

CV Capital Pty Ltd

▸ 21 November 2024

Shareholder report as at 30 October 2024

To my fellow shareholders & partners,

I'm glad to report that all shareholders reinvested their FY24 dividend and your new shareholding details have been uploaded to ASIC in September. For anyone wishing to view a copy of ASIC company extract which details their shareholding, please reach out to me.

The latest June 24 GDP showed the economy growing by 1%, the slowest rate of growth since the 1990s recession excluding the pandemic. Households continue to be battered by high inflation and restrictive interest rates. Household spending fell by 0.1% in September 2024 from a year ago after adjusting for inflation. The September quarter underlying inflation of 3.5% is still above the RBA target of 2-3% which is keeping the cash rate at 4.35%. Increasing state and federal government spending have resulted in total government spending of 27% of GDP in June 24 which is only marginally lower than during the pandemic. This has kept the economy afloat while household consumption deteriorates but this level of spending is unsustainable.

The stock market has continued to rise steadily from the start of the financial year, with the ASX200 index up 5.3% from 1 July to 31 October despite the headwinds facing the economy and the impending geopolitical uncertainty caused by the US election results. It is interesting to note that both gold price and the S&P500 hit records highs in October at the same time. Traditionally gold is seen as a safe haven and therefore its demand soars during times of uncertainty. Shares on the other hand typically fall during periods of uncertainty so the returns of two asset classes are seen to be uncorrelated. Another interesting phenomenon is that Bitcoin's market capitalisation recently surpassed silver to become the 8th largest asset in the world on the back of a potentially more crypto friendly Trump government. I can just about hear Charlie curses raining down from above

Risk Management

From a risk management perspective, we said at the inception of the fund that we would limit any position size to 33% of the overall portfolio. However, due to the opportunities available in our arbitrage trading activities which have augmented our returns over the last year, at times we find ourselves having to exceed this position size to fully take advantage of the trading opportunity. These large positions are held on a short-term basis and I believe they are advantageous on a risk reward basis. Whilst they are only held over the short term, they still increase the portfolio risk and for any shareholder concerned, please reach out to me.

Fund Performance

CV Capital's return for FY2025 (1 July 24 to 31 Oct 24) is 7%. Over the same period, our benchmark (STW) return was 7.5% resulting in an underperformance of 0.5%. Since inception our returns are 13.9% (before performance fees) and 13.1% (after performance fees) on an annual compounded basis.

YOURS SINCERELY,
DARRELL CHEAH