Growth With Value
Your investment can make the difference

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Growth With Value Investment Fund – 30 September 2020 Quarterly Report

The Growth With Value Investment Fund focuses mainly on investing in Australian listed businesses. Our concentrated portfolio will consist primarily of businesses which are able to generate strong Returns on Capital, provide solid Profit Margins, carry little or no Debt and present long-term growth prospects. We also apply an ethical perspective when investing in a business. We look for a business which respects our environment, including both flora and fauna, and cares for its people and customers. We also avoid businesses which produce or provide a service that is considered an addictive substance. Our investment decisions are based on fundamental analysis with a long-term mind set, paying little regard to short term fluctuations in the market. We choose to invest only when the business presents us with an opportunity to buy below its Intrinsic Value. You can expect, over the long term, this portfolio to outperform our benchmark, the ASX 200 Accumulation Index (XJOA).

Fund Performance Since Inception (May 2018):

GWV Investment Fund versus ASX 200 Accumulation Index – Total and Annualised Returns			
Annualised Return		**Total Return**	
GWV Fund Annualised Return	20.68%	**GWV Fund Annualised Return**	57.5%
Benchmark Annualised Return (XJOA)	2.85%	**Benchmark Annualised Return (XJOA)**	7.03%
Outperformance / (Underperformance)	17.83%	**Outperformance / (Underperformance)**	50.46%

Fund Month by Month Performance Since Inception (May 2018):

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
GWV FY18	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11.8%	0.6%	**12.5%**
XJOA FY18	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1%	3.3%	**3.3%**
GWV FY19	(0.1%)	0.2%	(1.0%)	(1.8%)	2.7%	(3.2%)	3.0%	12.5%	(1.0%)	6.9%	0.9%	(5.3%)	**13.3%**
XJOA FY19	1.4%	1.4%	(1.3%)	(6.1%)	(2.2%)	(0.1%)	3.9%	6.0%	0.7%	2.4%	1.7%	3.7%	**11.6%**
GWV FY20	(0.2%)	(1.5%)	1.8%	(2.6%)	4.0%	3.6%	(0.9%)	(0.0%)	(20.6%)	19.8%	11.7%	3.5%	**6.9%**
XJOA FY20	2.9%	(2.4%)	1.8%	(0.4%)	3.3%	(2.2%)	5.0%	(7.7%)	(20.7%)	8.8%	4.4%	2.6%	**(7.7%)**
GWV FY20	2.6%	12.2%	0.5%										**15.7%**
XJOA FY20	0.5%	2.8%	(3.7%)										**(0.4%)**

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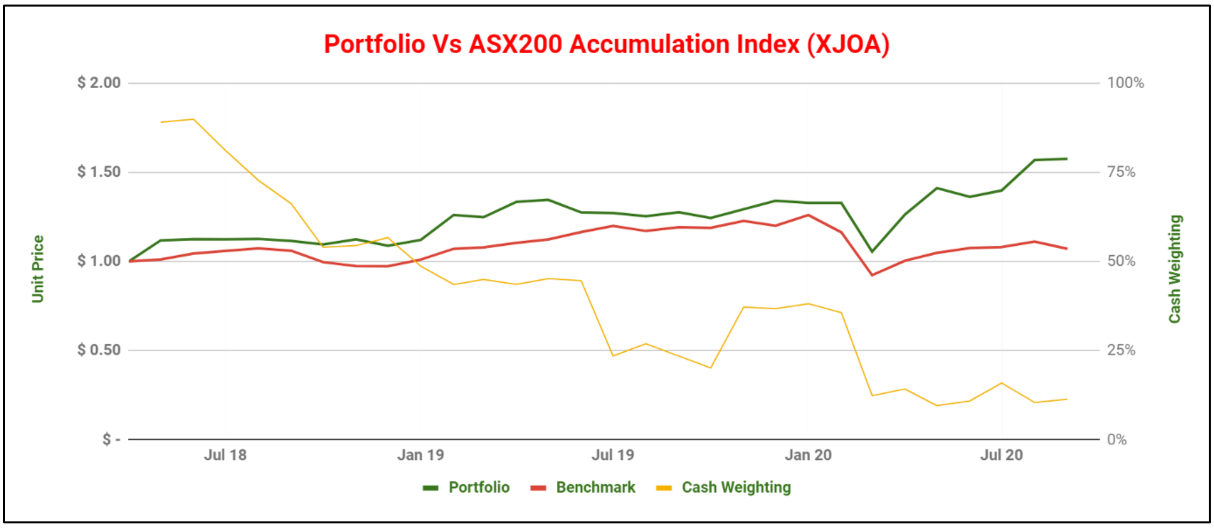
Fund versus Benchmark:



Portfolio:

Company	Initial Purchase Date	Ave. Purchase Price	Price at Period End	Annualised Return[1]	Portfolio Weighting
Nick Scali	05/07/2018	$ 4.48	$ 8.52	44.6%	24.8%
Cash				3.6%	15.2%
Flight Centre	16/03/2020	$ 12.32	$ 13.77	(9.1%)	10.4%
InvoCare	02/05/2018	$ 10.47	$ 9.77	0.0%	9.7%
Smart Group	20/02/2020	$ 5.90	$ 5.72	(6.1%)	7.6%
Lovisa	25/03/2020	$ 2.86	$ 8.28	189.7%	7.5%
Citadel Group	23/07/2019	$ 3.93	$ 5.58	26.9%	7.4%
Vita Group	31/08/2018	$ 1.09	$ 1.02	5.1%	5.4%
SG Fleet	27/07/2019	$ 2.43	$ 1.54	(36.4%)	5.0%
Pendal Group	28/09/2018	$ 7.94	$ 5.46	(15.8%)	3.6%
Shine Corporate	25/07/2019	$ 0.73	$ 0.83	18.2%	3.0%
Collection House	04/07/2019	$ 1.24	$ 0.25[2]	(71.1%)	0.4%

1. For companies held for less than 12 months, the Annualised Return has been substituted with Total Return.
2. The company (Collection House) has been in trading halt since 14 February 2020, therefore assumed price based on similar market examples.

Performance:

For the quarter ended September 2020, the Growth With Value Investment Fund has returned 15.7% versus negative 0.4% for our Benchmark, the ASX 200 Accumulation Index (XJOA). This is an outperformance of 16.1%. At the end of this period we held 15.2% in cash and had eleven open positions. We did not make any sales during the period.

Since its inception, the Fund has provided an annualised return of 20.7%, resulting in a total return of 57.5%. Our Benchmark has an annualised returned of 2.9%, resulting in a total return of 7.0% over the same period.

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Portfolio Activity:

Over the last 3 months we did not add any new companies to our portfolio. At the beginning of August, we increased our holdings in InvoCare and Flight Centre.

The fund benefited from a strong rally in Nick Scali, being our largest holding and which recorded an increase of just over 30% in share price since 30 June. The increase in price was on the back of the strong results reported in the annual report for the year ended 30 June 2020. During the financial year the company reported a strong increase in orders leading up to 30 June and into July 2020, albeit the impact of these sales will not be booked until the first quarter of the 2021 financial year.

Our additional investment at the beginning of August into Flight Centre has so far proven profitable, with the share price increasing by about 37% since then. I believe the underlying demand for interstate/international travel has not disappeared and once restrictions begin to ease people will take up the opportunity. Provided Flight Centre can continue to operate during this period of uncertainty, it will eventually see revenues return to pre-COVID levels, with the possibility of increasing its market share. It will be difficult for many travel agencies to remain viable during this period and the longer it continues, the increased chance that many will be forced to close their doors for good. Flight Centre, however, is well positioned with about $1.9 Billion in cash and current monthly net outflows of about $50 Million. At these current levels of low demand and with the large cash position, Flight Centre has the ability to continue operating “as is” for the next 3 years. I see this as a worst-case scenario as Australia is tentatively beginning to open its states and territories to interstate travel and given talk of an Australia – New Zealand “Travel Bubble” likely to eventuate around Christmas time. As the travel restrictions are gradually lessened, we expect Flight Centre to be able to capitalise on its position of financial strength and command a growing presence as a leading global travel agent.

Other positive movements in our portfolio have been recorded by Lovisa and Citadel Group. Lovisa has continued to perform strongly since our purchase in March, with its share price appreciating by almost 40% since the end of June. Lovisa has recently entered the US market, increasing its store network across the USA from 19 in FY19 to 48 in FY20. The US provides Lovisa with a very large market opportunity and the ability to capitalise on a strong consumer culture. Given Lovisa currently has about 150 stores across Australia with a population of around 25 million, the USA, with a population of about 330 million, provides the potential for strong future growth.

Citadel Group’s share price has increase by 76% since the end of June. This is on the back of an acquisition announcement whereby private equity firm Pacific Equity Partners has expressed its intention to acquire the company for $5.70 per share. This acquisition has been unanimously recommended by the board. It is expected the deal will be completed by mid to late December. Citadel Group was a long-term investment for our fund and I am therefore happy to wait until the deal has been completed and not sell now to realise any profits. The additional benefit from waiting is the chance there could be further interest in the company, resulting in a higher offer. If the deal were to fall through however, it would only likely result in an immaterial retracement in price, perhaps even enough for us to buy some more shares of a great business.

At current market levels, I am unable to find many opportunities to invest in great businesses which provide our required levels of return and also an adequate margin of safety. For this reason, I am happy to continue increasing our cash levels, which have increased from 10.9% in June to currently

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about 15.2% and is our second largest position in the portfolio. In the four months leading up to and including February, we held an average of about 37% in cash, a large proportion of which was deployed during March.

It is important to remember these wise words from Warren Buffett: “Be fearful when others are greedy and greedy when others are fearful”.