

Alvia High Conviction Fund

Alvia's 'best ideas' unitised fund leverages our multi-family office investment process to deliver long term, consistent and compounding returns.

March 2021 update

Markets

Most equity markets posted positive returns for March, as concerns about inflation, rising bond yields and a resurgence in COVID-19 across a number of countries was offset by optimism surrounding the progress of vaccination programmes and further stimulus measures from governments and central banks, including the Biden government's US\$2 trillion infrastructure plan. The S&P 500 advanced 4.2% to close within a whisker of an all-time high, whilst the tech-heavy Nasdaq lagged its broader index peer, closing the month up 1.9%. In London, the FTSE 100 advanced 0.6% and continues to be a significant laggard. The Alvia investment team continues to review companies listed in the UK as we are seeing a material divergence in valuation multiples when compared to the US. In China, the SSE Composite declined 1.9% and locally the ASX 200 advanced by a modest 0.4%, impacted by declines in high flying growth stocks such as Afterpay (ASX:APT), in addition to the miners and energy companies. The Aussie dollar retreated by 2.9% against the greenback, to close just above 76 US cents.

The commodities complex was mixed again during the month, with the WTI oil price closing at US\$59.16 a barrel, down 3.8%. Iron ore prices advanced 0.8%, whilst gold continued to decline, closing the month down 0.8% at US\$1,715.60 an ounce. The gold price has declined by 16% since its pandemic high of just over \$2,000 an ounce in August last year. We view current levels as an attractive buying opportunity and have been increasing our positions in physical gold, in addition to a portfolio of global gold mining companies. The softness in the gold price may be due to the stampede into the perceived "safe haven" of Bitcoin, which rallied 33.0% for the month. The combined market capitalisation of cryptocurrencies reached an all-time high of US\$2 trillion in early April.

Portfolio

The fund's fundamental value bias held it in good stead during the month, with a strong performance from the portfolio's resources and financials investments, in addition to some underappreciated compounders. For a second consecutive month, **Texas Pacific Land Corporation (NYS:TPL) +44.0%** was the best performing investment in the portfolio, benefitting from its new corporate structure, leading to increased investor interest, coupled with a more positive outlook for oil, as COVID-19 vaccination programmes increase the prospect of a return towards pre-COVID levels of energy consumption. Other strong performers included uranium investment company **Yellow Cake Plc (LON:YCA) +23.0%** and UK bank **Barclays Plc (LON:BARC) +16.5%**.

The fund's laggards included **BetaShares Gold bullion ETF (ASX:QAU) -5.2%**, which provides physical gold exposure hedged in Australian dollars. Gold declined for another month as markets continue to remain very much in "risk-on" mode. However, with the world awash of cheap money, we believe there is the genuine risk of higher than expected inflation and the potential debasement of fiat currencies, which will be positive for gold. Other decliners for the month included leading global insulin manufacturer **Novo Nordisk (NYS:NVO) -5.4%** and Vienna and Malta airport owner and operator **Flughafen Wien Ag (VIE:FLU) -6.3%**. The investment team is very comfortable with the fund's current holdings, however in light of the richness of broader market valuations across all major asset classes, the portfolio has more of a cautious positioning, with a cash and gold allocation of just over 15%, which we will continue to deploy opportunistically.

Performance as at 31 March 2021 (A\$)*

	1-month	3-month	6-month	Total since inception
Fund (net of fees)	6.2%	11.7%	22.0%	18.7%
RBA Cash Rate + 3%	0.3%	0.8%	1.5%	2.0%
Difference (net of fees)	5.9%	11.0%	20.5%	16.7%

* Fund inception date is 6th August 2020. Performance figures are historical percentages, which have been calculated using end of month prices and do not allow for the effects of income tax or inflation. Returns assume the reinvestment of all distributions. For periods greater than one year, with the exception of "Total since inception", returns are annualised. Performance can be volatile and future returns can vary materially from past returns.

Alvia Asset Partners Pty Ltd (ACN 640 085 025, AFS Representative 001281968) under licence from Alvia Licensees Pty Ltd (AFSL 523167)

Cumulative return since inception



Top 5 investments

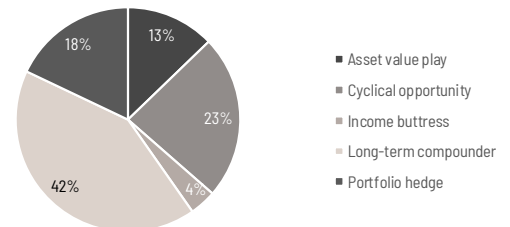
TPL.NYS	Texas Pacific Land Corporation	7.4%
TGF.ASX	Tribeca Global Natural Resources Limited	4.9%
UBS8018AU	UBS Emerging Markets Equity Fund	4.0%
BRK.B.NYS	Berkshire Hathaway Inc	3.7%
HCA.NYS	HCA Healthcare Inc	3.6%

Top 5 total **23.5%**

Number of portfolio investments 28

Average investment weight 2.9%

Weighting by investment category



Key portfolio metrics

EV/EBITDA (x)	15.5
3-year historical EBITDA growth (%)	12.4%
5-year median return on equity (%)	26.2%
FCF yield (%)	6.6%
Debt to EBITDA (x)	3.2
Price to book (x)	6.5

Unit prices as at 31 March 2021 (A\$ per unit)

Entry price	1.1872
Mid price	1.1836
Exit price	1.1800



ALVIA HIGH CONVICTION FUND PROFILE

ABSOLUTE RETURN FOCUSED

MINIMUM INVESTMENT
\$50,000

MANAGEMENT FEE
0.90% p.a. + GST

PERFORMANCE FEE
15% p.a. of any return greater than the benchmark. (RBA cash rate + 3%)

TIMEFRAME
The Fund is suited to investors with a long-term investment horizon.

ENTRY / EXIT FEES
Nil

DISTRIBUTION FREQUENCY
Annually, subject to availability of income.

TYPICAL NUMBER OF INVESTMENTS
20 to 40

TRUSTEE
Independently owned, QLD based DDH Graham.

The Fund provides access to multi-family office investment expertise and investment ideas, without the barrier of a significant investment minimum.

Objective

To deliver sustainable, long term risk-adjusted returns with a focus on capital preservation.

Structure

The Fund is an open-ended, single class, unregistered managed investment scheme structured as a unitised trust, for wholesale investors only.

Investment Mandate

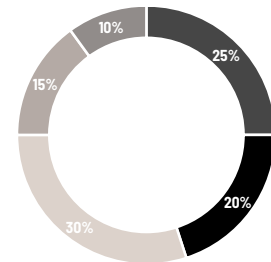
Unconstrained, incorporating listed securities, managed funds and private companies; long and short positions; all geographies.

Investment Philosophy

The Fund's investment process is founded on the underlying principle that good investing requires a solid temperament as much as strong analysis.

Investing is principled upon long-term compounding of returns and not short-term speculative price forecasts. All of the Fund's investments are subject to a rigorous five step review process, consistent with the approach used across Alvia's five asset class model portfolios.

Portfolio Weighting



Asset value play - 25%

A business that is currently priced at a material discount to its book value or net asset value ('NAV').

Cyclical opportunity - 20%

A business that operates in an industry with earnings that are highly correlated to commodity prices and/or economic activity, where the investment team believes there is a material mispricing relative to the current stage of the economic cycle.

Long-term compounder - 30%

A business that is the leader or one of the leaders in its industry that has consistently delivered growth in revenue, earnings and cash flow across the business cycle.

Income buttress - 15%

Investments that have a strong and stable income profile with lower levels of price volatility. These investments tend to have a lower (or negative) correlation to typical equity and equity-like securities.

Portfolio hedge - 10%

Investments that have a low or negative correlation to listed equities and other equity-like asset classes, to reduce the volatility of portfolio returns (e.g. gold and the US dollar).

THE ALVIA INVESTMENT TEAM



Joshua Derrington
CIO



Chris Scarpato
Portfolio Manager



James Duffy
Portfolio Manager



Daniel Martin
Research Analyst



Level 3, 283 Elizabeth Street, Brisbane City QLD 4000

GPO Box 212, Brisbane QLD 4001

07 3153 4879

info@alviapartners.com.au

alviapartners.com.au