

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.

April 2022 update

Markets

US equities continued to lead global markets lower, with higher bond yields and inflation causing concern for the outlook for risk assets. The significant concentration of the major US indices within a small number of mega-cap companies saw them prone to material underperformance, with the S&P 500 index losing 8.8% and the tech-heavy Nasdaq off 13.3%. The two major US indices have now sold off 13.3% and 23.2% respectively from their all-time highs. **The Nasdaq in particular posted its worst month since the Global Financial Crisis in 2008.** The significant underperformance of US equities to start the calendar year is only starting to reverse the country's significant valuation premium, largely driven by the mega-caps.

Equities outside of the US faced a less torrid month, in particular in London, where the FTSE 100 managed a 0.4% gain, supported by a strong performance from its resources, consumers staples and pharmaceutical constituents. In China, the SSE Composite came under further pressure, losing 6.3%, however sentiment began to improve towards the end of the month. Locally, the ASX 200 continued its run of outperformance against its US counterparts, with a loss of 1.1%. Since January this year, our local bourse is flat, whilst the S&P 500 is down 13.3% and the Nasdaq is off 21.2%.

After a strong recent run, commodities were more muted for the month, with iron ore flat, closing at US\$150.77 a tonne, while copper reversed 5.3% to \$9,820.50 a tonne. The WTI oil price remains elevated, although declined a modest 2.9% to \$104.69 a barrel. Despite concerns about inflation across major economies, the gold price lost 1.4% to close at \$1,911.70 an ounce. The Australian dollar slumped 5.3% to just above 71 US cents. Bitcoin lost 15.8% to end the month at \$38,336 per coin.

Portfolio

The fund's performance for the month was again resilient, despite material declines in key equities indices, including the Nasdaq -13.3%, S&P 500 -8.8% and MSCI World Total Return -4.8%. This outperformance was supported by holdings including Australia's largest rail freight company **Aurizon Holdings (ASX:AZJ)** +9.2%, leading automotive and industrial cooling solutions provider **PWR Holdings (ASX:PWV)** +8.3% and global insulin, weight loss and rare disease medicine company **Novo Nordisk (NYS:NVO)** +2.7%.

The investment team took advantage of the significant equity market volatility to add to positions across the portfolio, including **HCA Healthcare (NYS:HCA)**, **News Corporation (ASX:NWS)**, **Platinum Asset Management (ASX:PTM)** and **The Walt Disney Company (NYS:DIS)**. HCA shares in particular were marked down during the month following the release of 1Q22 earnings and a ~10% downgrade to 2022 guidance due to higher-than-expected salary and wage inflation. We used this as an opportunity to add to the fund's position at an attractive valuation, with conditions expected to improve for the US's largest private hospital operator over the course of 2022 and into 2023.

Garmin's (NYS:GRMN) first quarter 2022 result highlighted the significant benefits of its diversified product range, with a very strong performance from the group's marine, outdoor and auto segments, offsetting weakness in fitness. Like many other companies, management led by CEO Cliff Pemble spoke to continued supply chain challenges, labour shortages and rising material costs. To mitigate supply shortages, the company is currently sourcing a number of components from multiple suppliers.

Performance as at 30 April 2022 (A\$)*

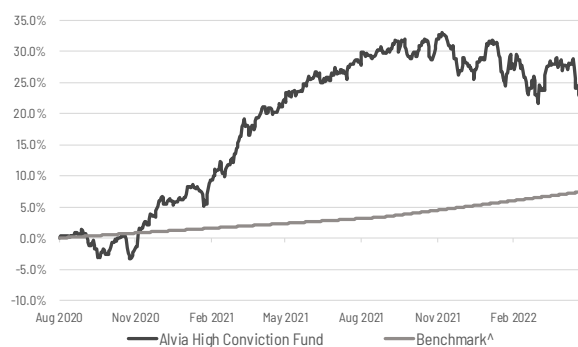
	1-month	3-month	6-month	9-month	1-year	Since inception p.a.	Total since inception
Alvia High Conviction Fund (net of fees)	(3.1%)	(1.1%)	(2.7%)	(2.7%)	3.4%	13.8%	25.1%
Benchmark [^]	0.5%	1.4%	2.9%	4.2%	5.0%	4.2%	7.4%
Relative performance (net of fees)	(3.6%)	(2.5%)	(5.7%)	(7.0%)	(1.7%)	9.6%	17.6%

* 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.

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

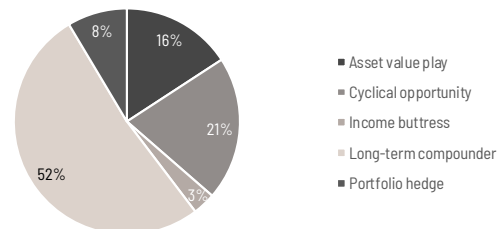
Cumulative return since inception



Top 5 investments

TPL.NYS	Texas Pacific Land Corporation	5.2%
NVO.NYS	Novo Nordisk A/S	4.5%
BRK.B.NYS	Berkshire Hathaway Inc	4.4%
FB.NAS	Meta Platforms Inc	4.3%
LMT.NYS	Lockheed Martin Corporation	4.1%
Top 5 total		22.5%
Number of portfolio investments		28
Average investment weight		3.4%

Weighting by investment category



Key portfolio metrics

EV/EBITDA (x)	14.7
Price to earnings ratio (x)	21.7
6-year historical EBITDA CAGR (%)	12.4%
6-year average return on invested capital (%)	33.7%
FCF yield (%)	5.9%
Net debt to EBITDA (x)	0.8

Unit prices as at 30 April 2022 (A\$ per unit)

Entry price	1.2506
Mid price	1.2469
Exit price	1.2432



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

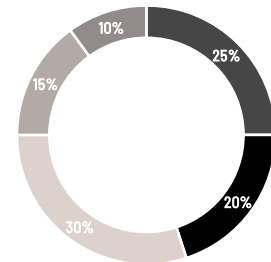
Unconstrained, incorporating listed securities, managed funds and private companies; long and short positions; all geographies.

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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