

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.

September 2021 update

Markets

Most major equity markets lost ground, with sentiment souring towards the middle of the month. Losses were led by US's Nasdaq index, which reversed by 5.3%, closely followed by the broader S&P 500 index, which declined 4.8%. Losses were less muted outside of the US, with London's bellwether FTSE 100 closing the month 0.5% lower. Whilst most major equity market indices have advanced beyond their pre-COVID-19 highs, the British index is still around 8% under water. In China, the Shanghai Composite reversed losses posted earlier in 2021 to record a 0.7% gain.

Locally, investors took profits after the August reporting season, with the market recording a 2.0% decline. Resources companies came under pressure, in particular the iron ore miners, with Fortescue Metals (ASX:FMG) -28.8%, BHP Group (ASX:BHP) -17.5% and Rio Tinto (ASX:RIO) -10.6% leading losses for the month after a strong period of outperformance.

Commodities were mixed for the month, with energy the clear outperformer. In particular, thermal coal prices closed the month at the highest level since July 2008, as a number of major economies face significant baseload electricity shortages in light of lower than expected output from renewable energy sources such as wind power. The oil price continues to remain elevated, with WTI oil closing 9.5% higher at US\$75.03 a barrel, sending petrol prices across Australia to record highs. Spot iron ore prices continued their retreat on concerns of a reduction in Chinese demand for the red metal, losing another 24.9% during September to close at US\$119.65 a tonne. Despite the risk-off sentiment, gold bullion didn't catch a bid, closing down 3.4% at US\$1,757 an ounce. The slump in the iron ore price led to further weakness in the Aussie dollar, which lost another 1.5% against the greenback to close at 71.8 US cents. Bitcoin continued on its wild ride, with a drop of 7.5% to close at US\$43,760 a coin.

Portfolio

Positive momentum in the uranium sector continued, driven by demand from financial buyers, in particular the Sprott Physical Uranium Trust. In addition, significant baseload electricity challenges across a number of countries that have pivoted heavily to renewable energy sources has resulted in a significant supply deficit, as noted above. This has added further conviction to uranium being used on a wider scale as a credible low-carbon alternative to coal and gas fired power. Uranium portfolio holdings **Yellow Cake Plc (LON:YCA)** +23.6% and **Cameco Corporation (NYS:CCJ)** +17.3% were the portfolio's best performers for the month.

During the month, **Sydney Airport (ASX:SYD)** received an improved offer from the infrastructure consortium which first approached the country's largest airport in early July. The all-cash offer of A\$8.75 per stapled security was enough for the airport's board to grant the consortium a 4-week non-exclusive due diligence period. The corporate interest in Sydney Airport flowed through to the share price of its New Zealand counterpart, **Auckland International Airport (ASX:AIA)** +9.1%. Negative contributors to the portfolio's return for the month included US, UK and European Westfield shopping mall owner and operator **Unibail-Rodamco-Westfield (ASX:URW)** -12.3%, Permian-basin land owner **Texas Pacific Land Corporation (NYS:TPL)** -11.1% and leading GPS technology company **Garmin (NAS:GRMN)** -10.9%.

The investment team added a position in leading Chinese e-commerce marketplace **Alibaba Group Holding (NYS:BABA)**. We believe the current share price provides an attractive entry point for a company of Alibaba's quality with revenue and earnings growing well above market rates, which will continue to benefit from the urbanisation of China's population and the resumption of the country's growth trajectory post COVID-19.

Performance as at 30 September 2021 (A\$)*

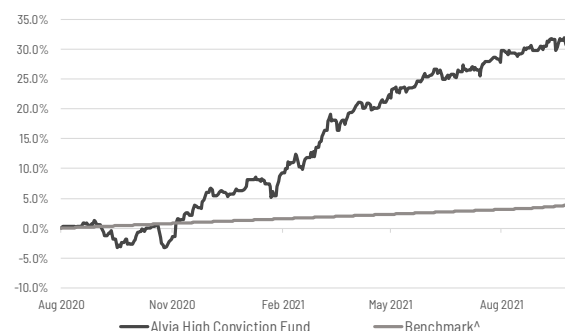
	1-month	3-month	6-month	9-month	1-year	Inception (p.a.)	Total since inception
Alvia High Conviction Fund (net of fees)	(0.8%)	3.1%	9.9%	21.9%	33.2%	25.2%	29.6%
Benchmark [^]	0.5%	1.0%	1.8%	2.6%	3.3%	3.3%	3.8%
Difference (net of fees)	(1.3%)	2.1%	8.1%	19.3%	29.8%	21.9%	25.7%

* 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.

[^] Benchmark of RBA Cash Rate + 3.00% per annum from inception date (3.25%) to 31 August 2021 (3.10%). From 1 September 2021 onwards, benchmark of 6.00% per annum.

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Cumulative return since inception

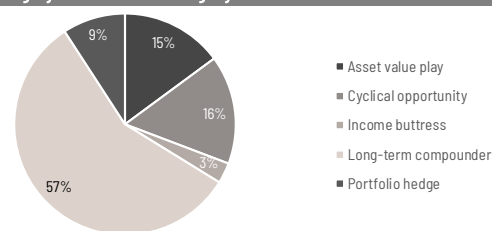


Top 5 investments

UBS8018AU	UBS Emerging Markets Equity Fund	5.0%
PURE	Pure Environmental Pty Ltd	4.3%
BRK.B.NYS	Berkshire Hathaway Inc	4.3%
TPL.NYS	Texas Pacific Land Corporation	4.2%
HCA.NYS	HCA Healthcare Inc	4.2%

Top 5 total	22.0%
Number of portfolio investments	30
Average investment weight	3.1%

Weighting by investment category



Key portfolio metrics

EV/EBITDA (x)	15.7
3-year historical EBITDA growth (%)	11.8%
5-year median return on equity (%)	25.1%
FCF yield (%)	8.2%
Debt to EBITDA (x)	1.6
Price to book (x)	6.4

Unit prices as at 30 September 2021 (A\$ per unit)

Entry price	1.2957
Mid price	1.2918
Exit price	1.2879



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. (6.00% p.a.)

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

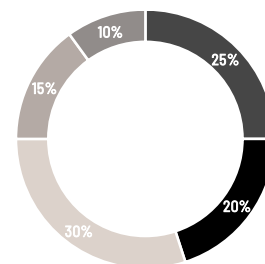
Unconstrained, incorporating listed securities, managed funds and private companies; long and short positions; all geographies.

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



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