

05/10/2022

During the quarter we increased the fund's invested position from 75% to 83%.

We added two new investments, Fedex Corporation and Ferguson plc.

We bought a 3.5% investment in Fedex at 156 USD in September. The fund has previously invested in Fedex, twice. The fund's inception was 15/04/2010, 4,368 days ago, it has held an investment in Fedex for 3,420 of those days. Although Fedex is a new investment, we have some history with this business. We hold management, particularly the founder and current Chairman (Mr Fred Smith) in high regard. We consider the business to be well managed, we think of the business as a network that benefits from density. Fedex appear to be capable in non-conforming package delivery, and business to business activities. We think of Fedex as a reasonably high quality business that operates in cyclical areas. Fedex has considerable opportunities to continue to invest capital internally generating attractive returns into the future. Fedex is a business that we want to own longer term; we felt the current price represented a reasonable opportunity for the fund to reinvest in this business.

We bought a 2% investment in Ferguson plc at 106 USD in September. We have a mental map where we frame distributors as businesses that may provide increasingly valuable services to both their suppliers and customers, and that this position becomes increasingly important, valuable and defensible with scale. Ferguson has a number of characteristics that are interesting and likely durable. Operationally the business is performing credibly, they appear to have a culture of transparency and accountability. The frenzied financial activity; buybacks, increased dividends, acquisitions, working capital investment to fund top line growth gives us a degree of pause. It is early days for the fund's investment. We will continue to try to further understand this business. Over time, it may develop into something that is really interesting in the context of the fund.

The fund's returns are likely to be increasingly volatile, and increasingly directly correlated to broader equity markets. The reasons are the:

- 1) Fund is more fully invested.
- 2) US utility investments (22%) have performed strongly. There will be a point where rising interest rates and the strong short term share price performance of these investments will lead to them being used as "sources of funds" by the equity markets.
- 3) Fund's significant investments (28%) in European domestic facing industrial businesses. These investments are relatively illiquid, in small to mid-capitalisation businesses. These businesses are operationally under tremendous stress.
- 4) Yen put options against the USD contributed circa 20% to returns over the past 12 months. Over this period the fund's invested position also increased from 71% to 83%. The positive contribution from the Yen puts and the cash shield covered weakness in some of the fund's equity investments. The fund no longer has these protections.

The current environment will present opportunities. Hopefully, we have the ability to make the most of them.

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.

Returns (to 30/09/2022)	Fund
Since inception* (annualised)	8.4%
Since inception* (cumulative)	174.6%
Rolling 5 year (annualised)	5.7%
Rolling 3 year (annualised)	8.0%
Rolling 1 year	6.6%
Standard deviation	10.3%

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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%	0.37%
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%	0.84%
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%	-5.65%
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](#).

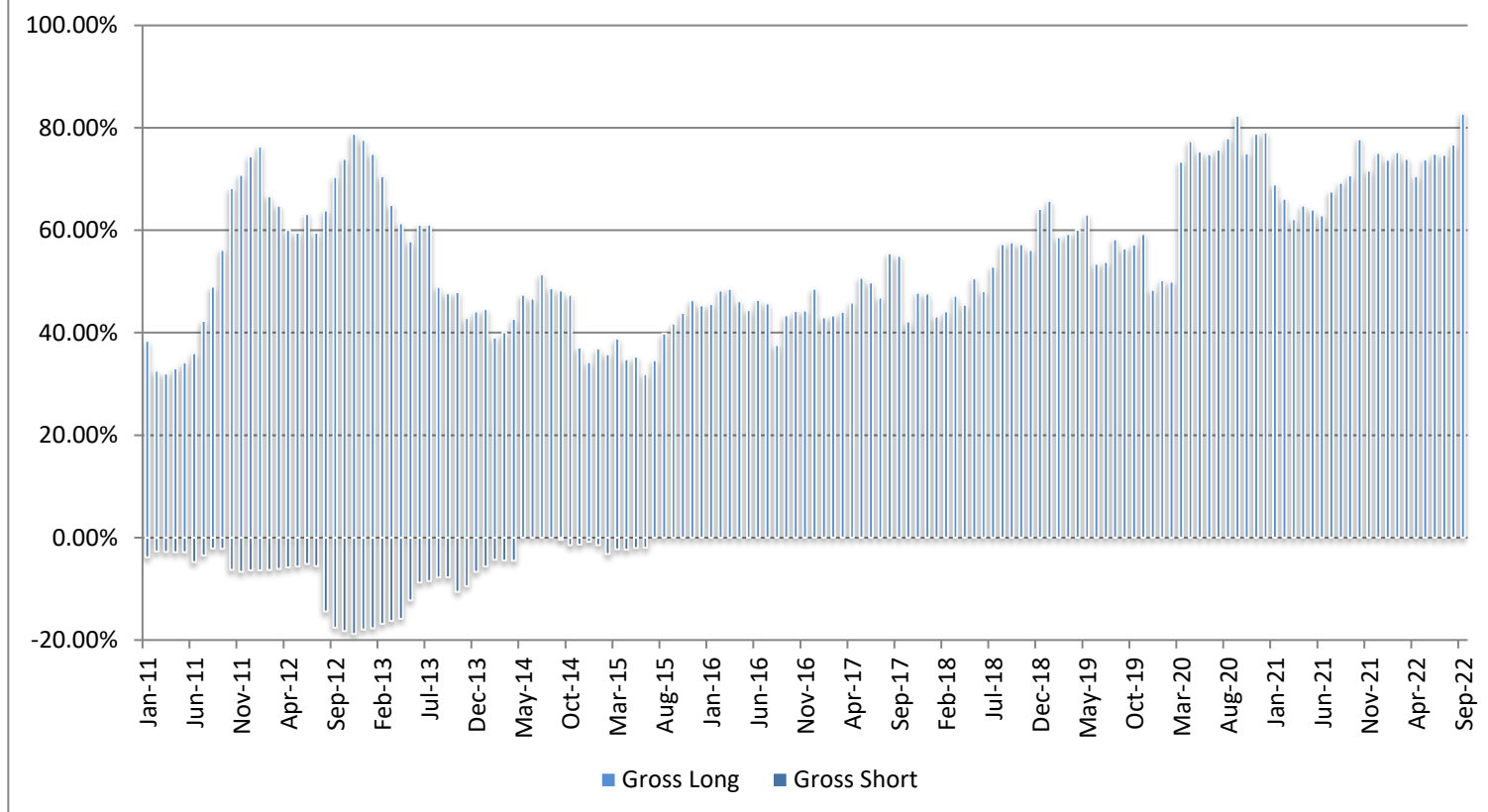
	Australia / NZ		USA		UK/Europe		Japan		Total	
	%	no/.	%	no/.	%	no/.	%	no/.	%	no/.
Tenet - Electric Utilities			22	5					22	5
Eurokai					11	1			11	1
Schlumberger			7	1					7	1
STO SE					7	1			7	1
Ponsse OYJ					6	1			6	1
Tower Limited	5	1							5	1
Nihon Kohden Corp							4	1	4	1
Fedex Corp			4	1					4	1
Qube Holdings Ltd	4	1							4	1
Asics Corp							3	1	3	1
Intel Corp			3	1					3	1
Rotork Plc					2	1			2	1
Origin Energy Inc	2	1							2	1
Ferguson Plc			2	1					2	1
Topps Tiles					2	1			2	1
Gross long	11	3	37	9	28	5	7	2	83	19
Gross short										
Gross invested position	11	3	37	9	28	5	7	2	83	19
Derivatives (annual cost)									1	1

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

	Long (%)	Short (%)	Currency (%)
Australia	6	0	36
United States *	37	0	29
UK/Europe*	28	0	22
Japan	7	0	7
New Zealand	5	0	5
Total	83	0	100
Derivatives (annual cost)	1		

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

Fund Investment position 2011 - 2022



Terms and conditions

This document is only made available to wholesale clients as that term is used in sections 761G and 761GA of the Corporations Act 2001 (Cth).

Long Tail Asset Management Pty Limited holds an AFS Licence (number 341474). The information provided in this document is only intended to describe the activities of the Fund to existing and prospective investors. As such the information is generic in its nature and does not and cannot take into account an investor's objectives, financial position or needs. Investors should rely upon their own enquiries and analysis as to the merits and risks in deciding whether to make any investment and seek appropriate advice as necessary prior to making any investment decision. The document contains general financial product advice only.

You should understand that any forecasts or opinions in this document regarding the direction or prospects of any investment or market are based on a number of assumptions and may not be realised. Such forecasts or assumptions may change from time to time without notice to you.

Long Tail Asset Management Pty Limited has taken all reasonable care and believes that the information in this document is correct and accurate but no warranty or assurance is made with respect to its completeness, currency or accuracy, and neither Long Tail Asset Management Pty Limited nor its related bodies corporate, agents, Directors, officers, employees or advisers are, to the extent permitted by law, responsible for loss or damage suffered as a result of reliance by any investor or prospective investor on any statements, opinions or data contained in this document.

Copyright on the information in this document is owned by Long Tail Asset Management Pty Limited. You may use and copy the information for your personal use only. Long Tail Asset Management Pty Limited expressly prohibits the reproduction, transmission, or distribution of this information for any other purpose without the written permission of Long Tail Asset Management Pty Limited.

Investors should be aware of the risks of investing in products offered by Long Tail Asset Management Pty Limited. Prior to investing in a Fund operated by us you should read the Information Memorandum carefully and fully understand the risk factors.

Long Tail Asset Management Pty Limited does not guarantee or assure the return of all or any capital invested, nor the performance or profitability of its Fund. Investors should be aware that past performance of the Fund is not indicative of the performance which may be achieved in the future and is not a reliable indicator of future performance. No representation is made that profits will be achieved on behalf of the Fund or losses will be avoided in the future.

To the maximum extent permitted by law, the information and opinions contained in this document are provided without any warranty of any kind. Long Tail Asset Management Pty Limited and its associates expressly disclaim all liability for any loss or damage of any kind (including direct, indirect, special and consequential loss and damage of business revenue, loss of profits, loss or corruption of data, failure to realise expected profits or savings or other commercial or economic loss of any kind), whether reasonably foreseeable or not, incurred or suffered by any person arising out of or in any way related to this document.

ABN 34 136 795 170 | AFSL 341 474

PO Box R 1777, Royal Exchange Sydney NSW 1225

Ph (+ 612) 8241 – 1000 | www.longtailasset.com