Quarterly Report

September 2024

Conventum - Alluvium Global Fund

Introduction

The bull market continues. Equity markets in the main posted strongly positive returns, but this masked some heightened volatility in early August - reportedly sparked by the 0.25% hike in Japanese interest rates and the release of a poorer than expected US jobs report. In three days the Japanese equity market (as measured by the Nikkei 225 Index) fell almost 20%[1]. In the US, the response was more muted (but over dramatised) with the S&P 500 Index down 6.1%. The Japanese market has largely recovered such that by quarter's end it was only down 4.2%. This is not particularly dire, after all it was up 18.3% for the first six months of the year. The US market more than recovered. The S&P 500 Index actually ended up 5.5% for the quarter. This was perhaps prompted by the increasing factoring of a 0.75% cut in US interest rates (which we now know to have transpired), and the astounding (to us), call by a prominent US economist for an emergency rate cut of 0.75% prior to that expected September cut. In short, the volatility event did not end up being the buying opportunity we had initially hoped for.

In our mind, the more important main action was in China where a massive stimulus package (reportedly worth around one trillion USD - or 6% of China's GDP (and with scope for more) was announced. What can we say? Central bankers and government treasurers around the world must be getting pretty sore feet after 15 years of kicking the can down the road.

"My daughter asked me when she came home from school, "What's the financial crisis?" and I said, it's something that happens every five to seven years"
- Jamie Dimon, CEO of JPMorgan Chase.[2]

The Fund was up 4.3% , 8.7% and 4.6% in EUR, USD and AUD terms[3]. Longer term performance is provided in Table 9.

Snapshot

- We made two new investments and sold two holdings over the quarter.
- We bought Visa, the payments network provider, and Lockheed Martin, the defence contractor[4].
- We sold the two gold mining companies we owned for different reasons. Regis Resources has deteriorating business fundamentals and reduced upside, and holding Agnico Eagle Mines no longer aligns with our investment philosophy.
- Some existing holdings performed well, and in fact more than half posted double digit returns for the quarter.
- Alibaba, the retail platform, was up a staggering 56.0% - we suspect due to the stimulus measures.
- Liberty Broadband, the owner of cables that provide internet access, was up 40.7%. It received a consolidation proposal from Charter Communications (its largest investment). Charter also provided a positive business update.
- Group 1 Automotive, the auto dealer, was up 29.0% after reporting pleasing results (affected less than expected from the dealer software outage), and as it looks forward to bedding down the acquisition of Inchcape, the UK dealer.
- While we await the judge's deliberations concerning the Federal Trade Commission's case against the merger of Capri and Tapestry (the two fashion houses), Capri's share price increased 28.3% despite the poor business conditions.
- Samsung Electronics was down 24.1% - perhaps suffering the double whammy of being listed in Korea (a market which fell 7.3% over the quarter), and being largely a semiconductor businesses (which in general were sold off).
- Universal Music (the music owner) was smashed (undeservedly in our view) after reporting streaming revenue below market expectations. We bought more, and although it recovered somewhat, it was still down 15.4% for the quarter.
- McKesson, the drug distributor, fell 15.2%, on what seemed to be a reaction to some operational headwinds and short term (ie second quarter) guidance. Again, there was no change to our view, and again, we bought more.
- We ended the quarter with 19 holdings and 15.3% cash.

Contribution

Table 1: Contribution Details

	September 2024	Quarter			Last 12 Months		
Stock	**End Weight**	**Beg. Weight**	**Return**	**Contribution**	**Beg. Weight**	**Return**	**Contribution**
Dick's Sporting	6.6%	7.4%	-2.5%	-0.1%	6.4%	95.0%	6.0%
HCA Healthcare	8.4%	8.3%	26.6%	2.2%	6.8%	66.2%	4.7%
Agnico Eagle Mines		3.8%	24.2%	0.9%	3.0%	83.0%	2.4%
H&R Block	4.2%	4.9%	17.7%	0.8%	4.4%	50.2%	2.0%
Group 1 Automotive	4.2%	4.1%	28.9%	1.2%		29.2%	1.6%
Micron Technology					5.5%	24.5%	1.3%
Alphabet	4.4%	5.3%	-8.9%	-0.5%	4.3%	27.0%	1.2%
McKesson	6.2%	7.1%	-15.2%	-1.1%	6.0%	14.3%	1.0%
Alibaba	3.8%	2.6%	56.0%	1.4%	3.6%	33.1%	0.8%
Thor Industries	2.6%	2.4%	18.0%	0.5%	3.5%	17.0%	0.7%
Northern Star					1.8%	30.4%	0.6%
Capri Holdings	5.0%	3.2%	27.6%	1.2%	4.7%	-19.7%	-0.8%
Subtotal Equities	**45.4%**	**49.1%**		**6.5%**	**50.0%**		**21.5%**
Other Equities	40.8%	35.6%		1.4%	33.5%		1.8%
Cash, Currency & Fees	13.8%	15.3%		-3.6%	16.5%		-5.8%
Total (EUR)	**100.0%**	**100.0%**	**4.3%**	**4.3%**	**100.0%**	**17.5%**	**17.5%**

Returns are time weighted, include dividends, withholding tax, trading costs and are expressed in local currency. Therefore, they may differ from the stock returns quoted in the text, which are local currency total returns.

Activity

Table 2: Quarterly Purchases

Quarterly Purchases	
Visa	New Position
Lockheed Martin	New Position
Universal Music	Increase Position
Capri Holdings	Increase Position

Table 3: Quarterly Sales

Quarterly Sales	
Agnico Eagle Mines	Complete Sale
Regis Resources	Complete Sale
HCA Healthcare	Decrease Position
H&R Block	Decrease Position

Performance Review

On 24 September the People's Bank of China unveiled a massive three part stimulus package involving: (1) slashing the amount of cash banks need to hold in reserve and lowering the main policy interest rate; (2) cutting mortgage rates on existing home loans by 0.5% and reducing down payment requirements for second homes from 25% to 15%; and (3) supporting equity markets by a USD 114b lending pool to encourage companies to buy back shares and non-bank financial institutions to buy local equities (which may be expanded by the same amount two more times)[5]. We are flabbergasted. But we shouldn't be. After all, these types of arrangements have been all too common over the last 15 years. The local equity markets responded with gusto, and for the last week of the quarter the CSI 300 Index (Shanghai and Shenzen listed companies) was up 25.1%. **Alibaba** was not lost in all this, and returned 26.8% over that one week period. But Alibaba had already performed well so during the whole September quarter it was up a staggering 56.0%. As a result, Alibaba is no longer the cheap stock it once was. It now trades at a premium to our valuation - a valuation which admittedly had been progressively reduced over our holding period as a result of deteriorating business fundamentals. As a result of Alibaba's significant outperformance, by the end of the quarter it had reached 3.7% of the Fund. We are weighing up our options here, considering the relative risk.

Liberty Broadband (up 40.7%), has investments in the broadband sector via Charter Communications and GCI Holdings, which represents Liberty's Alaskan operations. Charter announced pleasing second quarter results. So far it has retained the vast majority of the former Affordable Connectivity Program (ACP) recipients (but this is yet to fully play out), its mobile business is gaining further traction (with a strong reception to its phone upgrade and service plans), and good progress is being made on cost management. Both Liberty and Charter's share prices rose (by 15.0% and 16.6%) on the release of these results. But there was no cause for any change to our analysis nor valuation - and both still appeared cheap to us. Then, later in the quarter Liberty received a proposal from Charter to consolidate the entities (but excluding GCI). Liberty provided a counter proposal at a higher exchange ratio and that included GCI (which Charter's initial correspondence suggested may be entertained). Depending on how the value of GCI is accounted, the consideration difference is around 20-25%, which is not insurmountable in our view. The proposed simplified structure makes sense and is likely to be appreciated by investors on both sides. On the day this was announced, it was not surprising that Liberty's share price was up 28.4%, and Charter's fell marginally (down 2.5%). In our view, only now after the strong price gains is Liberty's trading price getting close to fair value. Accordingly, no action was warranted and our Liberty position now stands at 7.1%.

Group 1 Automotive was up 29.0%. Its second quarter results appeared to be above market expectations. We mentioned in our last report that US car dealers were heavily affected by the CDK software outage, but it seems Group 1 fared better than most. And now, with the 54 Inchcape dealership acquisition about to close (which will double its UK size and add USD 2.7b to revenue), we have updated our analysis. The result? Well despite becoming a larger entity with an expected 25% increase in revenue and 30% increase in earnings, there is negligible change to our valuation. Notwithstanding, we have no reason to doubt management's confidence in the merits of the transaction. The numbers do not always tell the full story (or even part of it), and to us it makes sense to build scale in the UK. After the price gain, the business now trades at a small premium to our valuation. Not enough, in our view, to warrant major selling but when it reached 5.0% of the Fund we sold a little (to end the quarter at 4.2%) and we increased our position in **Autonation** (up 12.3%) which we consider slightly cheaper.

As we await the judge's deliberations in the Federal Trade Commission (FTC) case regarding Tapestry's acquisition of **Capri**, (up 28.3%) the evidence from Capri's first quarter earnings release again suggests the fundamentals are weak, particularly in the Michael Kors division (interestingly a point stressed during the FTC hearings). There was no reason to change our Capri analysis, as we had fully factored such weakness after we updated it post the full year results. Tapestry's results were far more impressive. Tapestry's management also stressed its commitment to the Capri deal and highlighted that over the prolonged acquisition period (due to the FTC case) it had identified more synergies. Interestingly, whilst we slashed our Capri valuation by 26% last quarter, when we look at the value of Tapestry (on a combined entity basis), and not having any regard for those additional synergies, our valuation has increased as a result of the better than expected core Tapestry earnings stemming from its Coach, Kate Spade and Stuart Weitzman brands.

Performance Review

HCA Healthcare, the hospital and ambulatory site owner/operator, was up 26.7%. Its second quarter results impressed, with better than expected margin improvement (due in a large part to less contract labor). Management also upgraded its guidance. Despite selling a smidgen last quarter, it had again grown to be 9.7% of the Fund. So, for regulatory reasons, we trimmed our position to end the quarter at 8.4%.

Lockheed Martin is a new investment for the Fund. This defence contractor had been on our *radar* for some time, and in July we pulled the *trigger*. Call it dumb luck, but by quarter's end that initial 2.0% tranche had grown to 2.4% as a result of its 25.8% return. There was reason for it. In the interim Lockheed's management reported impressive results revealing its strong backlog and upgrading its full year guidance. We increased our estimates slightly, but not enough to warrant increasing our position at what we now see to be a reasonably (perhaps slightly highly) priced business.

Our gold miners performed quite well. **Agnico Eagle Mines** was up 22.4%, and **Regis Resources** was up 16.2%. Regis provided full year results. This business has become a perennial disappointment. Although the numbers were within guidance (just), that guidance was never inspiring, and management's expectation of lower production next year at higher costs was very disappointing. We updated our assumptions (including advantageous ones for exchange rates and the gold price), but our valuation fell by 20%. To make matters worse, Regis then announced the shock decision by the Australian government to change its mind on certain aspects of the approved McPhillamys project - and this renders it no longer viable. We cannot blame management for this. If you understood the background then not in one's wildest dreams would you think it could happen. But we also harbour in the back of our minds poor actions by management, and we haven't forgotten Regis's potential liability associated with a royalty claim made on one of its mine's former owners. Weighing these risks, and the reduced upside potential due to the McPhillamys project being culled, we sold our position in its entirety.

Moving on to Agnico Eagle, its update was all positive, and included promising expansion plans for existing assets. Unlike Regis, there was no reason for its share price not to respond to the favourable conditions in the direct gold markets. However, over the course of our ownership (originally in Kirkland Lake which then merged with Agnico), our investment has moved more toward exploration from operations. Whilst we like upside, and there is no doubt the Agnico management team have executed well and are likely to continue to do so, this was never the main game when it came to our investment in Kirkland Lake in mid 2020. So, it no longer meets our original investment thesis, nor our refined investment philosophy. This is perhaps best illustrated by our earnings based valuation approach. We updated our gold price and exchange rate assumptions leading to higher maintainable earnings estimates, and we adjusted our discount rate to reflect higher growth prospects and increased confidence in management. And our valuation increased by 47%. However it is still barely half the current share price. Accordingly, we sold our position.

So, we no longer invest in any gold miners. The timing of our Regis sale was not great as we missed a subsequent 26.7% rally to the end of the quarter. However, the decision to sell was the right one. This is an example that one should not judge the quality of a decision by its outcome. Net-net the Fund's total return over its holding period for the gold miners was disappointing, as our 82.8% capital return from Agnico was almost completely wiped out by our 39.8% capital loss from Regis.

The share market jitters in August continued through the quarter in Korea, with the Kospi Composite Index down 7.3%. Also, semiconductor businesses in general were out of favour. Together these seem to have worked against **Samsung Electronics** (down 24.1%). It provided its second quarter report, which, not unsurprisingly, illustrated the cyclicality of the semiconductor business (which in Samsung's case is tempered somewhat at the group level by its consumer products division). The shares now trade at a 15% discount to our valuation, and with it only accounting for 2.5% of the Fund, ordinarily this would warrant some buying action. However, at present we do not have conviction. The business fundamentals appear to be weakening, and it is foreseeable that our margin assumptions, and hence our valuation, are too optimistic. We will update our analysis after reviewing its full year results, but for now, we are holding tight.

Performance Review

Universal Music, the music catalogue owner, fell 23.5% when its second quarter result revealed that streaming (ie advertising based) revenue was down 4.2% compared to last year. Subscription income on the other hand (which accounts for three times more revenue), was up 6.5%. Streaming was affected by the TikTok ban (which has since been lifted) and a new deal with Meta (of which the details are undisclosed). We believe the broad thesis of increased monetisation (whether it be by streaming or subscription) of Universal's catalogue to remain intact. And indeed management, during its subsequent Capital Markets Day, outlined some of its plans in this regard, like subscriptions tiers, and developing premium products and services for "Superfans". All in all, we did not see any reason to change our valuation assumptions. And we viewed the 23.5% plunge in share price to be an over-reaction. So we bought more. The price recovered somewhat (to be down 15.4% for the quarter) and we now hold a 6.2% position.

McKesson, the drug distributor, was down 15.2%. It reported first quarter results, beating analysts estimates, raising guidance, and increasing its dividend and share repurchase authorization. What's not to like? Well, the results were masked a little by gains on investments more than offsetting some operational headwinds. Nonetheless those issues were largely timing related and where they aren't, they are being addressed. We have not changed our long term outlook, but the share price fell 11.3% on announcement. Then, less than a month later, it fell 9.9% apparently because management provided second quarter estimates below expectations (despite maintaining full year guidance). It also announced the USD 2.5b acquisition of a controlling stake in Core Ventures (providing significant growth to its Oncology Platform) and the divestment of a couple of Canadian businesses. The changes to our valuation were immaterial, we bought a little more, and we are comfortable with the Fund's current weighting of 6.2%.

Alphabet, ie Google/YouTube, having returned 20.8% in the June quarter, gave a fair bit of that back by falling 8.8%. Its results seemed pretty positive, and appeared to beat expectations. Management claims its AI integration into its search business is working well, and the margin expansion from costs out is expected to continue. Market chatter suggests that the selloff stems from concerns about the high capital spending on servers and data center equipment. Alphabet has made it clear that this spending is necessary, and somewhat defensive as it can't risk losing the AI war (a "build it, and they will come" approach). Also, the new Department of Justice case against it probably did not help matters. Nonetheless, we saw no need to adjust our estimates. We wrote last quarter that it traded at a premium to our valuation, but not so much as to warrant selling. With the share price falling and the premium reducing, our view is unchanged. It represents 4.4% of the Fund.

"There is a belief in the market that the invention of intelligence has infinite return"
– Eric Schmidt, former Google CEO, August 2024[6]

Linamar, the manufacturer of auto components, industrial machinery and agricultural equipment, was down 4.7%. We don't see any reason. Notable points during the quarter were the promotion of long serving executive Jim Jarrell to CEO, and the downturn of EV production offset by higher ICE and hybrid volumes (of which we expect more to come). There was no change to our numbers, and it is reasonably priced in our view. It represents 3.9% of the Fund.

We were quite active on the trading front this quarter. As we have discussed, we sold our two gold miners (Agnico Eagle and Regis Resources) and we acquired two new investments, being Visa and Lockheed Martin. We also bought more Universal Music, Ryanair, Capri and McKesson, we sold a little H&R Block, and we adjusted our auto dealership exposure to better ensure compliance with the regulatory risk rules. For the same reason, we sold a little HCA Healthcare.

The Fund now invests in 19 businesses and holds 15.3% cash.

Will that be cash or card?

We have discussed over the last couple of years our evolving investment process to become increasingly focussed on quality. In June 2022 we undertook the first step of that process - making changes to our quantitative screen. Specifically, we loosened the requirements with regard to traditionally measured "cheapness" (how the business is priced relative to its past earnings) and tightened the "quality" criteria (the returns the business has generated relative to capital employed in the past). Both Mastercard and Visa have remained in the screen since those changes were introduced. Our initial, somewhat rudimentary analysis, concluded that these businesses were just way too expensive for us. However, we revisited this more recently and we now concede that we failed to appreciate the value associated with such high quality businesses.

Visa (originally known as BankAmericard credit card program) was founded in 1958 by Bank of America (BofA). It was the first card to offer consumers revolving credit. Mastercard (originally known as Interbank, then Mastercharge), was founded in 1966 by a group of Californian banks to compete with it. Not long after, BofA gave up control of the BankAmericard credit card program, and became the second credit card program offered by a cooperative of banks. The way these businesses evolved ensures alignment of interests, with their success dependent on banks all cooperating and agreeing to underwrite transactions. Visa and Mastercard simply developed, implemented and maintained data matching systems to facilitate the network. Fast forward to today, and Visa and Mastercard are the two largest credit card payment processors, with widespread acceptance, robust infrastructure, and extremely strong brand recognition. They have become essential intermediaries in the global payment ecosystem, benefiting from their extensive merchant and bank partnerships as well as consumer trust. Together they dominate payments processing globally (outside of China).

It is important to make clear a basic but very important point. Visa and Mastercard do not take credit risk, they merely run data processing/matching systems to facilitate transactions in what is known as an “open loop” system. They differ from, for example, American Express and Diners, which operate “closed loop” systems (using their balance sheets to underwrite transactions). The open loop system appears to have insurmountable barriers to entry. Mastercard and Visa have the infrastructure, meet the regulatory requirements, and most importantly have developed the trust needed to operate their secure and reliable networks at global scale. Having progressed from what were initially “bank cooperatives” Visa and Mastercard now enjoy an entrenched position in an industry structure where interests are aligned.

Few would doubt that digital payments is a growing industry - and we can’t see an end to the runway. As more consumers and businesses embrace electronic payments, Visa and Mastercard will capture a larger share of global transactions. Growth drivers include increased e-commerce activity, mobile payments, contactless technology, and rising adoption in emerging markets. With highly scalable, asset-light business models, this growth comes at very little cost, high operating margins and strong cash generation. Additionally, both companies have been investing in technology and successfully penetrating related markets and adjacent revenue streams, like fintech, blockchain, real-time payments, cybersecurity, and data analytics.

Decades of history suggests these earnings streams grow irrespective of the economic cycle. So then, what are the risks? Competitors? Well, perhaps Alphabet, or Apple, or Meta could develop their own “closed loop” system, but frankly, we don’t think the potential returns stack up. Then there’s always ongoing regulatory risks focussed on interchange fees. But of the typical 1.5% to 2.5% fee, Visa and Mastercard account for around 0.25%. In our view this is a fair price for their service, and we believe any forced reduction to interchange fees will come mainly at a cost to the other participants (ie the issuing banks).

When it comes to a choice between the two - well, they enjoy incredibly similar investment merits: strong balance sheets; high returns on capital; strong cash flows; and they provide significant capital returns to shareholders through dividends and share repurchases. The differences as we see it: Mastercard relative to Visa is a smaller business, has (or is perceived to have) better growth prospects, and has higher returns on capital, but operates at lower profitability margins. It is also a little more expensive both on traditional earnings measures of value, as well as on our analysis.

Closing Remarks

As we witness an escalating war in the Middle East, the ongoing war in Ukraine, lingering tensions around the South China Sea, the imminent election of a new US President, record levels of debt, and persistent weakness in the world's second largest economy, equity markets have yet again reached all time highs.

Notwithstanding, there appears to be a disconnect between the public and private markets. Whilst public markets are at record levels, we are hearing that many private equity owners are unable to sell businesses at book value (or their previously expected, or hoped for prices). Reportedly, this has resulted in increased debt issuance by these businesses to fund distributions - at least that way they can provide some return to the private equity fund investors.

Taking a broad brush approach, the S&P 500 Index is pricing business enterprises (ie including debt) at 3.7 times sales, and about 25 times their core operating earnings (pre interest expense).[1,7] From a historical perspective this appears expensive. The relevant question is whether the current crop of S&P 500 constituents is, for one reason or another, worthy of commanding a premium to the average levels of the past. Or alternatively whether, perhaps as a consequence of developments in the capital markets, a smaller risk premium for equity investments is currently warranted. In general, we don't think either arguments are valid. History suggests that when markets reach such heights they ultimately revert.

Using the same basic calculation matrix, the Fund's holdings are currently priced at 2.6 times sales, and 16.4 times operating earnings. Table 8 (overleaf) illustrates how three price metrics for the Fund's businesses have changed since its inception. They do show the Fund's investments, in general, getting more expensive on those traditional metrics. However we note the quality of these businesses has, in our view, increased over that time.

For what it is worth, the Fund's businesses, on average, currently trade at a 7% premium to our valuation. But let's make clear a few important points - valuations are estimates, they are more of an art than science, and we view ours to be conservative. For those reasons, we will not necessarily sell some positions if they trade above our estimate of value, nor will we necessarily discard the opportunity to increase holdings, or indeed establish new positions, even at prices at or marginally above our estimate of value.

> "I say "estimate" because calculations of intrinsic value, though all-important, are necessarily imprecise and often seriously wrong."
> - Warren Buffett, 2005 Berkshire Hathaway Annual Report

We wish you all the best and thank you again for your continued interest.

Stuart Pearce
Principal

Alexis Delloye
Principal

14 October 2024

Profile

Table 4: Fund Overview

Cash	13.8%
Top 10 holdings	57.3%
Number of holdings	19
Weighted average mkt cap (USD m)	183,034

Table 5: Sector Diversity

Consumer Services	21.7%
Retail	18.3%
Health	14.6%
Technology - Platforms	8.1%
Manufacturing	6.5%
Airlines	5.0%
Technology - Hardware	4.8%
Process Industries	4.2%
Other	3.0%
Cash	13.8%

Table 6: Top 10 Holdings

HCA Healthcare	8.4%
Liberty Broadband	6.9%
Dick's Sporting	6.6%
McKesson	6.2%
Universal Music	6.2%
Capri	5.0%
Ryanair	5.0%
Visa	4.4%
Alphabet	4.4%
LyondellBasell	4.2%

Table 7: Regional Diversity

United States	55.7%
Continental Europe	11.2%
United Kingdom	9.2%
Asia	6.2%
Canada	3.9%
Australia / New Zealand	0.0%
Cash	13.8%

Table 8: Portfolio Pricing, Risk and Quality Metrics (weighted average) [8, 9]

	31-Dec-2019	31-Dec-2020	31-Dec-2021	31-Dec-2022	31-Dec-2023	30-Sep-2024
Enterprise level yield (EBIT/EV)	9.8%	6.0%	8.7%	8.8%	6.3%	6.1%
Earnings yield (NPAT/mkt cap)	8.6%	3.4%	6.7%	8.0%	6.5%	5.9%
Free cash flow yield (FCF/mkt cap)	6.1%	7.4%	5.6%	4.6%	4.0%	1.9%
Fixed charge coverage (median)	8.6x	12.7x	8.7x	8.5x	10.0x	10.0x
Sales growth (3 year average)	4.9%	7.4%	5.9%	10.2%	10.6%	10.7%
ROIC (8 year average)	29.7%	26.9%	26.0%	21.9%	20.6%	21.8%

Performance

Table 9: Fund Returns[1] (Past performance does not predict future returns)

	Quarter	Year to date	Year	3 Year (p.a)	4 Year (p.a)	5 Year (p.a)	Inception
EUR	4.3%	10.4%	17.5%	8.8%	14.2%	8.7%	7.8%
USD	8.7%	11.5%	23.8%	7.5%	12.9%	N/A	9.3%
AUD	4.6%	9.7%	15.2%	8.9%	13.7%	8.5%	6.6%

Inception is 1 January 2015 for AUD, 30 January 2019 for EUR, and 15 October 2019 for USD.

Facts

Inception
31 January 2019

Size (EUR, as at 30 September 2024)
60.9m

Strategy
Unhedged, long only, value oriented global listed equities invested.

Objective
Generate attractive returns over the long term via active management of a concentrated equity portfolio, without regard to a specific benchmark and with an emphasis on capital preservation.

Holdings
Typically around 20 positions

Investment Manager
Alluvium

Management Company
Banque de Luxembourg Investments, acting under the name Conventum Third Party Solutions

Administrator
UI efa S.A.
Alluvium (Australian Fund)

Custodian
Banque de Luxembourg S.A.
Alluvium (Australian Fund)

Auditor
PricewaterhouseCoopers Société Coopérative

Unit Pricing & Liquidity
Bi-Monthly
Monthly (Australian Fund)

Fees
Management: 1.15% p.a.
Estimated other expenses: 0.30% p.a.

Bloomberg Identifiers
CONALGI:LX
AGF0911:AU (Australian Fund)

Investment Team

As Principals of Alluvium, our aim is to develop a leading funds management business that has a reputation for authenticity, fairness, honesty, transparency, and disciplined investing in accordance with our beliefs and values.

Stuart Pearce, CFA

Stuart has over 30 years experience across institutional asset management and corporate advisory. Prior to Alluvium, he was a Senior Portfolio Manager at Perennial Investments, where he was responsible for the analysis of European investment opportunities. Previously he was a Portfolio Manager at Colonial First State Investments and he spent four years with KPMG Corporate Finance.

Stuart is a CFA Charterholder. He also has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australia, a Master of Tourism from the James Cook University of North Queensland and a Bachelor of Business in Property (Valuation) from the University of South Australia.

Alexis Delloye, CFA

Alexis has 15 years experience in the wealth management industry. Prior to joining Alluvium, Alexis worked as an investment analyst at Eight Investment Partners. From 2006 to 2012 he was an executive director of Invelios International, a French family office. Alexis also founded Private Reporting, an online reporting platform to track assets and investment performance. He started his career in Sydney as a credit analyst at BNP Paribas (Corporate Finance) in 2004.

Alexis is a CFA Charterholder. He also holds an MBA from Lubin School of Business in New York, USA (major in Capital Markets), and has a Graduate Diploma from Neoma Business School in Rouen, France (with a major in Corporate Finance).

Definitions

General

Alluvium	Alluvium Asset Management Pty Ltd, ABN 69 143 914 390, AFSL 476067
Australian Fund	Alluvium Global Fund
Factset	Factset Research Systems, Inc.
Fund	Conventum - Alluvium Global Fund

Portfolio Metrics

Enterprise Value (EV)	The market value of equity plus the book value of debt
EBIT	Earnings before interest and tax
Earnings Yield	The most conservative result from four different calculations at the equity level
Free Cash Flow (FCF)	Cash flow from operations less capital expenditure
Mkt Cap	Market capitalisation
NPAT	Net profit after tax
Operating Assets	Total assets less total liabilities plus total debt (Alluvium adjusted)
Owner's Earnings	Operating cash flow, plus cash interest paid less assumed maintenance capital expenditure
Return on Invested Capital	Owner's Earnings as a percentage of Operating Assets

Footnotes

1. Factset
2. Ozili, Peterson K, 100 Quotes from the Global Financial Crisis: Lessons for the Future (January 1, 2020). Available at SSRN: https://ssrn.com/abstract=3500921 or http://dx.doi.org/10.2139/ssrn.3500921
3. Source: UI efa S.A. (The Fund Administrator)
4. Company names have been abbreviated throughout this document in the interest of readability.
5. http://www.pbc.gov.cn/en/3688110/3688172/5188125/5469031/index.html
6. https://www.youtube.com/watch?v=8_2yFCm5sSM
7. The fund is not managed in reference to any benchmark index and any reference is solely for comparison purposes.
8. Based on the most recently reported last 12 months earnings and cash flow data.
9. This is not a constant portfolio, it represents the portfolio as at different points in time.

Disclaimer

Alluvium is solely responsible for the preparation of this document. This document has been prepared for institutional investors.

The Fund is a sub fund of Conventum. Conventum is an open-ended investment company (société d'investissement à capital variable, "SICAV") with multiple sub-funds incorporated under Luxembourg law, subject to Part 1 of the Luxembourg Law of 17 December 2010 on undertakings for collective investment, as amended. The SICAV has appointed BLI – Banque de Luxembourg Investments acting under the commercial name Conventum Third Party Solutions ("BLI" or "Conventum TPS") as the Management Company in charge of the portfolio management, the central administration and the distribution of the SICAV. Conventum TPS has appointed Alluvium as the Asset Manager of the Fund. Relevant documents for the Fund are available via the following links: Prospectus, Key Information Document ("KID").

Alluvium is the issuer of units in the Australian Fund, which is an unregistered managed investment trust available to Wholesale Clients as defined under Section 761G of the Corporations Act 2001 (Cth). The Australian Fund feeds into the Fund. An Information Memorandum ("IM") is available here.

A person should obtain a copy of the Prospectus, the KID, and/or the IM and should consider the documents carefully before deciding whether to acquire, or to continue to hold, or in making any other decision in respect of shares in the Fund or units in the Australian Fund.

This document does not contain any investment recommendation or investment advice. This document has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on any information contained within this document a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. Neither Alluvium, nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in, the Fund nor the Australian Fund.

Investors are informed that Conventum TPS, acting as the distributor of the Fund, may decide at any time to cease marketing the Fund, subject to compliance with the applicable legal and regulatory provisions.

Investors are also informed that a summary of their rights as investors is available on the BLI website at the following address: https://www.banquedeluxembourginvestments.com/fr/bank/bli/informations-legales.