

# CV Capital Pty Ltd

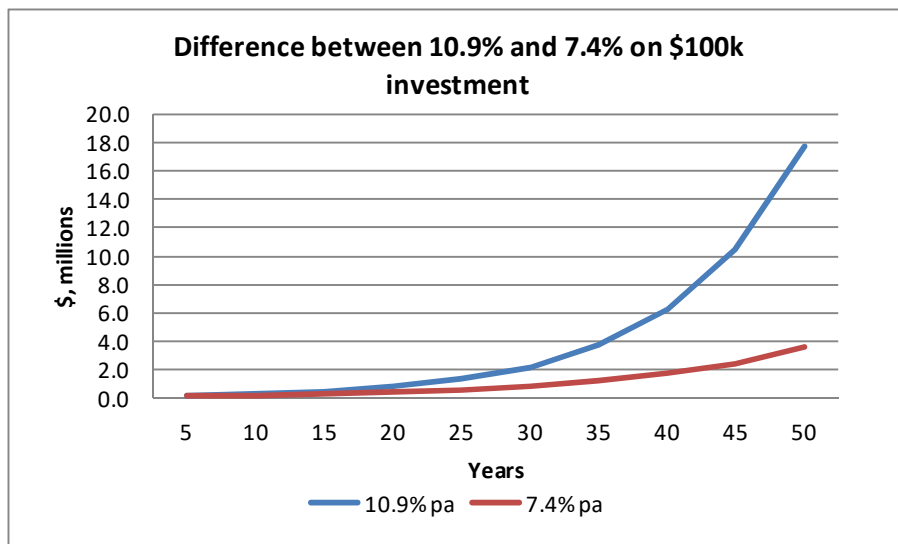
30 January 2023

## SHAREHOLDER REPORT AS AT 31 December 2022

**To my fellow shareholders & partners,**

We have celebrated the 5<sup>th</sup> anniversary of the fund. Looking back, I'm just glad we managed to sail through relatively unscathed through one of the worst periods I can think of to launch a fund. In our short lifespan we had to navigate through a once a century global pandemic, Ukraine-Russia war, massive rise in inflation, etc. The old Chinese saying "May you live in interesting times" probably wasn't meant for conservative fund managers.....

Our 5 year annual compounded returns (post all cost and fees) is 10.9% which on paper doesn't appear that fantastic given the small size of the fund but given the events of the last 5 years, I consider the result satisfactory. We beat our benchmark by an annual compounded rate of 3.5% which appears trivial but small difference over a long time period creates extraordinary results. The chart below the difference in return between \$100,000 compounded at 10.9% and 7.4% (benchmark's return) annually over time.

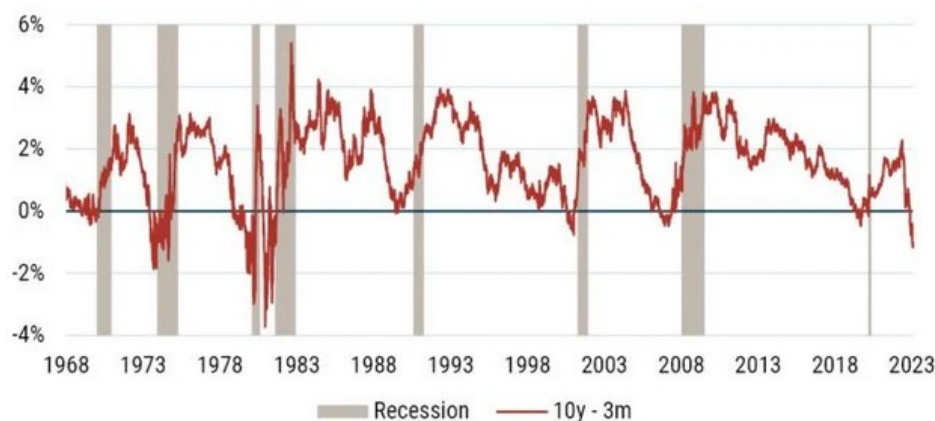


## Fund Activity

Calendar year 2022 was a pretty quiet year for the fund. Most of our activities were centered around arbitrage trades and topping up on some of our existing positions when they were big declines. The two main reasons for the lack of new ideas are: (1) I had a 6 month contract which took up quite a bit of my time and (2) I saw more opportunity doing arbitrage trades.

I expect to find more ideas this calendar year, key reasons being I have reduced my contracting hours which would free up more of my time and there are many risk factors on the horizon which have the potential to create investment opportunities. A potential risk is a global recession, interest rates are rising in most major economies and the mountain of cash distributed during Covid is being spent down by households in the developed world. The yield curve in the US is currently inverted, and historically this indicator has a near perfect track record in predicting recessions as shown in the chart below. The red line shows the delta between the yield of a 10 year US T-bill and the 3 month T-bill where an inverted yield curve is indicated by the delta falling below zero.

### Inverted US yield curve predictor of US recessions



Source: FRED

## Top Holdings

As at 31 Dec 2022, our top 5 holdings accounted for 57% of the overall portfolio value.

No	Investment	Portfolio weighting
1.	Bank of South Pacific (BFL)	17.1%
2.	Baby Bunting (BBN)	11.0%
3.	Boustead Singapore (F9D)	11.0%
4.	Academies Australiasia (AKG)	10.2%
5.	Boustead Singapore (AVM)	7.3%
	<b>Total</b>	<b>56.6%</b>

Cash and other short term investments which I consider to be cash equivalents (arbitrage positions) as they are not intended to be held for the long term accounted for 12.1% of the portfolio.

## Fund Performance

CV Capital's return for FY2023 (1 July 22 – 31 Dec 22) is 4.1% (including FY22 dividends and after FY22 performance fees). Since inception our returns are 11.7% (before performance fees) and 10.9% (after performance fees) on an annual compounded basis.

The share price as at 31 December 2022 is \$1.32. Details as follows:

	Per share
Securities portfolio value	\$1.26
Cash	\$0.05
Franking credits	\$0.00
<b>Share price</b>	<b>\$1.32</b>
Less: Estimated tax liabilities on realised gains	(\$0.00)
<b>Subscription price</b>	<b>\$1.32</b>

YOURS SINCERELY,  
DARRELL CHEAH