

CV Capital Pty Ltd

▶ 19 August 2024

SHAREHOLDER REPORT AS AT 30 June 2024

To my fellow shareholders & partners,

I'm happy to report that FY2024 has been our best year to date. Our return for FY2024 (1 July 2023 to 30 June 2024) is 47.1% (including FY23 dividends). Over the same period, our benchmark (STW) return was 13.5% resulting in a 33.6% outperformance. After last year's 19% underperformance, this year's return is much welcomed.

There were more arb trading opportunities in FY2024 compared to previous years which boosted our returns. On the long side of our portfolio, Boustead Singapore reported good results for FY2023 and was up 30.8% for the year. The Bank of South Pacific was up by circa 42% in the year but we didn't capture all the upside due to trading our position for liquidity during the year.

Despite the weak economy, the ASX 200 index had a fantastic year. The ASX 200 accumulated index (AXJOA) return in FY2024 was 12.1% and this on the back of a stellar 14.7% return in FY2023. The combined return over these two periods was 28.6%. Our benchmark's return over these two periods is higher than ASX 200 accumulated index returns because I include the franking and foreign tax credit distributions in my calculation of the benchmark's return. I'm certainly doing myself no favours by including the tax credits in the return calculations but it makes for a fair comparison as I report CV Capital's returns on a pre-tax basis.

Fund Activity

We exited most of our position in AKG, a vocational education provider. I highlighted a reduction in our position in our Sept 23 report and we have now mostly exited this position. The housing and rental affordability crisis is driving the labour government to clamp down on migration. The change in immigration policy has reduced quotes for foreign students and is suffocating the sector. Under the new system, AKG appears to be getting high visa rejection rates and I'm no longer confident of its future. This was a poor investment with a loss of 17.3%. We allocated a modest amount of capital to it so it didn't make too much of a dent in our portfolio.

Dividends [to be confirmed once financial statements finalised]

Our accountant is finalising our 30 June 2024 financial statement and I have reviewed a draft version of it. Assuming no changes to our tax position, we will be issuing a fully franked FY24 dividend of 12.86 cents per share [to be confirmed].

The key reason why we issue a dividend is to pay out the accumulated franking credits which have no value in CV Capital. Given our goal is to harness the effects of compounding capital over a long period of time, my default position is to reinvest the dividends and I urge all shareholders to do the same. However, should you wish to receive the dividends in cash, please advise me as soon as possible.

The reinvestment price is circa \$1.30 [to be confirmed] subject to the finalisation of the financial statements which I will advise at a later date.

YOURS SINCERELY,
DARRELL CHEAH