

02/07/2021

The fund is the primary entity that we use to invest our own money. We view that each business held in the fund has a significant long term investment opportunity. We want to own these businesses longer term to realise these opportunities. Operationally the fund's investments have performed well over the past 18 months. This positive operating performance appears to be accelerating in a number of the fund's holdings. This dynamic is at least starting to be recognised more broadly by equity investors.

Despite these positive dynamics, we view that the fund is carrying a significant amount of market / short term risk. This risk is higher than the invested position suggests. The risk is partly the result of the fund holding a number of large (3.5%+) investments in individual businesses that are smaller cap and relatively illiquid. The general market interest and coverage of these businesses is low; when markets do roll over it is likely that the share prices of these investments will be weak because of their small cap and illiquid characteristics. The fund's holdings that we include in this group are Eurokai (10%), Sto (7%), Ponsse (6%) and Topps Tiles (4%). We perceive the fund is further exposed in the short term because the share prices of a number of its holdings have recovered strongly from the COVID lows in March 2020.

Our instincts are to invest around the positive company specific dynamics that we identify. The high and increasing cash weighting is an outworking of the composition of the fund's holdings and our negative view towards markets more broadly. It reflects us concentrating investment around our strongest ideas and these ideas building in importance in the context of the fund; the available cash then gives us the flexibility to invest where we identify suitable opportunities, particularly in times of stress.

The following pages outline the activity in the fund over the financial year, the current fund positioning and the fund's results. Please contact us if you would like to discuss investing in the fund or our activities in detail.

Miles, Nigel & Toby.

The fund holds 13 equity investments; it is 63% invested. This compares to 75% and 17 investments at the start of the financial year. Activity in the fund over the financial year was limited; it included:

Selling:

- Tikkurila Oyj in March 2021 at EUR33.80. The sale reduced the fund's invested position by 10%; the sale was the result of Tikkurila being taken over by PPG Industries Inc. in June 2021. The fund held an investment in Tikkurila from August 2017; the investment realised an annualised IRR of 20.7% and contributed 5.7% to the fund's returns.
- Reduced the investment in Fedex Corporation by 5.9% at USD271.47 due to the strong appreciation in Fedex's share price from March 2020 lows. The fund bought a 6.0% investment in Fedex at USD118.36 in March 2020. The fund's current holding is 4.0%.
- The balance of the selling activity was divesting a number of smaller holdings that we were not committed to longer term (the specific details of the individual sales are included in the table below).

Buying:

- New investments in PG&E Corporation, Edison International and also meaningfully increasing the fund's investment in Portland General Electric Company. We are attracted to certain electricity network assets located in the US. We perceive there is an interesting longer-term opportunity here, and expect that over time we will increase and broaden the fund's investments around this idea.
- Additional 2% investment in Sto SE & Co. KGaA and 1% in Eurokai GmbH & Co. KGaA , two pre-existing fund investments.

	June 30 2020 Weight	Purchases	Sales	June 30 2021 Weight
Qube Holdings Ltd	6.3%		1.5%	3.9%
Flughafen Zurich AG	2.8%		2.8%	0.0%
Aena SME	3.5%		3.4%	0.0%
Cargotec Oyj	2.5%		3.8%	0.0%
Eurokai	10.6%	1.0%		10.5%
Linde Plc	1.7%		1.9%	0.0%
Ponsse OYJ	4.4%			5.7%
STO SE	3.9%	2.1%		7.5%
Tikkurila	4.8%		10.0%	0.0%
National Grid Plc	4.2%		3.3%	0.0%
Topps Tiles	3.1%			4.0%
Asics Corp	3.1%			4.4%
Tower Ltd	4.1%	0.5%		4.3%
Fedex Corp	6.9%		5.9%	4.0%
Kinder Morgan	4.8%	3.9%	4.9%	2.8%
Portland General Electric Co	3.6%	3.0%		5.9%
PG&E Corporation	0.0%	3.6%		3.2%
Edison International	0.0%	2.0%		1.7%
Schlumberger	4.5%			5.2%
	74.9%	16.1%	37.5%	62.9%

The fund returned 29.7% for financial year 2021.

The contributors to the return were as follows:

- Long equity investments (in local currencies) contributed 38.5%;
- Movement in the Australian dollar detracted 4%;
- USD call / Yen put options cost 1.5%; and
- Equity derivatives cost 2%.

Returns (to 30/06/2021)	Fund
Since inception* (annualised)	8.7%
Since inception* (cumulative)	156.6%
Rolling 5 year (annualised)	5.9%
Rolling 3 year (annualised)	6.4%
Rolling 1 year	29.7%
Standard deviation	9.5%

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
July		1.14%	-1.95%	-3.06%	2.03%	1.98%	0.45%	-1.62%	-1.57%	4.99%	-0.35%	-0.86%
Aug		-0.33%	-0.32%	0.45%	1.42%	-0.39%	-1.39%	-0.18%	1.21%	1.50%	-1.64%	2.97%
Sept		0.60%	-2.18%	1.89%	0.52%	4.18%	-1.19%	1.34%	3.04%	-4.26%	1.23%	-0.66%
Oct		2.12%	0.83%	1.30%	1.43%	2.53%	0.27%	-0.21%	0.56%	-1.60%	0.51%	1.69%
Nov		0.47%	-1.22%	-2.46%	3.97%	11.10%	0.60%	4.50%	2.73%	-0.54%	1.36%	7.61%
Dec		-0.24%	0.27%	6.93%	1.13%	3.00%	-3.07%	2.46%	0.06%	-3.05%	-0.02%	1.99%
Jan		0.31%	0.84%	9.92%	-0.54%	0.97%	-1.77%	-5.16%	1.32%	2.20%	1.93%	2.82%
Feb		1.78%	0.02%	2.69%	-0.81%	1.57%	1.77%	-0.59%	-1.66%	3.91%	-7.52%	1.72%
Mar		1.06%	5.59%	-0.44%	-1.45%	-0.04%	-0.84%	1.21%	-0.52%	0.53%	-9.67%	4.36%
Apr	*0.04%	-1.94%	1.62%	4.45%	0.08%	0.32%	1.72%	1.34%	1.27%	2.11%	0.43%	0.44%
May	-0.78%	1.01%	-0.37%	8.63%	1.29%	0.47%	4.12%	1.84%	-0.23%	-3.64%	4.11%	3.85%
Jun	-0.76%	-0.70%	-2.58%	1.68%	0.02%	-2.61%	-0.79%	0.37%	-1.21%	1.56%	0.05%	0.66%
Fin Yr	-1.49%	5.33%	0.29%	36.06%	9.33%	24.95%	-0.31%	5.10%	4.97%	3.28%	-9.97%	29.71%
Cal Yr		-3.10%	10.12%	43.95%	22.40%	-3.70%	10.76%	4.89%	-4.23%	7.82%	0.82%	

* Inception date: 15/04/2010. Past Performance is not a reliable indicator of future performance and no guarantee of future returns is implied.

- The fund's daily unit price and distribution details can be downloaded via this [link](#).

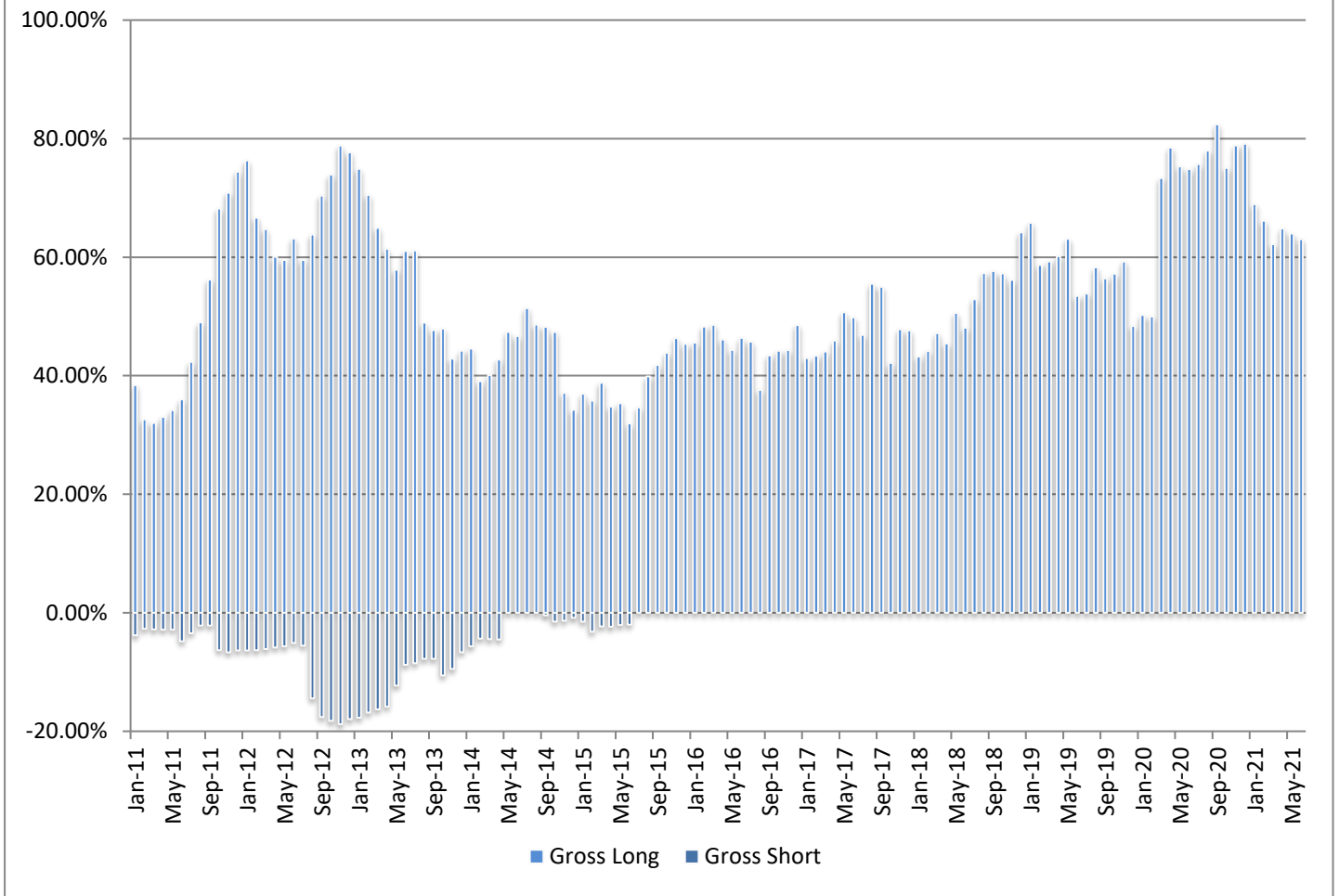
	Long (%)	Short (%)	Currency (%)
Australia	4	0	41
United States*	23	0	23
UK/Europe*	28	0	28
Japan	4	0	4
New Zealand	4	0	4
Total	63	0	100
Derivatives (annual cost)	3		

Notes: Data as at 30th June 2021. * UK/Euro & USD/CAD approximate only.

	Australia / NZ		USA		UK/Europe		Japan		Total	
	%	no/.	%	no/.	%	no/.	%	no/.	%	no/.
Tenet - Parcel Infrastructure			4	1					4	1
Fedex Corp			4	1						
Tenet - Paint / Coatings					7	1			7	1
STO SE					7	1				
Tenet - Oil Related			5	1					5	1
Schlumberger			5	1						
Tenet - European Container Terminals					11	1			11	1
Eurokai					11	1				
Tenet - Electric Utilities			11	3					11	3
Kinder Morgan Inc			3	1					3	1
Qube Holdings Ltd	4	1							4	1
Asics Corp							4	1	4	1
Ponsse OYJ					6	1			6	1
Tower Limited	4	1							4	1
Topps Tiles					4	1			4	1
Gross long	8	2	23	6	28	4	4	1	63	13
Gross short										
Gross invested position	8	2	23	6	28	4	4	1	63	13
Derivatives (annual cost)									3	3

Notes: Totals may not add due to rounding. Data as at 30th June 2021

Fund Investment position 2011 - 2021



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