

01/10/2021

It is becoming clear that labour, input and supply chain costs are increasing globally. We expect these costs will prove sticky. If that is right, current earnings expectations are too high, the dispersion of these expectations is too low, as are both interest rates and equity risk premiums.

The fund is 71% gross long, it holds 14 long investments. This compares to 63% and 13 investments at 30 June 2021. The fund also holds some additional downside protection. The face value of this protection covers 35% of the fund, half is a single stock put option expiring in October, the balance is a put option against an index expiring in December. The fund's cash balance and option positions provide us with flexibility to invest where we identify suitable longer-term opportunities.

32% of the fund is invested in four small cap European businesses (Eurokai, Ponsse, Sto SE and Topps Tiles). We have previously detailed that we expect these four investments will be relatively volatile, significantly because of their small cap and illiquid characteristics. We regard each of these businesses highly, we expect the fund will realise considerable returns from these investments over time.

Activity over the quarter included:

- Buying a 3% position in Rotork plc at GBP3.61 in July. We view Rotork as a high quality, highly cash generative business. We are attracted to its positioning and activities in electric actuation. Rotork's valuation appears reasonably high, we expect their positioning in electric actuation will enable the business to realise considerable organic growth over the medium term.
- Increasing existing investments in PG&E Corporation and Edison International by 0.5% each.

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

Miles, Nigel & Toby.

The fund is the primary vehicle for the investment of our capital. Its current traits are:

- Highly stock specific investments that are concentrated in our few key ideas;
- The key ideas generally relate to companies that are not well known or popular investments;
- The fund currently has a significant USD and Euro exposure as a result of individual equity investments in these geographies;
- Managed with consideration of tax for Australian investors; and
- A meaningful short exposure to the Yen.

Returns (to 30/09/2021)	Fund
Since inception* (annualised)	8.6%
Since inception* (cumulative)	157.7%
Rolling 5 year (annualised)	6.1%
Rolling 3 year (annualised)	5.9%
Rolling 1 year	28.5%
Standard deviation	9.4%

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
July		1.14%	-1.95%	-3.06%	2.03%	1.98%	0.45%	-1.62%	-1.57%	4.99%	-0.35%	-0.86%	0.12%
Aug		-0.33%	-0.32%	0.45%	1.42%	-0.39%	-1.39%	-0.18%	1.21%	1.50%	-1.64%	2.97%	-0.37%
Sept		0.60%	-2.18%	1.89%	0.52%	4.18%	-1.19%	1.34%	3.04%	-4.26%	1.23%	-0.66%	0.69%
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%	
FY	-1.49%	5.33%	0.29%	36.06%	9.33%	24.95%	-0.31%	5.10%	4.97%	3.28%	-9.97%	29.71%	
CY		-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](#).

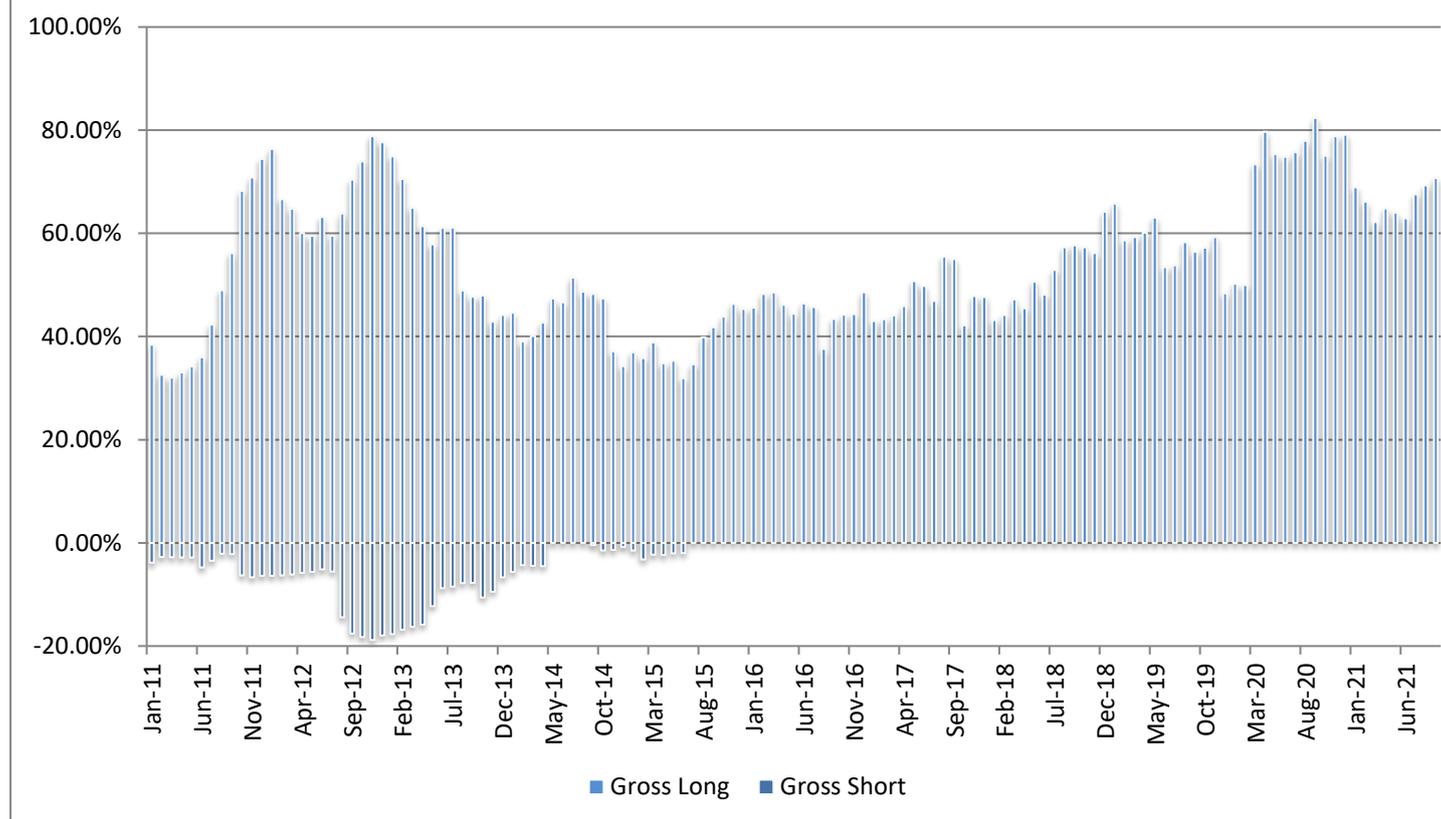
	Australia / NZ		USA		UK/Europe		Japan		Total	
	%	no/.	%	no/.	%	no/.	%	no/.	%	no/.
Tenet - Parcel Infrastructure			3	1					3	1
Fedex Corp			3	1						
Tenet - Paint / Coatings					9	1			9	1
STO SE					9	1				
Tenet - Oil Related			5	1					5	1
Schlumberger			5	1						
Tenet - European Container Terminals					14	1			14	1
Eurokai					14	1				
Tenet - Electric Utilities			12	3					12	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
Rotork Plc					3	1			3	1
Gross long	8	2	24	6	35	5	4	1	71	14
Gross short										
Gross invested position	8	2	24	6	35	5	4	1	71	14
Derivatives (annual cost)									3	3

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

	Long (%)	Short (%)	Currency (%)
Australia	4	0	33
United States *	24	0	24
UK/Europe*	35	0	35
Japan	4	0	4
New Zealand	4	0	4
Total	71	0	100
Derivatives (annual cost)	3		

Notes: Data as at 30<sup>th</sup> September 2021. \* UK/Euro & USD approximate only.

## Fund Investment position 2011 - 2021



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