

Alvia Family Office Fund

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

December 2024 update

Markets

2024 had echoes of 2021, where unchecked risk taking was the order of the day. It was hard to find a risk asset that didn't hit, or was close to, a record high to close out the year. The difference between these two years is the risk-free rate – in 2021 it was at or close to zero, however today, it is in the 4% to 5% range.

Performance was mixed to finish the year, however the US and Japan were the clear winners for the calendar year. In the US, the broad-based S&P 500 lost 2.5% (+23.3% for 2024), while the tech-laden Nasdaq added a modest 0.5% (+28.6%). In London, the FTSE 100 continued its underperformance, down 1.4% (+5.7%), while in Asia, Tokyo's Nikkei 225 finished off a strong year with a 4.4% gain (+19.2%), while the Shanghai Composite advanced 0.8% (+12.7%). Locally, the S&P/ASX 200 was 3.3% in the red (+7.5%), driven by declines in the Big 4 banks and miners. Australia's listed property sector lost 6.9% (+14.4%), driven by a 6% decline in Goodman Group (ASX:GMG), following a bungled block trade, as China Investment Corporation offloaded a 2.6% stake in the company. Locally, the government bond index advanced 0.3%, while in the US, the equivalent index slumped 1.2%. The 10-year government bond yield in Australia was flat at 4.37%, while in the US, the yield surged by 40 basis points to 4.57%, its highest level since May 2024.

The Bloomberg Commodity Index added 0.6% (+0.1% for 2024). Iron ore fell a further 2.9% (-27.1%) to US\$99.44 a tonne, while copper was also lower by 2.3% (+2.7%) at US\$3.99 a pound. Oil on the West Texas Intermediate measure added 5.5% (+0.1%) to US\$71.72 a barrel, the spot price of uranium lost 5.8% (-20.2%) to US\$72.63 a pound, while the price of gold bullion was 1.0% softer (+27.5%) at US\$2,629.20 an ounce. The Australian dollar was 4.6% in the red (-9.1%), closing at 62.2 US cents. After smashing through US\$100,000 a coin in mid-December, Bitcoin finished the month 4.2% lower (+118.5%) at US\$92,382.89 a coin.

Portfolio

December, as per normal proceedings, was rather quiet across financial markets. Despite this, the investment team was busy reviewing existing portfolio holdings, however the focus was squarely on challenging incumbent positions with new ideas that have made it through our screening process.

Despite broader market measures looking beyond stretched, in particular in North America at the large and "mega" end of the spectrum, we remain optimistic about our portfolio investments, which remain attractive on an absolute, risk-adjusted basis. A prime example is Alvia's investments in Chinese technology franchises **Alibaba (NYS:BABA)** and **Tencent**, held through our investment in **Prosus (AMS:PRX)**, which both trade at a fraction of the multiple of their US counterparts.

Consistent with our discussion above, the investment team marked time on the fund's position in **Booking Holdings (NAS:BKNG)**, solely on valuation grounds. The company's trailing 12-month price to earnings multiple has expanded ~53% since February 2024. Whilst we note the current valuation is not egregious, the risk-adjusted return from current levels is not compelling, despite the business quality.

Proceeds from the sale of Booking have been partially allocated to the purchase of **Diageo Plc (LON:DGE)**. Diageo is a UK-headquartered global leader in the alcoholic beverage market, offering spirits, beer and pre-mix drinks. The company has ~200 brands across 180 countries, with a truly global reach. Key brands include Guinness, Johnnie Walker and Don Julio tequila. Unlike Booking, Diageo's 12-month price to earnings multiple is ~15% below its long-term median. At current levels, the company's scrip offers a forward return of ~15% p.a., with a free cash flow yield of ~8% and a dividend yield of ~3%.

Performance as at 31 December 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)	75.5%	13.6%	13.5%	11.1%	18.7%	12.7%	(0.8%)
Absolute 8% p.a. benchmark [^]	28.9%	5.9%	6.2%	6.9%	7.4%	8.0%	0.7%
Value added (net of fees)	46.6%	7.7%	7.3%	4.2%	11.2%	4.7%	(1.5%)

* 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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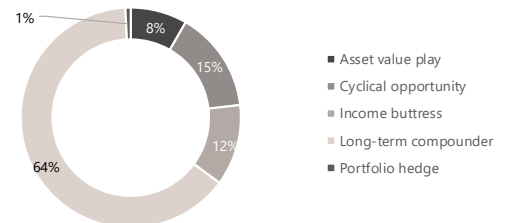
Cumulative return since inception



Top 5 investments

PYPL.NAS	PayPal Holdings Inc	4.6%
PURE	Pure Environmental Pty Ltd	4.6%
BABA.NYS	Alibaba Group Holding Ltd - ADR	4.5%
DIS.NYS	The Walt Disney Company	4.4%
2020.HKE	ANTA Sports Products Limited	4.3%
Top 5 total		22.4%
Number of investments - total (public/private)		28 (25/3)
Average investment weight		3.5%

Weighting by investment category



Key portfolio metrics

EV/EBITDA (x)	9.8
Price to earnings ratio (x)	18.3
6-year historical EBITDA CAGR (%)	12.7%
6-year average return on invested capital (%)	38.2%
FCF yield (%)	6.6%
Net debt to EBITDA (x)	1.2

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

Entry price	1.5008
Mid price	1.4963
Exit price	1.4918





FUND PROFILE

Absolute Return Focused
8-12% p.a.

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.

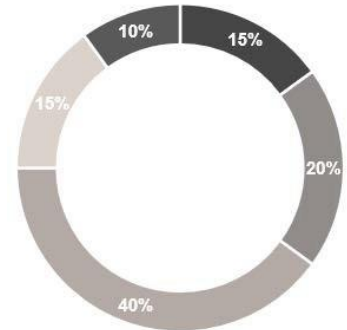
Investment Philosophy

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.

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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).