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Value Investing Re-Defined. 13% Net Returns in April 2020 with 34% Cash.

Much has been said about the ‘death of value investing’ in Australia. We believe the vast majority of analysis leading to that conclusion is flawed.

A flexible mandate and a desire to challenge the status quo in how financial metrics influence stock decisions are two key reasons why the Collins St Value Fund has broken away from their ‘large-cap Australian equity’ peer group and delivered rolling 3 year returns (to 30 April 2020) that were [6.4% higher than the cohort average on an after fee basis](#).

More recently, the Collins St Value Fund delivered a ~13% after fee return for the month of April 2020 (+4% compared to the index), yet had only ~65% equity exposure throughout that time – the balance being held in cash to fund opportunistic purchases in the future.

This 6.4% p.a. difference over 3 years would have been a costly exercise for those investors who viewed all value focused fund managers in the same way (over \$20,000 in returns for every \$100,000 invested).

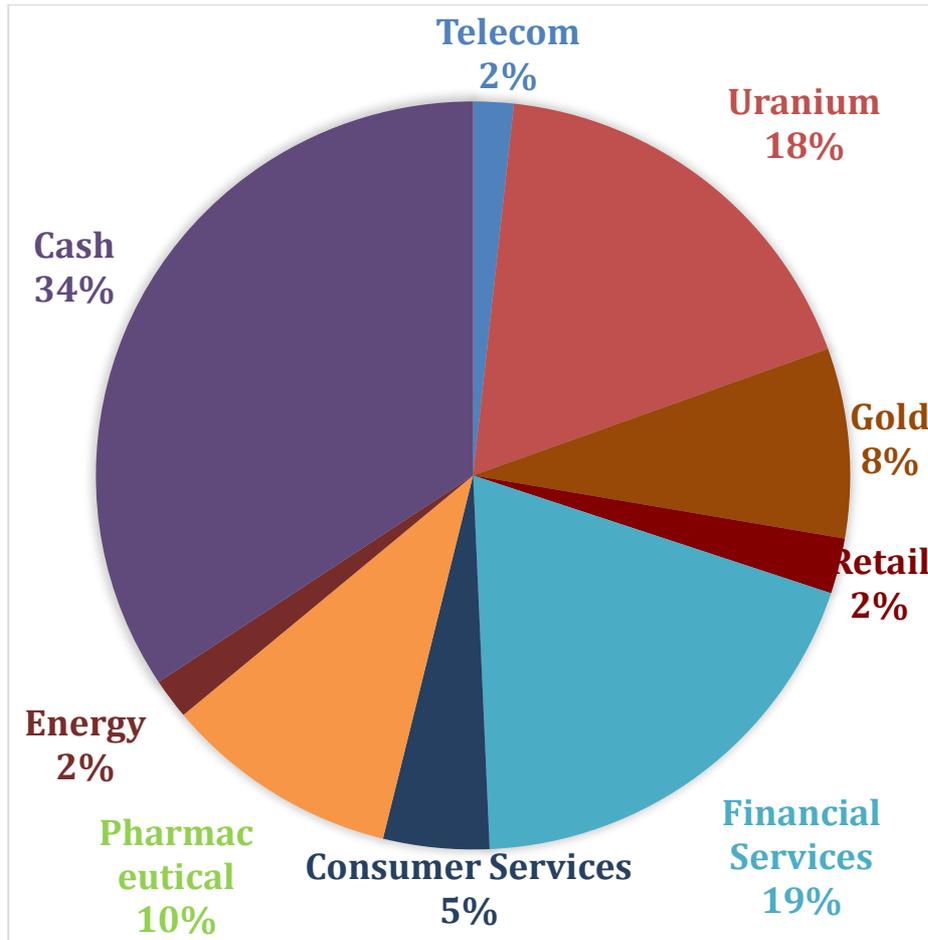
Michael Goldberg, Managing Director and Portfolio Manager of the Collins St Value Fund notes that many deep dives into value investing at the industry level had failed to:

- Understand how traditional, globally accepted value metrics have been re-defined for substantial profit by boutique fund managers. Local nuances such as liquidity, seasonality and standards of corporate governance are critical in bringing quantitative measures to life in the Australian context.
- Separate out the underlying investment mandate that a given style is managed to. The institutional and vertically integrated legacy of most of the leading fund managers in Australia has led to a largely commoditised market across both ‘Value’ and ‘Growth’ investment products. Such products will typically hold stocks with only minor variation to their sector weighting (with sector exposures often balanced out by corresponding positions in other stocks) and are of closer resemblance to index / passive funds than they are to either a genuine ‘Value’ or ‘Growth’ play.
- Acknowledge the full depth of risk management strategies available when building a stake in an ASX listed stock. One example of this is the use of a [convertible note](#) where the purchaser is able to defer conversion into equity (within the parameters of the note) to a time when market conditions are more favourable or otherwise aligned with the conversion price (which can also be negotiated).

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ASSET MANAGEMENT

The Collins St Value Fund (available only to Wholesale and Sophisticated Investors only) seeks to challenge the status quo and think differently about how value investing can be applied to the full range of stocks and sectors across all market capitalisation points of the ASX. The current portfolio positioning of the Collins St Value Fund is shown in the graph below and the investment committee are in active discussions to leverage their robust cash position as a price maker in selected capital raises and convertible note opportunities.



About the Collins St Value Fund

Ranked #1 out of 97 peers over the 3 years to 30 April 2020 based on after fee returns by [Morningstar](#), the Collins St Value Fund brings a distinctively different approach to the management of Australian equities.

Gross returns since inception in 2016 of ~14% p.a. have been underpinned by a range of bespoke convertible note, take-over arbitrage, special dividend and management buy-out investments, alongside unconstrained access to any ASX listed stock. This leads to a distinctively different portfolio which is presently invested in a selection of uranium, gold, financial services and pharmaceutical companies amongst others.

Investments in the Collins St Value Fund attracts absolutely no fixed management fees. The only remuneration the Fund Manager receives is success based and requires that investors make money before they do. Put simply, if the unit price doesn't go up, the investor pays no management fees. This incentivises capital preservation and a close eye on capacity. Alignment of interests doesn't get any closer than that!

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Disclaimer

Collins St Asset Management

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