

04/10/2023

The fund is 67% invested, it holds 16 long equity investments.

There was no meaningful activity in the fund during the quarter.

Through the quarter, we did spend time thinking through two events; the fires in Maui, Hawaii that occurred on August 8<sup>th</sup> 2023 and MSC's offer for HHLA announced on September 13<sup>th</sup> 2023. These events did not directly impact the fund, regardless they are relevant.

#### Maui, Hawaii Fires

The fires that occurred in Maui caused widespread damage to the town of Lahaina. At least 97 people died and it is reported there were 2,200 damaged or destroyed structures. The cost of rebuilding the physical damage is reported to be in excess of USD5B.

The fund has 18% of its capital invested in five listed US electric utilities. The largest individual investment in this idea is 5% of the fund's capital, the smallest is 2%. The fund does not have an investment in Hawaiian Electric Industries.

Given the long-term framework we are viewing this investment through, it is highly likely that at a point in time the fund will hold an electric utility investment that is under very significant duress as a result of a fire that it is associated with. This duress could be terminal for equity holders of the business, regardless of fault.

Our thinking has shifted a bit regarding the fund's positioning around this investment idea. Our preference is increasingly toward more investments and smaller individual position sizes. We have recently progressed in this direction.

Increased fire risk awareness and shifting community expectations are enabling electric utilities to be increasingly pro-active regarding measures to reduce fire risk. Also, the regulatory construct around these businesses is being more widely acknowledged as unsustainable. These shifts are constructive regarding both the operation of these businesses and our investment thesis.

#### MSC's takeover offer for HHLA

On September 13, 2023, MSC announced an offer to buy 49.9% of Hamburger Hafen and Logistic (HHLA) – effectively seeking to take out all the minorities and reducing the City of Hamburg's interest to 50.1%. MSC is the largest global shipping operator with broader interests including terminal ownership.

HHLA handles around half of the containers (TEUs) imported and exported via maritime shipping ports in Germany through its terminals in Hamburg. The other half of German containers are handled by Eurokai (via its 50% ownership of Eurogate) through terminals in Hamburg, Bremerhaven and Wilhelmshaven. Last year, Eurokai handled 7.3 million TEUs through its German operations, 1.1m TEUs through its terminal in La Spezia, Italy, and 11.8m across its total terminal network. Eurokai is the fund's largest single investment.

We think we may look back at MSC's offer for HHLA and view it as an important event regarding this investment. If nothing more, the comparative valuation of the offer for HHLA is favorable to Eurokai's share price.

MSC's offer for HHLA seems a logical trigger for a reassessment of the merit of merging HHLA's German terminals with Eurokai's. In May 2020, it was reported that Eurokai and HHLA initiated "co-operation talks", with the intent of exploring various structures that would enable their terminals to operate more efficiently. The talks were supported by the cities of Hamburg and Bremen, having regionally competitive port operations are in German national interests. It was subsequently reported that a merger was being explored, combining Eurokai's German port interests with HHLA's. The talks were suspended in July 2022 as a result of the "unforeseeable impact of the current geopolitical situation".

We expect there are operational benefits from merging Eurokai's and HHLA's German terminals. Furthermore, a key issue facing both companies over the next decade is increased automation of their terminals. This will be complex and capital intensive. There are some scale and ultimately operating advantages that would be realised approaching these tasks as a merged entity. We are also attracted to Eurokai's opportunity to manage their German terminals as a network. We think this opportunity would be furthered if a merger eventuates.

Miles, Nigel & Toby

	Total		Number of Days Owned
	%	no/.	
Tenet - Electric Utilities (US)	18	5	1,285
Eurokai	12	1	2,304
STO SE	7	1	1,607
Ponsse OYJ	6	1	1,578
Qube Holdings Ltd	5	1	1,300
Rotork Plc	3	1	796
Nihon Kohden Corp	3	1	646
Intel Corp	3	1	570
Tower Limited	3	1	1,338
Asics Corp	3	1	1,961
Topps Tiles	2	1	2,497
Ferguson Plc	1	1	367
Gross long	67	16	
Gross short			
Gross invested position	67	16	
Derivatives (annual cost)	3	3	

Notes: Totals may not add due to rounding. Data as at 30th September 2023

	Long (%)	Short (%)	Currency (%)
Australia	5	0	44
United States *	22	0	20
UK/Europe*	31	0	27
Japan	6	0	6
New Zealand	3	0	3
Total	67	0	100
Derivatives (annual cost)	3		

Notes: Data as at 30<sup>th</sup> September 2023.

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.
- A meaningful short exposure to the Yen.

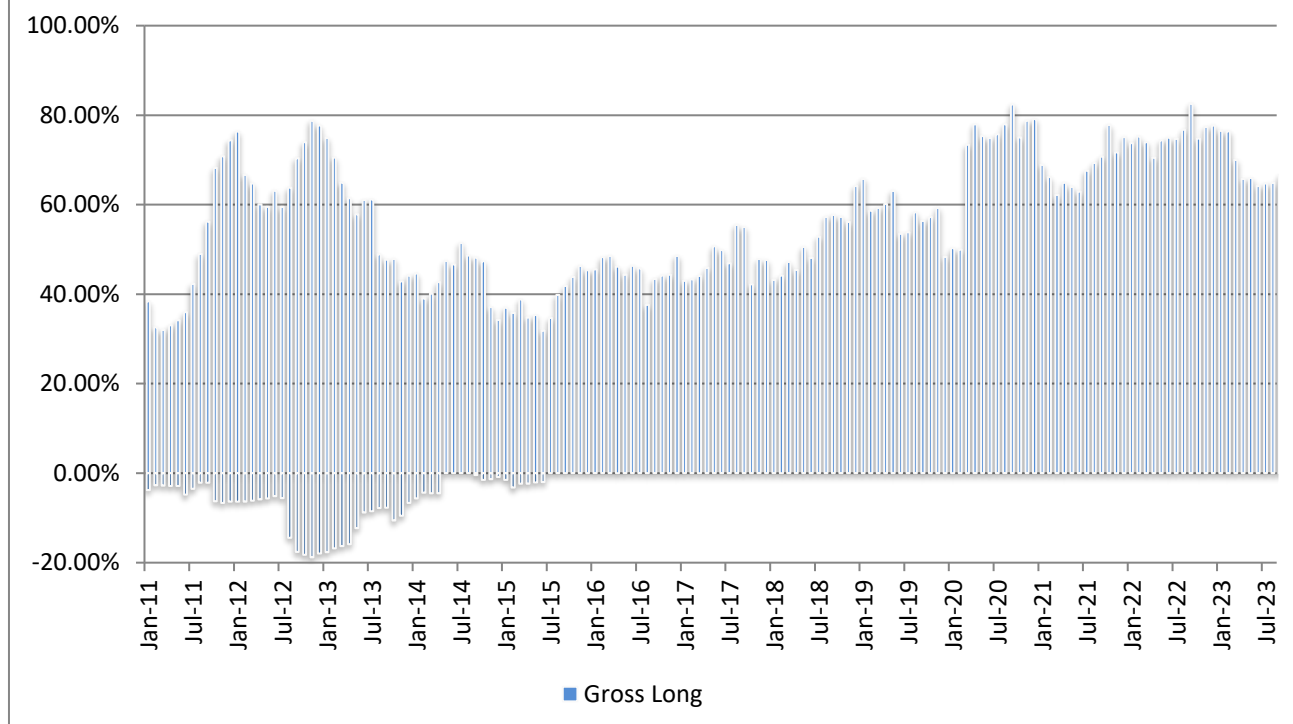
Returns (to 30/09/2023)	Fund
Since inception* (annualised)	9.1%
Since inception* (cumulative)	222.6%
Rolling 5 year (annualised)	8.3%
Rolling 3 year (annualised)	17.2%
Rolling 1 year	17.5%
Standard deviation	10.4%

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	YTD
2010				0.0	(0.8)	(0.8)	1.1	(0.3)	0.6	2.1	0.5	(0.2)	2.2%
2011	0.3	1.8	1.1	(1.9)	1.0	(0.7)	(2.0)	(0.3)	(2.2)	0.8	(1.2)	0.3	(3.1)%
2012	0.8	0.0	5.6	1.6	(0.4)	(2.6)	(3.1)	0.5	1.9	1.3	(2.5)	6.9	10.1%
2013	9.9	2.7	(0.4)	4.5	8.6	1.7	2.0	1.4	0.5	1.4	4.0	1.1	44.0%
2014	(0.5)	(0.8)	(1.5)	0.1	1.3	0.0	2.0	(0.4)	4.2	2.5	11.1	3.0	22.4%
2015	1.0	1.6	(0.0)	0.3	0.5	(2.6)	0.5	(1.4)	(1.2)	0.3	0.6	(3.1)	(3.7)%
2016	(1.8)	1.8	(0.8)	1.7	4.1	(0.8)	(1.6)	(0.2)	1.3	(0.2)	4.5	2.5	10.8%
2017	(5.2)	(0.6)	1.2	1.3	1.8	0.4	(1.6)	1.2	3.0	0.6	2.7	0.1	4.9%
2018	1.3	(1.7)	(0.5)	1.3	(0.2)	(1.2)	5.0	1.5	(4.3)	(1.6)	(0.5)	(3.1)	(4.2)%
2019	2.2	3.9	0.5	2.1	(3.6)	1.6	(0.4)	(1.6)	1.2	0.5	1.4	(0.0)	7.8%
2020	1.9	(7.5)	(9.7)	0.4	4.1	0.1	(0.9)	3.0	(0.7)	1.7	7.6	2.0	0.8%
2021	2.8	1.7	4.4	0.4	3.9	0.7	0.1	(0.4)	0.7	(0.4)	0.9	1.5	17.4%
2022	1.7	(5.4)	1.4	16.0	(0.9)	(2.4)	0.4	0.8	(5.7)	9.2	5.4	(0.3)	19.9%
2023	0.1	1.8	1.9	4.2	(1.4)	(1.3)	(0.7)	(0.6)	(1.7)				2.4%

\* 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 - 2023



### 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](http://www.longtailasset.com)