



Portfolio Report June 2022

The Rosevalley Behavioural Finance Funds

The Rosevalley Behavioural Finance Funds are high-conviction funds that take the theoretical and empirical evidence developed over the past 30 years in Behavioural Finance, and systematically build portfolios from these learnings. The portfolios are constructed on a benchmark-unaware basis, but performance is compared to the ASX-200 accumulation index.

First-time readers of this report, please refer to the blue box at the end for added context and history

Market commentary

The same as in the last month, at the time of writing this report (end-July), it feels like what happened in stockmarkets in the prior month was a lifetime ago. However, there is a marked difference between June (the period for this report), and July (what has happened since then). June was a very bad month for stockmarkets around the world (as foreshadowed in last month's report), as well as for Rosevalley. July shows a counterintuitive trend: interest rate hikes are coming through and expectations for a looming recession are firming up, but stockmarkets are doing well this month.

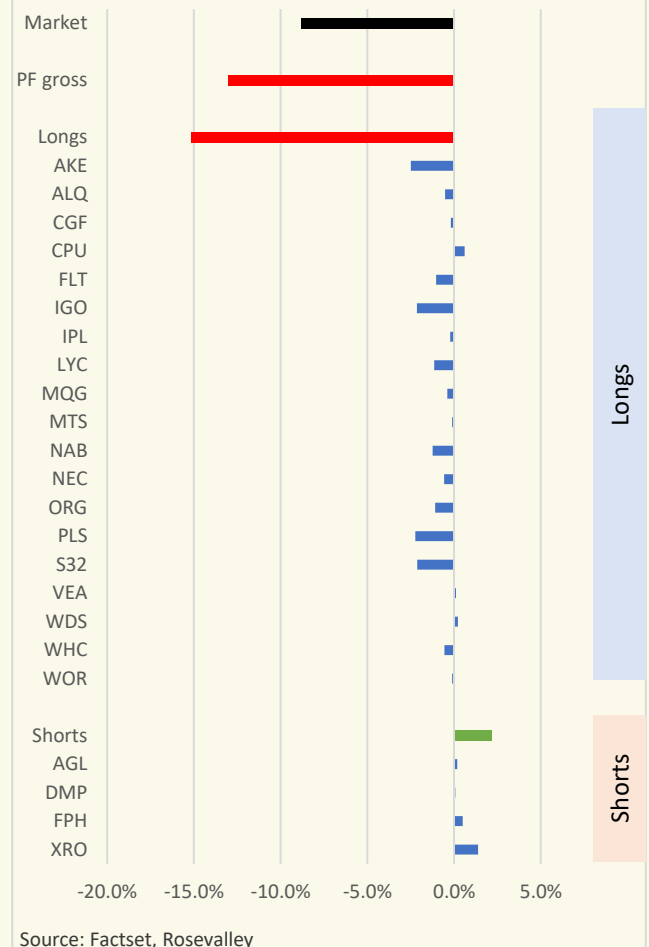
June

As mentioned last month, in June published inflation numbers came in much worse than expected, and central banks continued their response with aggressive monetary tightening and commentary. Major stock markets around the world responded with large negative movements and volatility amongst industry sectors:

	June 2022
MSCI World	-7.7%
S&P 500	-8.3%
DJIA	-6.7%
FTSE100	-5.5%
DAX	-11.2%
Hang Seng	3.0%
ASX-200	-8.8%
Rosevalley 13/3	-14.4%
Rosevalley 10/0	-12.1%

Rosevalley didn't perform well in this environment, and underperformed the broader Australian market.

June 2022 - Rosevalley 13/3 Contribution to total return



July

In July the economic picture didn't change much, but the market reaction was very different. While inflation numbers again came in high, and central banks continued on their tightening path (the Fed did 0.75% and the RBA 0.50%), markets actually went up quite strongly, around 5-6%.

What does the market think it's doing?

Last month we wrote about how investors can easily make mistakes during times of market downturns and heightened risk and uncertainty. We didn't expect to have a perfect illustration of this so soon! Again, we can't predict what next month will bring, but that is precisely

Performance as of June 2022								
Portfolio		1 month	3 months	6 months	1 year	Since inception	Since inception	Since inception
						annualized (1 Oct 2018)	annualized (14 Aug 2018)	annualized (1 Aug 2018)
Rosevalley 13/3	Gross	-13.0%	-17.0%	-27.1%	-14.6%	10.6%		
	Net	-12.9%	-17.6%	-27.9%	-17.8%	7.3%		
Rosevalley 15/5	Gross	-11.6%	-13.9%	-29.9%	-16.6%		9.9%	
	Net ¹							
Rosevalley 10/0	Gross	-12.1%	-14.6%	-19.1%	-5.4%			14.2%
	Net	-11.9%	-14.7%	-19.5%	-4.5%			4.7%
ASX-200		-8.8%	-11.9%	-9.9%	-6.5%	5.3%	5.0%	5.1%

Source: Rosevalley, Factset. Note returns are not audited. ¹Rosevalley 15/5 was not actively traded during the month, so no net numbers are available.

the reason for staying invested. While Rosevalley is now down on both an absolute and relative return basis on a 1-year view, we continue to have confidence in the tenets of the investment approach, and we are therefore not worried about longer-term returns.

Portfolio performance

The Rosevalley portfolios had a bad month, underperforming a terrible month of market performance. Rosevalley 13/3 was down 12.9% and Rosevalley 10/0 was down 11.9%.

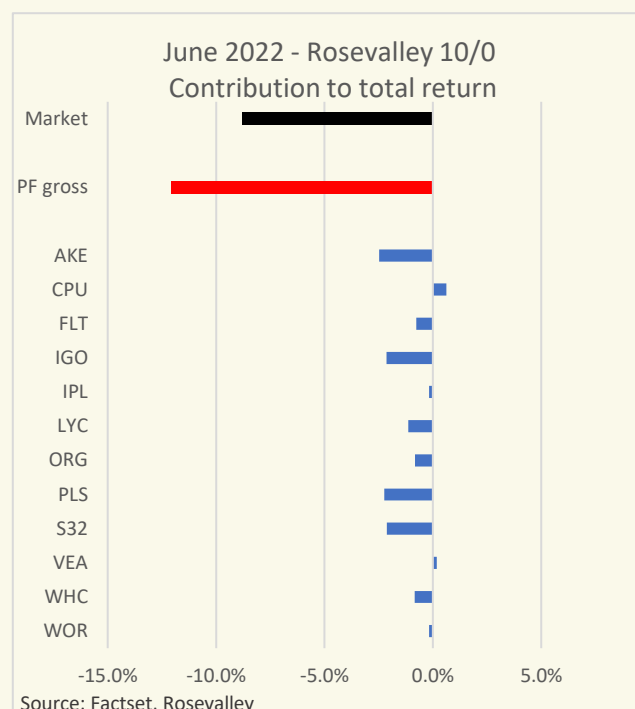
The negative returns came from all but one long position, with the exception being CPU (a company that benefits from higher interest rates). The portfolio exposures to the energy and materials sectors were the biggest detractors from portfolio returns. The market has been grappling with a couple of themes relevant to those industries. First there is the risk of slower economic growth, particularly in major markets such as China, Europe and the US. In addition we saw increasing commentary locally and abroad concerning climate change and the heightened need for a move away from traditional energy producers, such as gas and coal, toward more cleaner energy technology.

For Rosevalley 13/3 the shorts provided a modest offset.

Longer term performance

Since-inception performance numbers now look weaker than before, albeit the portfolios are still returning about twice the market returns.

Execution



This month the usual sources of gross-net difference were favourable for the portfolio: the gross-net gap was +7 bps (vs. an expected -33 bps).

Rosevalley 13/3 Execution		
	Model	Realized
Gross performance	-12.98%	-12.98%
deviation from model portfolio		0.04%
difference between trade price and end-of-previous-month price	0.05%	0.21%
trading costs	-0.26%	-0.06%
borrow costs	-0.13%	-0.11%
Reported net performance	-13.32%	-12.91%

The portfolios for July have no stock substitutions.

Some context for readers who are less familiar with Rosevalley Funds:

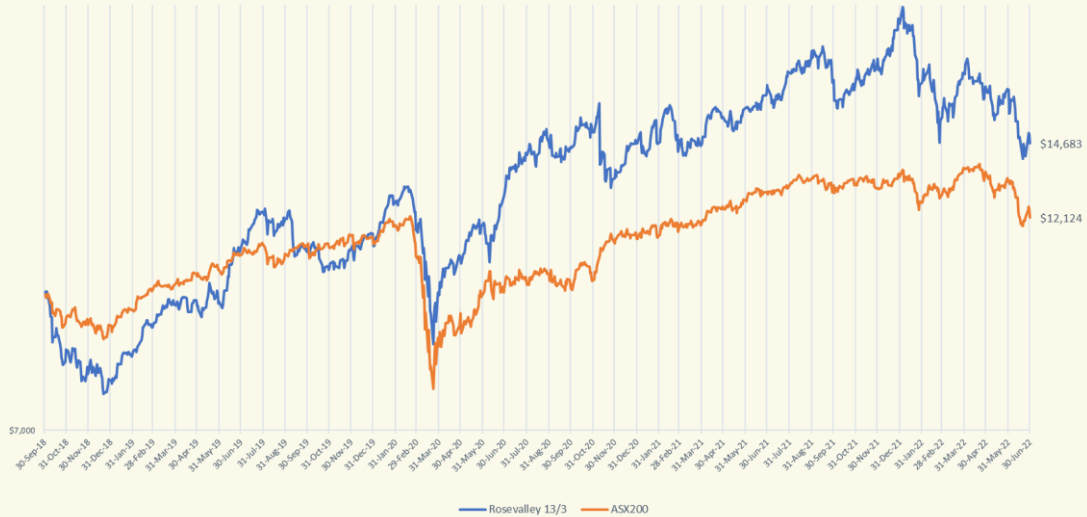
Rosevalley is a boutique funds manager with a unique approach to portfolio construction. Rosevalley Funds are constructed using the principles of Behavioural Finance (BF). Behavioural Economics and Behavioural Finance were developed over the past 30 years or so through the work of economists like Tversky, Kahnemann, Thaler, Shefrin. The idea behind BF (and the Rosevalley portfolios) is to study human behaviour as it is, not as classical economic theory says it should be (i.e. BF does not believe humans are always rationally maximizing their utility).

Rosevalley's portfolio construction algorithms are based on these insights. The model yields a ranking of stocks in order of greatest to smallest upside. Portfolio construction then follows by going long the stocks at the top and short the stocks at the bottom. The flagship product is Rosevalley 13/3, which is a 130/30 fund. We also run a 150/50 (Rosevalley 15/5), and a long-only fund (Rosevalley 10/0). Inception for the three portfolios was during July-July 2018.

The portfolios are rebalanced monthly. The Rosevalley team has discretion to make some substitutions, albeit that the bar for those is set high.

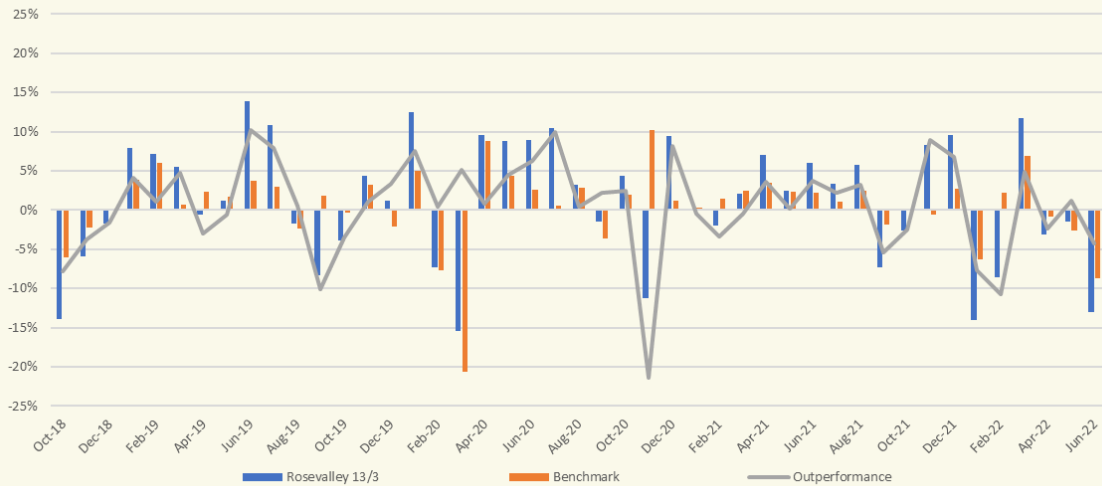
The monthly report discusses current events, portfolio performance, trade execution, gross-net differences, next month's portfolio, and broader market and macro expectations.

Rosevalley 13/3
Since inception
Growth of \$10,000



Source: Factset, Rosevalley. Note Rosevalley numbers are not audited

Rosevalley 13/3



Source: Factset, Rosevalley

Rosevalley Funds: The Behavioural Finance Approach

Over the past 30 years Behavioural Finance has emerged as a serious alternative to the Efficient Market Hypothesis. Whereas the Efficient Market Hypothesis starts with the assumption that people (investors) are rational and profit-maximizing, Behavioural Finance builds upon empirical observations of how people actually behave, and goes on to explain securities prices from this principle. Along the development of Behavioural Finance, it has been able to explain many peculiarities that had remained puzzles under the Efficient Market Hypothesis.

Rosevalley Funds portfolios are built around the theoretical and empirical underpinnings of Behavioural Finance, and at heart take advantage of the way human beings behave in the real world.

The material contained in this communication (and all its attachments) is general information only and has been prepared by Rosevalley Advisory Pty Ltd ("Rosevalley"). It is not intended to take the place of professional advice and you should not act on any recommendation (if any) made in this communication without first consulting your investment advisor in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this communication shall be construed as a solicitation to buy or sell a security or to engage in or refrain from engaging in any transaction. Rosevalley believes that the information and advice (if any) contained herein is correct at the time of compilation. However, Rosevalley provides no representation or warranty that it is accurate, complete, reliable or up to date, nor does Rosevalley accept any obligation to correct or update the opinions (if any) in it. The opinions (if any) expressed are subject to change without notice. Rosevalley does not accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of the material contained in this communication. This communication July refer to the past performance of a person, entity or financial product. Past performance is not a reliable indicator of future performance. Investors should obtain the relevant product disclosure statement and consider it before making any decision to invest.

ROSEVALLEY FUNDS

Behavioural Finance Funds

info@rosevalleyfunds.com

+61-457-807-914

www.rosevalleyfunds.com