

Alvia Family Office Fund

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

August 2024 update

Markets

After a scare early in the month, driven by a 25-basis point interest rate rise in Japan, which saw the country's flagship index down almost 20% in 3 days, equity markets across the globe closed the month in a rather muted manner. The S&P 500 led gains, adding 2.3%, while the Nasdaq underperformed for a second month, rising 0.6%. Across the Atlantic, the FTSE 100 advanced 0.1%, while the Nikkei 225 failed to shake off its poor start to August, falling 1.2%. The sentiment in China was worse, with the SSE Composite ending 3.3% in the red. Locally, the S&P/ASX 200 index ended the month where it began, with the same to be said for the REIT index.

Locally, interest rates are expected to remain "higher for longer", which saw the government bond index down 0.9%, while in the US, the Fed is signalling rate relief as early as September, which saw the country's equivalent index 1.2% higher. The 10-year government paper of both countries finished the month just under 4%.

The Bloomberg Commodity Index finished 0.4% lower. Iron ore lost 0.4% to US\$99.70 a tonne, while copper was also down 0.4% to US\$4.15 a pound. Oil on the West Texas measure declined by 5.6% to US\$73.55 a barrel while the spot uranium price added to last month's losses, down 5.9% to US\$79.25 a pound. Gold bullion rose 2.8% to US\$2,493.80 an ounce, taking its calendar year gain to 20.9%. The Australian dollar benefitted from the RBA Governor's interest rate defiance, which saw the "Pacific Peso" rise 4.9% against the Greenback to 68.06 cents. Bitcoin lost 8.4% to US\$59,165.64 a coin, however is still 39.9% higher for the year.

Portfolio

During the month, the investment team was busy digesting the wall-to-wall results from corporate Australia as part of reporting season. As is typically the case, there were a number of common themes. The first and arguably the most concerning, was the level of cost inflation across almost all of our portfolio holdings, with management teams noting that these pressures are likely to persist for the second half of the year, and well into 2025. We believe this has become a vicious cycle, with businesses of all shapes and sizes struggling to hire and retain staff, which is driving up wage costs and employee turnover rates. Immigration would appear an obvious solution, however most of our major cities have a chronic shortage of housing stock, both apartments and houses, with increased demand chasing dwindling supply, adding further cost pressure to the mix. **Adairs Limited (ASX:ADH)** CEO Mark Ronan noted that its customers remain cost conscious and are paring back their spending, as cost of living pressures bite household budgets.

Sonic Healthcare's (ASX:SHL) long-tenured management team continues to transition the business away from its positioning for the COVID pandemic, which will see a further rationalisation of staffing levels. CEO Dr Colin Goldschmidt is confident that recent contract wins and acquisitions will drive solid top-line growth and operating leverage in FY25 and beyond. Management continues to rollout its strategic M&A playbook, acquiring pathology operators in highly fragmented US, German and European markets. This follows on from the group's successful strategy here in Australia, spearheaded by its acquisition of Brisbane-founded Sullivan Nicolaides Pathology in 1997. Outside of the group's pathology franchise, the Australian radiology business continues to perform strongly, with revenue growth of 10.5% and an EBITDA margin just below 25%, benefitting from Medicare benefit indexation and a shift to higher end, higher margin modalities such as PET and MRI scans.

Performance as at 31 August 2024 (A\$)*

	Total since inception	Since inception p.a.	4 years p.a.	3 years p.a.	2 years p.a.	1 year	1 month
Alvia Family Office Fund (net of fees)	64.3%	13.0%	13.2%	8.3%	16.2%	9.0%	(2.1%)
Absolute 8% p.a. benchmark [^]	25.6%	5.8%	5.8%	6.7%	7.1%	8.0%	0.7%
Value added (net of fees)	38.6%	7.2%	7.4%	1.5%	9.1%	1.0%	(2.7%)

* Fund class 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. The name of the fund was changed from Alvia High Conviction Fund to Alvia Family Office Fund, effective 1 August 2023.

[^] Fund benchmarks: inception date to 31 August 2021 - RBA Cash Rate + 3.00% per annum; 1 September 2021 to 31 July 2023 - 6.00% per annum; 1 August 2023 onwards - 8.00% per annum

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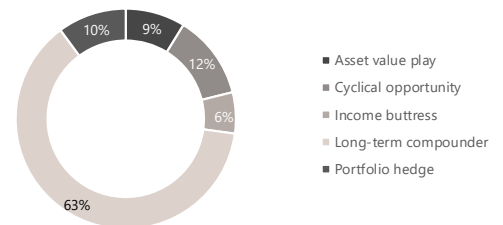
Cumulative return since inception



Top 5 investments

PYPL.NAS	PayPal Holdings Inc	4.5%
FDJ.PAR	La Francaise Des Jeux SA	4.3%
BABA.NYS	Alibaba Group Holding Ltd - ADR	4.1%
2020.HKE	ANTA Sports Products Limited	4.1%
SHL.ASX	Sonic Healthcare Limited	4.0%
Top 5 total		21.0%
Number of investments - total (public/private)		29 (26/3)
Average investment weight		3.3%

Weighting by investment category



Key portfolio metrics

EV/EBITDA (x)	11.8
Price to earnings ratio (x)	22.3
6-year historical EBITDA CAGR (%)	15.6%
6-year average return on invested capital (%)	37.8%
FCF yield (%)	6.3%
Net debt to EBITDA (x)	0.8

Unit prices as at 31 August 2024 (A\$ per unit)

Entry price	1.4048
Mid price	1.4006
Exit price	1.3964



FUND PROFILE

Absolute Return Focused

Minimum Investment
\$250,000

Management Fee
0.85% p.a. + GST

Performance Fee
15% p.a. of performance above the benchmark (8.00% p.a.), subject to a high water mark

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, DDH Graham Limited.

The Fund provides access to 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

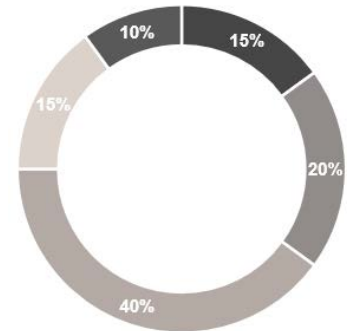
Unconstrained, incorporating listed securities, managed funds and private companies; long and short positions; all geographies.

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 - 15%

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 - 40%

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).

07 3153 4879
info@alviapartners.com.au
alviapartners.com.au