

# Outperforming the Market

## Doing it the VP Capital Way

BY JOHN SO, PORTFOLIO MANAGER AND CO-FOUNDER AT VP CAPITAL

Returns	Mar 2021 quarter	IRR since inception pa	2 year return pa	1 year return	6 month-return	Total returns since inception
VP Capital Fund I	12.9%	24.0%	35.7%	54.1%	26.4%	97.6%
S&P / All Ords Accum. Index	3.6%	8.4%	9.5%	41.1%	18.6%	28.9%
S&P / ASX Small Ords. Accum. Index	2.1%	7.1%	9.6%	52.1%	16.2%	24.3%

VP Capital Fund I delivered a +12.9% return for the March quarter of 2021. This compares with the S&P/All Ordinaries Accumulation Index which was up +3.6% and the S&P/ASX Small Ordinaries Accumulation Index which was up +2.1%.

The March 2021 quarter saw a continued rotation away from companies with high revenue multiples and low or non-existing earnings to more traditional sectors such as the banking and consumer sectors. In addition, a sustained recovery in China resulted in strong commodity prices throughout most of the period and as such, many mining companies experienced positive share price re-ratings. The market experienced heightened volatility in the second half of the quarter, as rising yields and falling bond prices challenged the central bank tagline that rates

will remain low over the medium-term to support a recovery coming out of covid-19. The Fund continues to take a positive outlook on the equity markets and in select opportunities. However, it has recently made the decision to derisk its portfolio and sell out of some positions, partly to weather volatility and to look for better entry prices. The Fund believes a number of potentially deep-value investments remain in the portfolio, which the Fund is optimistic could result in positive tailwinds for this year.

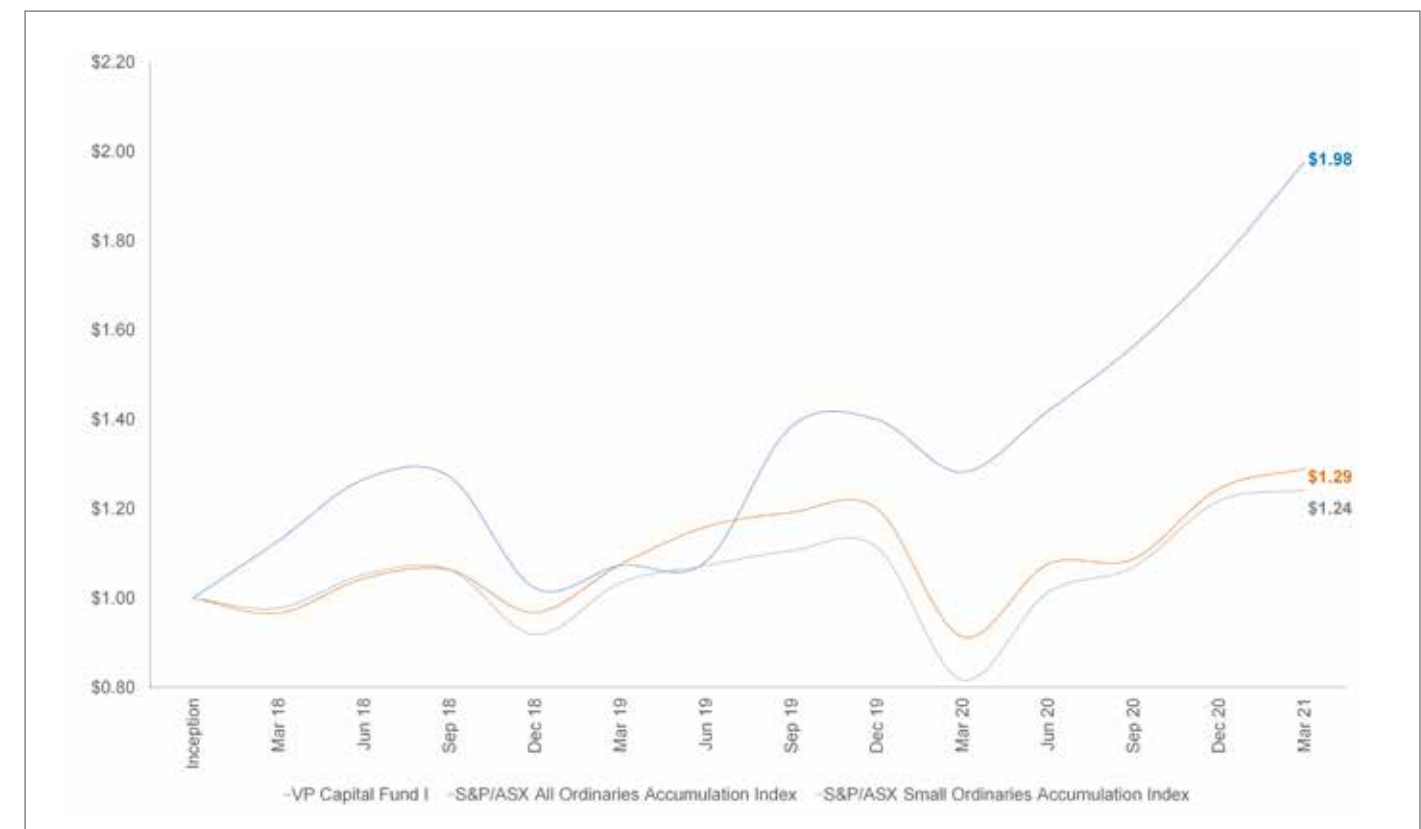
In summary, since inception in 1 February 2018, the Fund has returned approximately +98% after fees and expenses in a little over 3 years.

*Should you wish to discuss any of the above in detail, please contact [admin@vpcapital.com.au](mailto:admin@vpcapital.com.au)*

### Performance (表现)

Total return relative performance chart (总回报率相对表现图)<sup>1,2,3</sup>

What would \$1 invested at the start of February 2018 (Fund inception) be worth/have returned to date?  
如果在2018年2月初(基金成立时间)投资1澳元, 迄今为止价值几何/会获得多少回报?



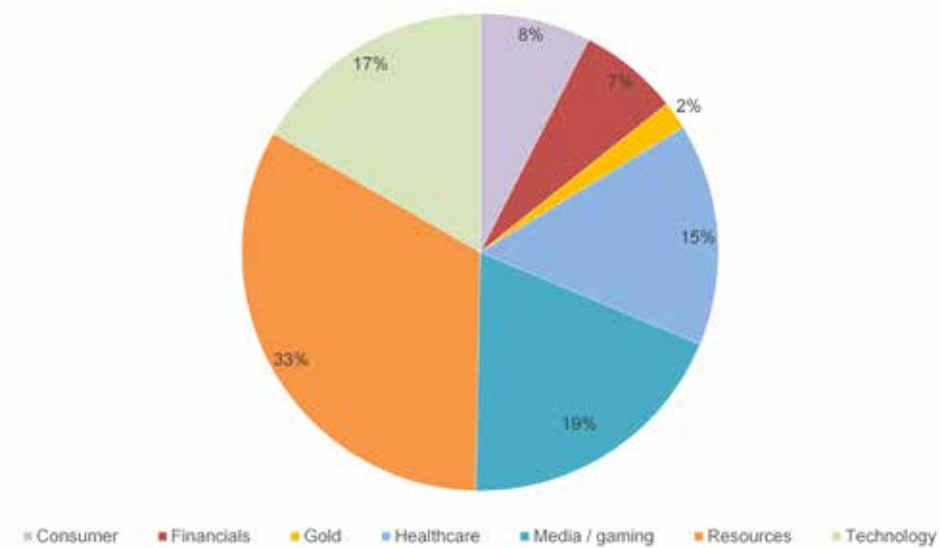
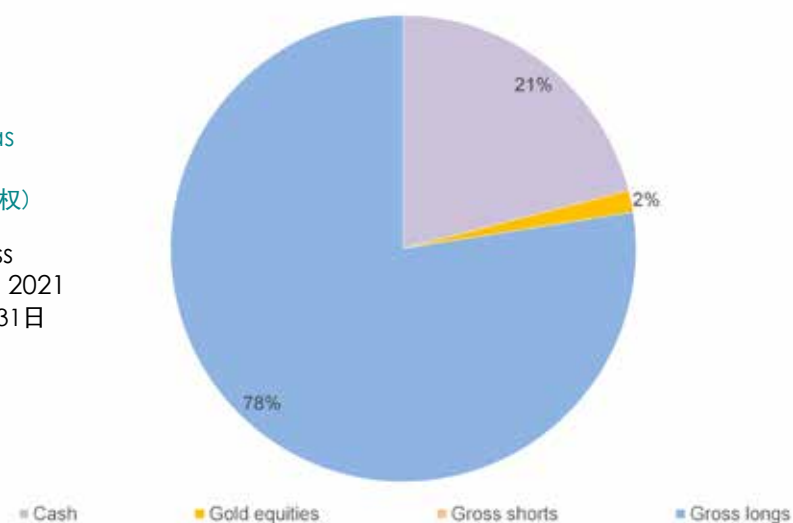
1. VP Capital Fund I's returns are net of all fees and expenses. Any distributions are assumed to be reinvested.
2. As the Fund commenced on 1 February 2018, the March 2018 Quarter results only reflects two months of trading.
3. The unit price as calculated by the Administrator and all distributions are assumed to be reinvested. The S&P/ASX All Ordinaries Accumulation Index and S&P/ASX Small Ordinaries Accumulation Index returns have been calculated by indexation as at 1 February 2018 (Fund inception date).

1. VP Capital Fund I 的回报率为扣除所有费用和支出后的净额。假定将任何派息再投资。
2. 因本基金于2018年2月1日开始营业, 2018年3季度的业绩仅反映两个月的交易数据。
3. 单位价值由管理员计算得出, 假定将所有派息再投资。标普/ASX综合普通股累积指数和标普/ASX小盘股综合指数的回报率按截至2018年2月1日(基金成立日期)的指数进行计算。

**Portfolio weighting**  
(投资组合加权)

Total gross portfolio weighting as at 31 March 2021  
(截至2021年3月31日的总投资组合加权)

Investments by sector on a gross basis, weighting as at 31 March 2021  
投资总额按行业划分, 截至2021年3月31日加权



**Portfolio review**

During the initial part of the March 2021 quarter, the Fund remained positively exposed to the technology and fintech sector, capturing what was probably the most recent 'leg up' in the last three months from these sectors. Positions the Fund held which contributed positively during the first month of the quarter included companies in the prolific buy-now-pay-later space – Zip and Sezzle – which at times traded at discounts to Afterpay following the latter's substantial share price gains towards the end of 2020. In addition, the Fund also captured positive tailwinds from the results announcements of the likes of Hub-24 and Super Retail Group as it took positions ahead of reporting season.

Leading into the second half of the quarter, the Fund began disposing of some of its technology and fintech positions. This decision was further cemented by the fact that momentum moved quickly against these sectors as a result of rising bond yields globally and a view that long-term discount rates were increasing. As such, the Fund was mostly able to avoid some of the more recent volatility, including the market retreat at the end of the quarter following on from the Bill Hwang saga, which resulted in rapid share price depreciations in companies trading on expensive GMV or revenue multiples.

In its stead, the Fund increasingly built positions in consumer businesses, some of which helped substantiate the quarter's returns. Positions in this space during the quarter included Adairs, Aristocrat Leisure, Collins Food Group, Event Hospitality and Management Group and Harvey Norman. In addition, the Fund also had a position in Cettire, which experienced a significant re-rating since its recent IPO. While Cettire is not a traditional consumer business (ie it is online), its growth vis-à-vis its relative valuation was too appealing to disregard, notwithstanding the Fund was cautious around companies with limited earnings and a predominantly technology angle.

A number of primary market opportunities also contributed to the Fund's positive performance, such as Pentanet and TAO Commodities.

Lastly, the Fund maintains a positive view on commodities. These include positions (some of which were touched upon in previous quarterly reports) in IGO Group, Nickel Mines and Fenix Resources. The performance of some of these companies during the quarter has been more lacklustre than expected, partly driven by industry conditions (eg in the nickel space, Tsingshan announced it will soon supply nickel matte to Chinese battery producers, dampening market expectations of a supply shortage).

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AT VP CAPITAL

**VP** Capital Fund I 2021年3季度实现+12.9%的回报率。相比之下,标普/综合普通股累积指数(All Ordinaries Accumulation Index)上涨3.6%,标普/ASX小盘股综合指数(Small Ordinaries Index)上涨2.1%。

2021年3季度继续从高营收倍数和低收益或非现有收益的公司,向银行业与消费行业等更传统的行业转换。此外,中国持续复苏导致整个季度多数时间的大宗商品价格坚挺。因此,许多矿业公司的股价经历了积极重估。一季度后半段,随着收益率上行和债券价格下滑挑战央行关于中期利率维持低水平,以支持经济从covid-19疫情中复苏的口号,市场波动加剧。本基金继续看好股市及优选机会。但是,本基金近期做出了投资组合避险、抛售部分头寸的决定,从而在一定程度上抵御波动,寻求更佳买入价。本基金认为,投资组合中依然存在大量潜在深度价值投资,我们对这些投资将给今年带来积极推动力持乐观态度。

总而言之,自2018年2月1日成立以来,本基金在3年多时间内已实现约+98%的回报率(扣除费用与支出后)。

若要详细讨论上文内容,欢迎联系我们:  
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**关于 VP Capital Fund I**

本基金策略基于中期净长仓和策略对冲灵活的总体理念。该策略旨在最大程度降低市场低迷时期的损失并于上升期重视收益。

本基金业绩亮眼。VP Capital Fund I为单位信托证券持有者带来约+98%的回报率(S&P/ASX 200指数同期回报率为+12%),相当于的内部收益率+24%。

本基金投资结合自下而上基本面研究支持的市场交易,通过接触60多家研究机构、投资银行和证券公司获得主要市场机会,熟悉并以中小盘领域(尤其是澳大利亚市场领域)为战略重心,以及利用空头和国际头寸的对冲头寸能力来降低风险,实现投资组合混合投资。此外,本基金无最低资金配置义务,当市场机会有限时可以自由兑换现金,继而等待更好的买入价。

VP Capital相信,通过将方法与团队的丰富经验和分析能力相结合,本基金可以长期持续取得强劲业绩。



Recent volatility

The Fund takes note of a number of recent, interesting developments in the markets that occurred during the March 2021 quarter:

- the January 2021 short squeeze on GameStop and what appears to be an influx of retail investors;
- the concurrent buoyant cryptocurrency market, with Bitcoin achieving fresh highs during the quarter;
- the recent market correction, especially within the technology sector, as long-term bond rates traded up; and
- the more recent March 2021 Achegos Capital Management saga which resulted in significant falls in parts of the US markets, most notably ViacomCBS.

About VP Capital Fund I

The Fund's strategy is based on an overall philosophy of – in the medium term – being net long with the flexibility to strategically hedge. The strategy is designed to both minimise losses during market downturns and to accentuate gains during upturns.

The Fund's results are strong. VP Capital Fund I has returned c. +98% to unitholders (while the S&P/ASX 200 has returned +12% over the same period). This equates to an IRR of +24%

The Fund invests through a combination of on-market trading supported by bottom-up fundamental research, primary market opportunities through access to over 60 research houses, investment banks and brokerage firms, strategic focus and familiarity with the small and mid-cap space especially in Australia and the ability to enter into hedge positions through shorts and international positions, to lower risk and to achieve its portfolio mix. The Fund also does not have minimum capital deployment obligations, so can move freely into cash when there are limited opportunities in the market, allowing it to wait for better entry prices.

Combining this approach with the team's experience and analytical abilities, VP Capital believes the Fund can deliver strong results sustainably for the long term.

While each of these episodes were unrelated and driven by different circumstances, it is apparent that the market is unlikely to behave in the same way it did as the second half of 2020. Specifically, volatility is expected to be higher, driven by a combination of additional retail capital flowing into the various markets and heightened market sensitivity to the downside risks, as investors look beyond the pandemic and start factoring in the normalisation of interest rates, withdrawal of fiscal stimulus and the consequences of a significantly expanded public balance sheet as governments around the world addressed the challenges created by covid-19.

While the Fund remains of the view that there are several positive tailwinds – eg the rollout of the vaccination program, travel bubbles emerging, high savings rates and pent-up demand, low interest rates (at least for now) – the Fund is also cautious about the markets and will adopt a more selective approach to identifying opportunities. VP Capital's preferred option is to generally maintain some degree of cash holdings and take profits sooner, as there are likely to be better entry opportunities during volatile periods.

Other opportunities

The Fund's positions in private investments also remain positive. In particular, one opportunity which the Fund had invested into several quarters earlier in the online gaming space (and mentioned in previous quarterly reports) is now yielding substantial returns in the form of cash dividends. The estimated annual dividend yield on the Fund's initial entry prices now exceed 100%, and the Fund has already recovered all its principal investment from dividends. As a result, the Fund has taken the decision to increase the valuation of this investment at prices the Fund understands where significant volume has transacted recently during the quarter.

A second private investment in the hydrogen electric vehicle space is expected to make a positive contribution in either the June 2021 quarter or September 2021 quarter. The opportunity, which the Fund invested into in 2020, has announced that it will be acquired by a Nasdaq-listed special purpose acquisition vehicle at an uplifted valuation several multiples of the Fund's initial entry price (based on the special purpose acquisition company's closing price at the end of the March quarter). The deal has been publicly announced and, barring unforeseen circumstances, is expected to be completed.

投资组合点评

2021年3月季度上半段,本基金在技术与金融科技行业保持积极敞口,捕捉这些行业过去三个月内可能存在的最新"优势"。该季度第一个月,作出积极贡献的基金持仓包括"先买后付"多产领域中的Zip和Sezzle等,当Afterpay在2020年底股价大幅抬升后这些公司股票一度对Afterpay折价交易。此外,本基金还在财报季来临前持仓,抓住了Hub-24和Super Retail Group等同类公司业绩公布的东风。

进入一季度下半段,本基金开始处置部分技术和金融科技仓位。全球债券收益率上升以及关于长期贴现率正在升高的观点导致势头迅速转向这些行业,该事实进一步夯实了减仓决定。因而,本基金基本上能够避开最近的部分波动,包括比尔·黄(Bill Hwang)传奇爆发后一季度未发生的市场回撤,这导致高交易总额(GMV)或营收倍数的公司股价迅速贬值。

为此,本基金增配消费业仓位,其中部分仓位有助于强化一季度回报率。一季度在该领域的仓位包括Adairs、Aristocrat Leisure、Collins Food Group、Event Hospitality and Management Group和Harvey Norman等公司。此外,本基金还持仓电商Cettire,该公司自近期IPO以来经历了一次重大重新估值。虽然Cettire不属于传统消费企业(电商),且本基金对收益有限和以技术为主的公司持谨慎态度,但该公司的增长与相对估值相较太具吸引力,不容忽视。

大批主要市场机会也为本基金的积极表现作出了贡献,如Pentanet和TAO Commodities。

最后,本基金对大宗商品持积极看法。包括持仓IGO Group、Nickel Mines和Fenix Resources(部分仓位已在往期季报中涉及)。受行业形势(例如镍行业的青山控股宣布将很快向中国电池厂商供应镍硫,降低了供应短缺的市场预期)部分拉动,以上部分公司的一季度表现较预期更加乏力。



近期波动

我们注意到,2021年3月季度市场出现不少有趣的新进展:

- 2021年1月游戏驿站(Gamestop)上演逼空大战,似乎大量散户投资者涌入;
- 同期加密货币市场活跃,一季度比特币价格屡创新高;
- 随着长期债券利率上升,近期市场出现调整,尤其是技术行业;及
- 2021年3月最近发生的美国对冲基金Archegos Capital Management传奇爆仓事件导致美国部分市场急剧下跌,ViacomCBS最吸引眼球。

虽然以上每一次事件受不同情况驱动,各不相干,但市场显然不会复制2020年下半年的行情。具体而言,随着投资者关注疫情后市,开始考虑利率正常化、财政刺激政策退出和全球政府为解决covid-19疫情带来的挑战大幅扩大公共资产负债表的后果等因素,流入各市场的额外散户资本加之市场对负面风险的敏感度增加推动,波动性有望加剧。

虽然本基金坚持认为存在多股积极推动力,如疫苗接种计划推出、旅游泡沫显现、高储蓄率、需求被抑制和低利率(至少目前为低利率)等,但我们依然对市场保持谨慎,未来将采用更具选择性的方法发掘机会。因为波动期间可能存在更好的进入机会,通常保持一定程度的现金持有水平并更快获得利润是VP Capital的首选。

其他机会

本基金也保持积极的私募投资仓位。尤其是本基金在几个季度前投资网络游戏领域的一个机会(往期季报中有提及),该机会如今正以现金股息的形式产生可观回报。本基金初始买入价的预计年化股息收益率现已超过100%,并已从股息中收回全部投资本金。因此,本基金决定按我们认为一季度最近存在较大交易量位置的价格上调此投资的估值。

氢燃料电动汽车领域的第二笔私募投资有望在2021年6月季度或2021年9月季度作出积极贡献。该机会(本基金于2020年投资)宣布,它将被一家纳斯达克上市的特殊目的收购公司按高出本基金初始买入价几倍的估值溢价收购(基于特殊目的收购公司3月季度末的收盘价)。此交易已公布,除不可预见的情况外未来有望达成。