

## 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.

### July 2022 update

#### Markets

Equity markets were well bid in the month, led by the US. The S&P 500 advanced 9.1%, while the Nasdaq was the clear leader, rising 12.3%. Despite the strong gains for the month, the S&P 500 and Nasdaq are still down 13.3% and 20.8% respectively for the calendar year to date. Across the Atlantic, the FTSE 100 underperformed due to weaker commodity prices, gaining 3.5%. After outperforming last month, Chinese equities were well in the red, with the Shanghai composite losing 4.3%. Locally our market was around middle of the pack, with limited news flow in the lead up to the full year reporting season. The S&P/ASX 200 added 5.7%.

Commodities added to recent declines with another month of soft performance. Iron ore declined 17.5% to US\$107.55 a tonne. Economic barometer copper saw further weakness, losing 3.8% to US\$3.57 a pound. The WTI oil price lost 10.2% to close the month at US\$98.62 a barrel, as the global recession clouds continued to form. Gold continues to be range bound, losing 3.0% to US\$1,762.90 an ounce. The Aussie dollar returned to the winner's circle against the greenback, adding 1.8% to close a whisker above 70 US cents. The commodities complex has come under pressure in recent months due to global economic growth concerns, coupled with a surging US dollar, which has benefitted from its status as the world's reserve currency. A stronger US dollar does not bode well for commodities, which are typically priced in US dollars. The US dollar trade weighted index, which tracks the performance of the greenback against major trading currencies, is close to a twenty year high. The last peak was recorded at the height of the COVID crash in March 2020. The strength of the US dollar in the global financial crisis pales in comparison, with the index reaching a peak level in early March 2009 which was ~13% below current levels.

#### Portfolio

The portfolio posted a strong performance in July, led by high performance cooling solutions provider **PWR Holdings (ASX:PWV) +32.1%**, US hospital owner and operator **HCA Healthcare (NYS:HCA) +26.4%** and Australian and New Zealand homewares and furniture retailer **Adairs Limited (ASX:ADH) +26.2%**.

During the month we heard from the management teams of a number of our portfolio companies. Discussion centred around similar themes to previous quarters with widespread supply chain issues (albeit improving), in addition to significant competition for labour (where have all the workers gone?).

**Garmin (NAS:GRMN)** CEO Cliff Pemble noted that its production capacity is still being impacted by component shortages, whilst it continues to work through excess inventory in its Fitness segment. Despite this, demand within the group's Outdoor, Marine and Aviation segments remain strong. The company's cash flow conversion was negatively impacted in the first half of the year as management made the decision to hold higher levels of inventory to ensure it can continue to meet customer demand for its product range.

**Cameco Corporation (NYS:CCJ)** is set to benefit from a significant ramp up in funding programs to support new nuclear projects. This is centred very much in Europe, which is facing a significant energy shortfall in light of the ongoing conflict between Russia and Ukraine. This can be seen in a number of developments, including the European Parliament maintaining nuclear energy in the green investment taxonomy and France planning to invest US\$8bn to expand the country's nuclear program.

#### Performance as at 31 July 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)	6.8%	(2.7%)	(4.8%)	(5.4%)	(5.4%)	10.4%	21.6%
Absolute 6% p.a. benchmark <sup>^</sup>	0.5%	1.5%	2.9%	4.5%	5.8%	4.4%	9.0%
<b>Relative performance (net of fees)</b>	<b>6.4%</b>	<b>(4.2%)</b>	<b>(7.7%)</b>	<b>(9.8%)</b>	<b>(11.2%)</b>	<b>5.9%</b>	<b>12.6%</b>

\* 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.

<sup>^</sup> From 1 September 2021, the fund has an absolute return benchmark of 6.00% per annum. The benchmark was previously the RBA Cash Rate + 3.00% per annum from inception date (3.25%) to 31 August 2021 (3.10%).

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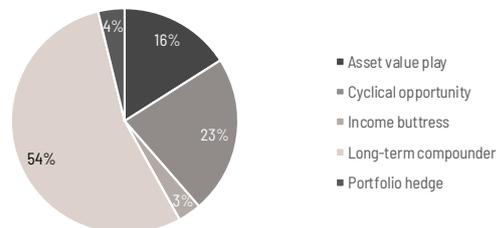
#### Cumulative return since inception



#### Top 5 investments

TPL.NYS	Texas Pacific Land Corporation	5.0%
PRX.AMS	Prosus NV	4.7%
NVO.NYS	Novo Nordisk A/S	4.7%
HCA.NYS	HCA Healthcare Inc	4.7%
BRK.B.NYS	Berkshire Hathaway Inc	4.6%
<b>Top 5 total</b>		<b>23.8%</b>
Number of portfolio investments		28
Average investment weight		3.5%

#### Weighting by investment category



#### Key portfolio metrics

EV/EBITDA (x)	12.5
Price to earnings ratio (x)	18.2
6-year historical EBITDA CAGR (%)	13.7%
6-year average return on invested capital (%)	30.6%
FCF yield (%)	5.4%
Net debt to EBITDA (x)	0.8

#### Unit prices as at 31 July 2022 (A\$ per unit)

Entry price	1.2163
Mid price	1.2127
Exit price	1.2091



## 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

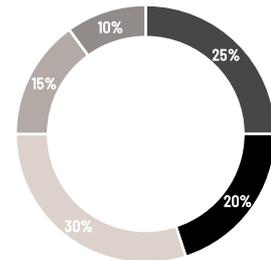
Unconstrained, incorporating listed securities, managed funds and private companies; long and short positions; all geographies.

### 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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CIO



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