

04/07/2022

The fund is 74.6% invested, it holds 17 long investments. This compares to 62.9% and 13 investments at the beginning of the financial year. The increased invested position is significantly the result of adding to the fund's investments in US based electric utility businesses. We increased this investment idea from 3 investments and 11% of the fund's capital to 5 investments and 19.4%. We also added new investments in Intel Corporation (3%), Rotork plc (3%) and Nihon Kohden Corporation (3.5%). In addition, we added to existing investments Ponsse Oyj, Sto Se & Co. KGaA and Tower Limited. We sold the fund's investments in Fedex Corporation and Kinder Morgan, Inc.

The fund's equity investments are in businesses that we are happy to own longer term, regardless of the environment. These businesses have characteristics that we think provide reasonable opportunities to earn attractive real returns, longer term. The fund also holds a meaningful balance of cash. In times of market or company specific stress, we intend to draw down this cash balance and invest additionally into operating businesses. Some of this activity was evident during the year.

We are optimistic about the long-term business prospects and opportunities for the fund's equity investments. We are attracted to businesses that internally fund themselves over long time horizons; the longer, the better. When we initially consider the historic financial statements of a business, we tend to be drawn to the long-term progression of their share issuance and net debt positions. We are typically biased to businesses with flat or declining progressions in these line items. This tells us a lot about the characteristics of the business and the temperament of the individuals responsible for it. These biases lead us to investing in businesses that are not overly reliant on additional future equity issuance or material ongoing goodwill from creditors. Self-sufficiency is key when liquidity tightens.

The fund's investment in Yen puts (vs the USD) meaningfully contributed to recent returns. This investment was based on our view that the Japanese Government is unsustainably levered, and this would lead to significant short-term weakness in the Yen. We will look for appropriate opportunities to re-establish this investment.

We wrote the email below in June responding to a question around the fund's objectives and hedging strategies. It provides details that are important to understand the fund.

"The fund is the entity that Nigel (cc'd) and I use to manage our personal capital, longer term.

We want to compound our capital to earn satisfactory real returns over time. We can't afford to tear a significant, permanent hole in this capital.

Opportunistically, we do look to hedge various risks. This varies and is dependent on markets and the cost of hedging. At times there is no hedging in the fund.

Our focus, and the core of what we are doing is longer term, patient, fundamental, equity investing. When we can't find suitable investments, we are content to sit in cash until we do.

Investing in the fund is putting a dollar next to ours. We will take risk where we expect to get paid for taking this risk; we won't take risk for the sake of it, or to check some box."

Please contact us if you would like to discuss our activities in detail.

Fund Positioning

	Total	
	%	no/.
Tenet - Electric Utilities	19	5
Eurokai	14	1
STO SE	7	1
Schlumberger	6	1
Ponsse OYJ	6	1
Tower Limited	5	1
Intel Corp	3	1
Nihon Kohden Corp	3	1
Asics Corp	3	1
Qube Holdings Ltd	3	1
Rotork plc	2	1
Topps Tiles	2	1
Origin Energy Ltd	2	1
Gross long	75	17
Gross short		
Gross invested position	75	17
Derivatives (annual cost)	1	1

Notes: Totals may not add due to rounding. Data as at 30th June 2022

	Long (%)	Short (%)	Currency (%)
Australia	4	0	29
United States*	29	0	29
UK/Europe*	31	0	31
Japan	6	0	6
New Zealand	5	0	5
Total	75	0	100
Derivatives (annual cost)	1		

Notes: Data as at 30th June 2022. * UK/Euro & USD/CAD approximate only.

Key activity in the fund included:

Buying:

- July 2021 - 3% investment in Rotork plc at GBP 3.65.
- March 2022 - 3% investment in Intel Corp at USD 47.65.
- October 2021 – 4% position in Crown Resorts Ltd at AUD 10.52 – the investment was sold in March 2022 at AUD 12.44 and contributed 0.80% to the fund’s return at an annualised IRR of 57.1%.

Selling:

- Fedex Corporation – We sold the fund’s investment in Fedex Corp in June 2022 at USD 226.72. The fund held this investment since March 2020. It generated an annualised IRR of 122.3% and contributed 6.9% to the fund’s returns.

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- Kinder Morgan, Inc – We sold the fund’s investment in Kinder Morgan in January 2022 at USD 17.68. The fund held this investment since December 2018. It generated an annualised IRR of 14.4% and contributed 1.20% to the fund’s returns.

The fund returned 12.1% for financial year 2022.

The contributors to the return were as follows:

- Long equity investments (in local currencies) cost 5.3%;
- Movement in the Australian dollar contributed 0.5%;
- USD call / Yen put options contributed 19.4%; and
- Currency hedges and Equity derivatives cost 1.2%.

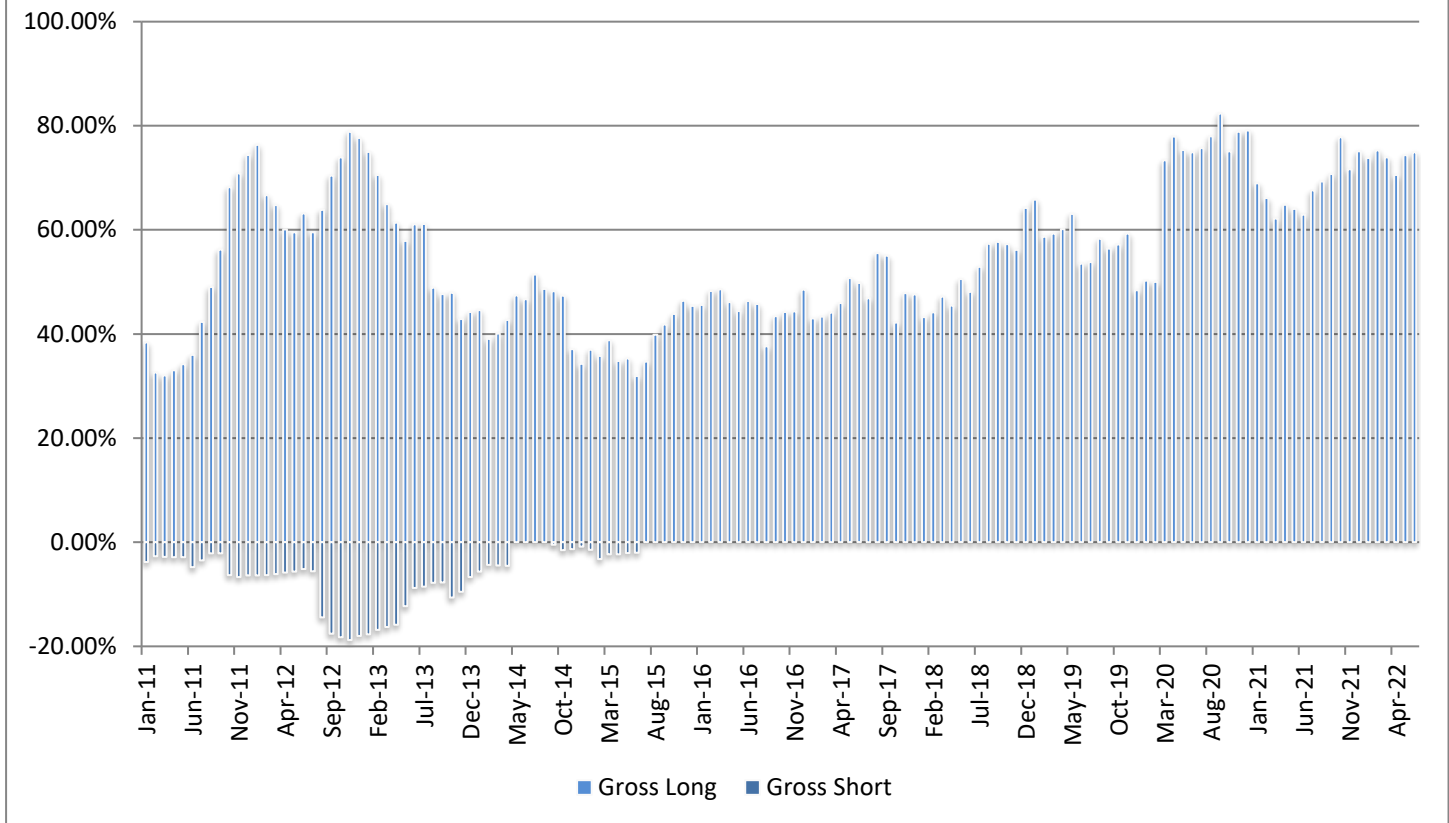
Returns (to 30/06/2022)	Fund
Since inception* (annualised)	9.0%
Since inception* (cumulative)	187.6%
Rolling 5 year (annualised)	7.3%
Rolling 3 year (annualised)	9.4%
Rolling 1 year	12.1%
Standard deviation	10.3%

	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%	-0.43%
Nov		0.47%	-1.22%	-2.46%	3.97%	11.10%	0.60%	4.50%	2.73%	-0.54%	1.36%	7.61%	0.92%
Dec		-0.24%	0.27%	6.93%	1.13%	3.00%	-3.07%	2.46%	0.06%	-3.05%	-0.02%	1.99%	1.54%
Jan		0.31%	0.84%	9.92%	-0.54%	0.97%	-1.77%	-5.16%	1.32%	2.20%	1.93%	2.82%	1.66%
Feb		1.78%	0.02%	2.69%	-0.81%	1.57%	1.77%	-0.59%	-1.66%	3.91%	-7.52%	1.72%	-5.44%
Mar		1.06%	5.59%	-0.44%	-1.45%	-0.04%	-0.84%	1.21%	-0.52%	0.53%	-9.67%	4.36%	1.41%
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%	16.01%
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%	-0.85%
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%	-2.43%
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%	12.10%
CY		-3.10%	10.12%	43.95%	22.40%	-3.70%	10.76%	4.89%	-4.23%	7.82%	0.82%	17.44%	

* 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](#).

Fund Investment position 2011 - 2022



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