine an appropriate margin of safety where valuation support is paramount, which is in more cyclical sectors of the economy.

BACK OWNERS OF CAPITAL

Allocating capital to management teams that think like owners alleviates the principal-agent problem. "*Show me the incentive and I'll show you the outcome*" Charlie Munger.

CONCENTRATION IN FEW IDEAS

We keep a tight watchlist of stocks that are deemed suitable for investment. Focusing the research effort into fewer ideas provides more opportunity to gaing higher conviction views. Too much diversification becomes counter productive.

FOCUS ON INSIGHTS

Do we have a different view than the prevailing wisdom of the market? High conviction often comes from a granular understanding of where the market expectations are wrong.

A CONTRARIAN VIEW?

Backing ourselves in unloved, underappreciated or undiscovered stories has been the most consistent source of alpha generation of this strategy.

KEEP IT SIMPLE

Ultimately, we allocate capital to sectors and companies we understand. The investment thesis needs to be easily articulated for a high conviction idea.

INVEST WITH HUMILITY

All fund managers make mistakes, it's part of the profession. Our tightly knit culture accepts these, tries to learn from them, and keeps making decisions. It is a profession where humility is absolutely essential.

STAY CURIOUS

Fresh ideas or unique insights is critical to ensure the portfolio stays invested with conviction. To consistently generate outperformance we seek to test the investment thesis behind each decision. This requires discipline and a repeatable process in company visitation schedules.

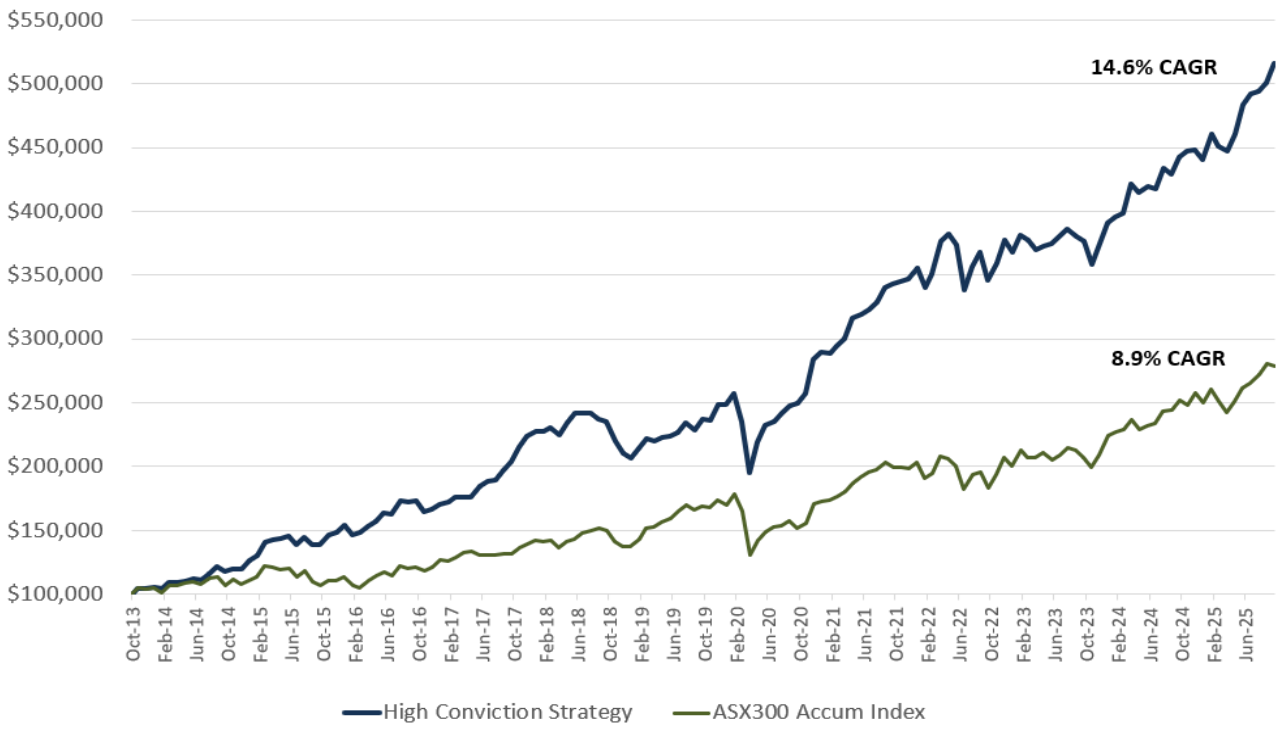
Performance

ACCUMULATED PERFORMANCE BY FINANCIAL YEAR | Same Strategy

(%)	FY14#	FY15	FY16	FY17*	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	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	+4.8	+14.6
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	+5.0	+8.9
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	-0.2	+5.7

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 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.

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.

CONTACT COPIA:

1800 442 129 clientservices@copiapartners.com.au copiapartners.com.au