

# THE VT PRICE VALUE PORTFOLIO

Factsheet as at 31 December 2019

## Investment Commentary

The GBP A class of the fund recorded a gain of 3.03% for the month of December 2019. This brings the cumulative return of the fund in GBP from inception in June 2015 to 47.06%. The latest net asset value of each of the fund's share classes can be found [here](#).

At MoneyWeek's recent annual investment conference, it was striking to hear an almost unanimous consensus from the assembled panellists that the world's major central banks – in desperation to reflate otherwise moribund economies – were about to start implementing some of the principles of Modern Monetary Theory (MMT). MMT holds that any government that issues its own money can pay for goods, services and financial assets without a need to raise taxes or issue debt. It also holds that governments cannot be forced to default on debt denominated in their own currency.

We believe that MMT is simply the next iteration of macroeconomic planning from authorities. The previous policies of QE (Quantitative Easing) and NIRP (Negative Interest Rate Policy) appear to have led the world's major central banks into a dead end. If the MoneyWeek panellists are right, however, then central bank punishment beatings for savers will likely continue until morale improves.

Away from the Moneyweek panellists, there are a host of respectable macroeconomic analysts who believe that deflation, and not inflation, is the more likely outcome. They cite negative PMIs (purchasing manager indices) from around the world, coupled with record high debt levels, as factors that support their thesis. For anyone who has been following macroeconomic debates since the 2008 crisis, there has never been a consensus on which outcome will prevail. Rather than try and allocate capital according to this, at times, tiresome debate, we purposely focus on building a portfolio that holds cash-generative firms trading at reasonable valuations to these cash operations. This agnosticism to macroeconomics, to industrial sectors and even to geographic exposure, has resulted in a meaningful allocation to certain listed commodity companies, one of which is our largest individual stock position, Ramelius Resources. If we see the macroeconomic debate shift in favour of the *inflationistas* – with the launch of MMT style policies, we expect these commodity firms to be re-rated upward. It is our view, however, that the medium term returns of the commodity positions, just like the other holdings in the fund, will be determined by the compounding of their cash generated return on equity (RoE).

## Focus

The VT Price Value Portfolio is an open-ended UCITS fund incorporated in the UK. The fund's objective is to deliver attractive long term returns.

## Investment Philosophy

The fund seeks to invest with specialist 'value' equity managers internationally on an unconstrained basis. The fund also seeks to invest into listed businesses of exceptional quality trading at undemanding multiples. The fund endeavours to invest according to the time-honoured principles of 'value' investing developed by Benjamin Graham.

## Fund Facts

Investment Manager	Price Value Partners
Launch Date	16 June 2015
Share Classes	A, B
Currency Classes	GBP, USD, EUR
Dealing, Valuation	Daily 12:00p.m. GMT
Management Fees	A: 0.75% B: 0.50%
ISIN Codes	A £ Acc: GB00BWZMTX09 A £ Inc: GB00BD8PLW60 A \$ Acc: GB00BWZMTY16 A € Acc: GB00BWZMTZ23 B £ Acc: GB00BWZMV016 B £ Inc: GB00BD8PLY84 B \$ Acc: GB00BWZMV123 B € Acc: GB00BWZMV230
(Variations in historic performance shown by the different currency share classes of the fund relate solely to foreign exchange translation effects, as the underlying holdings are identical.)	
Minimum Investment A	£1000 / \$1000 / €1000
Minimum Investment B	£1M; \$1M; €1M

## Performance History

Period	GBP A Share Class
1 Month	3.03%
Year-to-date	19.55%
Since inception (16.06.2015)	47.06%



The fund is managed independently of any benchmarks. Chart source: Bloomberg LLP. Past performance is not necessarily a guide to future returns.

# THE VT PRICE VALUE PORTFOLIO

## Investment Commentary (continued)

At current commodity prices, we expect these commodity firms to compound more strongly because of their relative undervaluation vs firms operating in other industrial sectors.

Over the course of the last few months, we added four UK listed stocks to the portfolio. All of them are generating a minimum 10% CFO yield. We're still adding to three of them, but due to its lower daily liquidity, we've limited the position in CMC Markets to its current 2.6% of the fund. The reduced liquidity vs larger cap stocks is a by-product of its founder and CEO, Andrew Cruddas, controlling over half of the shares issued. The firm IPO'd in 2016 trading at 4x book value and a relatively low cash-flow yield of c. 6%. The firm is both a market maker and broker to clients in Europe and Australia. From an operational point of view, it has generated strong shareholder returns since listing, with an average RoE of 23% until last year. At that point, new EU regulations were introduced that increased the amount of leverage available to 'retail clients'. In October, the firm reported its first full year update since these regulations came into force. The diversification to acting solely as a broker in Australia via the ANZ platform, as well as shifting its offering more towards sophisticated clients as opposed to retail clients, led to strong second half returns, with the firm posting its best six month profit since listing - £27.5m. We appreciate that financial broker and market-making firms are traditionally seen as 'risky'. However, the firm has zero debt, strong cash generation and is trading at cheap valuations to those operations. It also has an owner CEO who is well aligned with us as shareholders. We look forward to the shares becoming more liquid so we can add a little more to this holding.

In terms of the December performance, the best performing returns were generated from our commodity related firms; Ramelius bounced back from its recent share price slump, adding 21.6% for the month, with Wheaton and another commodity producer adding 8% and 10% respectively.

## Fund Platforms

The fund is available on the following platforms:

AJ Bell	Allfunds
Alliance Trust	Ascentric
Aviva	Brewin Dolphin
Co-Funds	Hargreaves Lansdown
James Hay	Novia
Nucleus	Old Mutual Wealth
Stocktrade	TD Direct
Transact.	

## Geographic Exposure\*

Country	Allocation	Country	Allocation
Japan	29%	Vietnam	17%
Europe	16%	US	9%
UK	11%	Australia	6%
Canada	6%	Malaysia	1%
Other	2%	Cash	3%

## Sector Exposure\*

Sector	Allocation	Sector	Allocation
Commodities	27%	Industrials	23%
Consumer	15%	Real Estate, Infrastructure	10%
Technology	9%	Financials	10%
Utilities	3%	Other	3%

## Major Holdings\*

Samarang Japan Value	19.5%
Halley Asian Prosperity Fund	18.3%
Argos Argonaut Fund	7.5%
Ramelius Resources	6.3%
Wheaton Precious Metals	5.6%
Vietnam Value and Income	5.6%
Loews Corp	4.7%
Boliden AB	4.4%
Seaboard Corp	4.3%
Yara International	3.9%

## Fund Metrics\*

Price to earnings ratio	12.6x
Price to book ratio	1.3x

\*as at 31 December 2019

## Important Information

Past performance is not necessarily a guide to future returns. The value of investments and the income from them may go down as well as up and is not guaranteed. An investor may not get back the amount originally invested. Price Value Partners Ltd does not give you investment advice so you will need to decide if an investment is suitable for you. Before investing in the fund please read the Key Information Document and Prospectus (and take particular note of the risk factors detailed therein). If you are unsure whether to invest you should contact a financial advisor. We have taken all reasonable steps to ensure that the above content is correct at the time of publication. However, markets are volatile and the portfolio may change at any time. If you no longer wish to receive these commentaries, please let us know and we will remove you from our distribution list, which is opt-in exclusively. The information above does not constitute investment advice or make any recommendation.