



Portfolio Report November 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

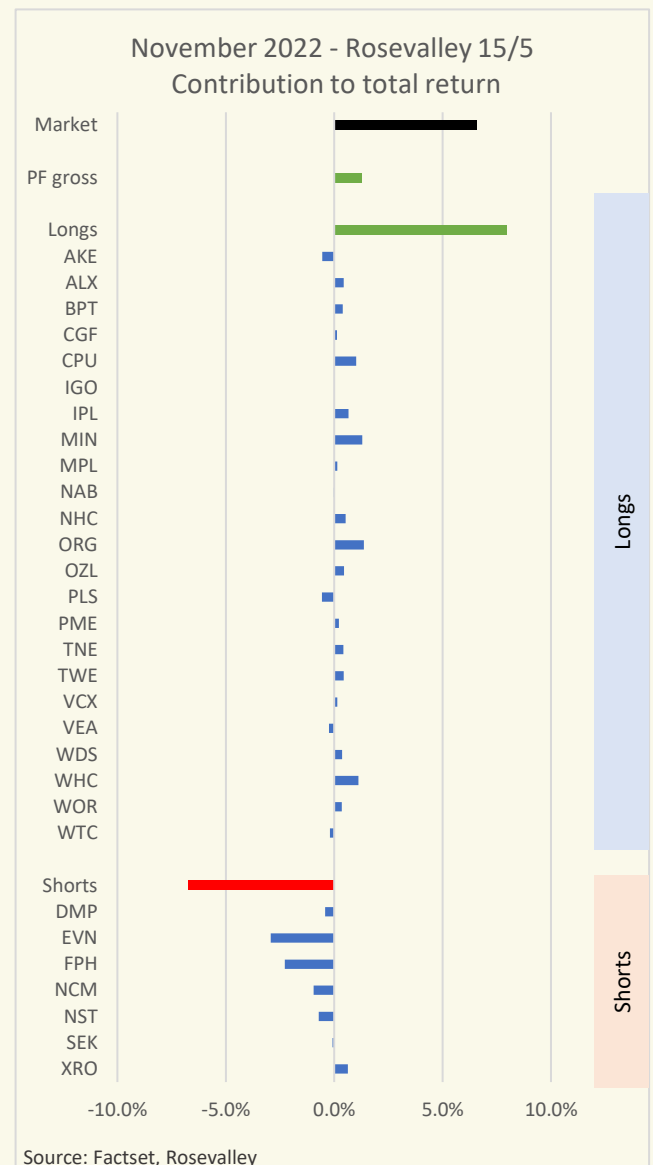
Market commentary

Markets during November strengthened across a broad base as participants began toying with the prospect that interest rate increases will ease into 2023. The Rosevalley Funds generated positive returns, albeit below the return of the local bourse which returned 6.6%. The table below highlights the returns from major market indices versus the Rosevalley portfolios.

	November 2022
MSCI World	5.7%
S&P 500	5.6%
DJIA	5.7%
FTSE100	7.1%
DAX	8.6%
Hang Seng	26.8%
ASX-200	6.6%
Rosevalley 13/3	1.3%
Rosevalley 10/0	3.7%

Thematics remain the same recurring series of drivers: inflation, Interest rates, supply side shocks, energy shortages and geopolitical solutions.

One of the most dramatic collapses of recent years has been the Chapter 11 bankruptcy of FTX during November. The Cryptocurrency exchange had a swift demise, falling from a valuation of \$32 billion to bankruptcy in a matter of days. During periods of financial markets exuberance many investors (so-called sophisticated and unsophisticated alike) look past the need to undertake thorough due diligence on an opportunity and chase those deemed by the "market" to generate above average market returns for FOMO ("Fear of missing out").



Locally, the RBA increased the Cash Rate by a further 0.25% taking the target rate to 2.85%, citing in their statement that inflation in Australia remains too high, the highest it has been for more than three decades. The RBA is keen to see the inflation rate currently at 7% decline to a more sustained level of between 2% and 3%. Unemployment remains at an unprecedented low level in almost 50 years at 3.5%.

Performance as of November 2022

Portfolio		1 month	3 months	6 months	1 year	Since inception annualized	Since inception annualized	Since inception annualized
						(1 Oct 2018)	(14 Aug 2018)	(1 Aug 2018)
Rosevalley 13/3	Gross	2.1%	8.5%	9.3%	0.3%	15.6%		
	Net	1.9%	7.5%	8.0%	-2.6%	12.2%		
Rosevalley 15/5	Gross	1.9%	6.8%	8.7%	-5.6%	14.3%		
	Net ¹							
Rosevalley 10/0	Gross	3.5%	12.4%	10.7%	7.5%	18.9%		
	Net	3.3%	13.0%	11.5%	7.4%	10.1%		
ASX-200		6.6%	6.0%	3.5%	5.0%	7.9%	7.6%	7.7%

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

Portfolio performance

The Rosevalley portfolios had a positive month albeit at a level below local benchmark returns. Rosevalley 13/3 was up 1.3% (before transaction costs and other costs) and Rosevalley 10/0 was up 3.7%.

The contribution to performance for the long/short fund came from the long side, with most long positions contributing versus most short positions detracting. The long only fund contributions were driven mainly by exposure to several resource and related companies.

Mineral Resources (MIN.ASX) contributed the most to portfolio returns in November and has been a strong performing stock in the ASX over most of 2022. The company is riding the upcycle in lithium and iron ore prices combined with strong demand.

Whitehaven Coal (WHC.ASX) was the second-best contributor to portfolio returns. For 2022 the stock has risen over 200% year to date. The market has been driving the stock higher, supporting its thermal coal exposures and following its record financial year earnings.

For the long-short fund, on the short side, all positions detracted from performance. **Evolution Mining (EVN.ASX)** was on a tear over the month up circa 30% as the gold miner reported a solid quarterly update on production yield and costs. On a calendar year basis the stock is down. Since we were short the stock, the position impacted on portfolio performance.



The since-inception performance numbers continue to showcase all funds well ahead of the ASX 200 indices.

Longer term performance

On a rolling 12-month net basis the long/short fund is slightly negative (absolute), whilst the long only fund is now 240 basis points ahead of the market 5% return.

Execution

This month the usual sources of gross-net difference were favourable for the portfolio: the gross-net gap was -24 bps (vs. an expected -42 bps).

Rosevalley 13/3 Execution		
	Model	Realized
Gross performance	2.13%	2.13%
difference between trade price and end-of-previous-month price	-0.04%	0.01%
trading costs	-0.25%	-0.05%
borrow costs	-0.13%	-0.20%
Reported net performance	1.71%	1.89%

December Portfolio Manager model overrides

The portfolios for December have one stock substitution for the 13/3 and 15/5 portfolio.

	13/3	15/5
Longs taken out	LTR	LTR
Replaced by	QAN	TWE
Comments	All changes driven by sector concentration considerations.	

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 December-December 2018.

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

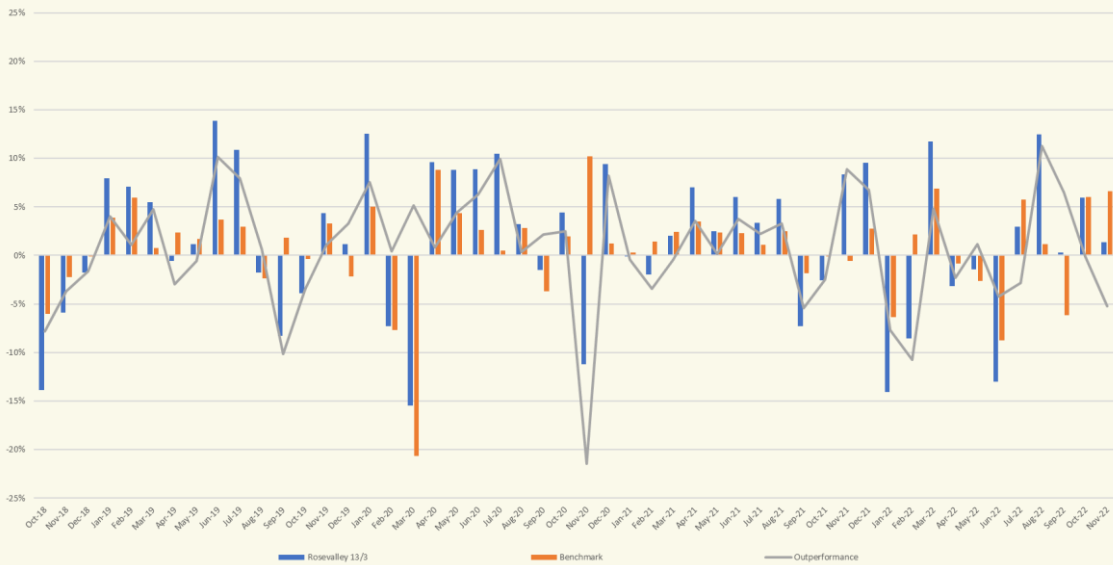
The monthly report discusses current events, portfolio performance, trade execution, gross-net differences, next month's portfolio, and broader market and macro expectations.

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.

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