

Annual Review: 2023

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Introduction

The fund returned 3.6% over the year. There were no investments that caused particular problems; nor were there investments that contributed strongly enough or were sized big enough to drive meaningful positive returns. We exited the fund's investments in Origin Energy, Fedex Corporation and Ferguson plc. We bought new investments in The Walt Disney Company and Aena S.M.E. We are optimistic about the long-term return prospects of each of the investments in the fund. We expect to use periods of market or company specific stress to increase some existing investments and to also add some new ones. This activity will be funded from the available cash balances.

We appreciate the support of the fund's investors.

We hope that you have an enjoyable holiday period. Best wishes for the year ahead.

Fund Positioning

	Total		Number of Days Owned
	%	no/.	
Tenet - Electric Utilities (US)	18	5	1,377
Eurokai	11	1	2,396
STO SE	7	1	1,699
Qube Holdings Ltd	6	1	1,392
Ponsse OYJ	5	1	1,670
Intel Corp	4	1	662
Nihon Kohden Corp	4	1	738
Rotork Plc	3	1	888
Tower Limited	3	1	1,430
The Walt Disney Company	3	1	81
AENA S.M.E	3	1	69
Topps Tiles	2	1	2,589
Asics Corp	2	1	2,053
Gross long	72	17	
Gross short			
Gross invested position	72	17	
Derivatives (annual cost)	3	3	

Notes: Totals may not add due to rounding. Data as at 31st December 2023

The following comments detail our thoughts around the fund's individual investments.

US electric utilities / Initial investment – March 2020

The fund's largest investment is in 5 listed US electric utilities. Our thought process around these investments is an extension and continuation of our thinking around the likely outcomes of the transition to lower carbon intensive energy sources. Previous investments in the fund based on our thinking in this area were Calpine (Aug 2011 – Nov 2014) & (June 2016 – Oct 2017), Verbund (Mar 2015 – Oct 2017) and Origin Energy (Oct 2021 – Mar 2023). We started investing in the US listed electric utility sector in March 2020. We are attracted to utilities with reasonably incentivised and meaningful internal investment opportunities, advantaged generation assets and management cultures that we perceive are driving towards these dynamics rather than resisting them. We expect to invest around this idea long term.

Eurokai GmbH & Co. KGaA / Initial investment – June 2017

We are attracted to Eurokai's long term port concessions, adjacent assets and our positive perception of management. We consider the business to be materially mispriced. We think this mispricing exists because Eurokai has a relatively complex capital structure and the closely held nature of its share register. Immediately, Eurokai's earnings are being negatively impacted by increasing costs and softening European macro-economic activity.

STO SE & Co. KGaA / Initial investment – May 2019

Sto is a German based industrial business. Its primary focus is the production and distribution of external wall insulation systems (EWIS) for existing residential and commercial structures. Sto also produces coatings for both EWIS and standalone applications. Sto holds leading market shares in Germany, their business is supported by significant assets facilitating the direct distribution of product and a mature product support and sales and marketing capability. Sto's revenues and volumes are currently being negatively impacted by slowing economic activity. Sto appears to underearn, they have made some progress improving their margin delivery, we expect this to continue.

Ponsse Oyj / Initial investment – June 2019

Ponsse is a Finnish based manufacturer of cut to length forest harvesting machines. It holds strong market positions globally, competing with Deere and Komatsu. Ponsse had significant business operations in Russia, which have ceased. Immediately Ponsse's activities are being negatively impacted by weakness in global demand for forestry products. We think the historical financial progression of the business has been good. We also view positively their demonstrated ability to internally fund their business growth and development. There are some inherent risks due to the size of the business and narrow product focus compared to larger and better resourced competitors. We perceive that these scale and focus differentiators also provide opportunities.

Qube Holdings Limited / Initial Investment – March 2020

We view Qube as a group of interrelated transport and logistic networks with significant internal investment opportunities. Management have a demonstrated capability deploying capital and then progressively organically building significant businesses around this initial capital deployment. Over the last decade, we have considered the valuation of Qube as full. The current cash generation and earnings power of the business seems to be catching up to the valuation.

Intel Corporation / Initial investment - March 2022

The risks around the investment in Intel are high. When we frame the valuation of a technology business particularly, we want to invest where we think there is a reasonable likelihood of future product success, and where we are not paying for this future success in the current valuation. Intel has this characteristic. The risks are high, given the nature of the business there is little to no support if Intel cannot re-establish technology leadership positions. Through this lens, management's focus on prioritising product development and technology leadership ahead of protecting immediate financial returns is rational.

The Walt Disney Company / Initial investment – October 2023

The fund bought an initial 3% investment in The Walt Disney Company in October at USD 84.92. We value highly Disney's park, hotel, cruise, consumer product and "core" content businesses. We consider Walt Disney Pictures, Walt Disney Animation, Marvel, Lucasfilm and Pixar as core content. Disney uniquely and skilfully leverages its core content across its various physical platforms. It is important in the future that Disney has success creating new content, although we think what is there today is enduring. We value these businesses alone at more than the current market value of Disney. Disney gets complex when we consider the economics of unbundling cable subscribers and the impact this has on Disney's revenues, the costs and risks of building comprehensive direct to consumer streaming businesses, and essentially the viability of the ESPN business model in the contemporary environment. These issues are the immediate focus of the market. Aspects of each are evolving but none of these issues are new; each has been evident for over a decade. Management has been transparent addressing and proactively working on these issues over this time. We hold some measured optimism around the resolution of each.

Rotork Plc / Initial investment - July 2021

We are attracted to the operational focus of management at Rotork and view the business as well positioned for the increasing uptake of electric valve actuators. The financial returns of the business have historically been strong; we think these returns will be further improved from this operational focus and volume growth.

Tower Limited / Initial investment – January 2020

Tower had a difficult year because of multiple large weather events that negatively impacted their insured exposures. We think Tower did a credible job managing the activities within the business that they control. Tower grew their gross written premium 17%, realised volume growth, managed their management expense ratio down to 32.2% (from 36%) and temporarily eliminated their dividend to rebuild their capital position. We view each of these initiatives positively. There are currently a number of positive dynamics within Tower, despite this not being evident in the recent earnings of the business. We think Tower can consistently and profitably continue to win market share in the New Zealand general insurance markets, and that they can fund this growth internally. If our thesis is right, this will be evident in consistent positive compounding of Tower's dividend adjusted net asset value per share. Our valuation of Tower is significantly higher than the current share price.

Nihon Kohden Corporation / Initial Investment - December 2021

Nihon Kohden designs, manufactures and sells electrical medical equipment. It is based in Japan and has leading (#1 or #2) domestic market positions in patient monitors, defibrillators, AED's, ECG's and haematology analysers. 45% of Nihon Kohden's revenues are generated from the sale of consumables. Over the past decade Nihon Kohden has progressively developed export markets for key equipment lines into Europe, North and South America, and various Asia (ex-Japan) markets. This offshore expansion is continuing and appears successful. We think the existing market positions and incumbency in the Japanese market is valuable. Nihon Kohden consider their key technology to be "Human – Machine interface technology". We are interested in how this technology may be applied to enable their future business activities. We view Nihon Kohden's valuation as undemanding and there is the potential to

realise improved economic returns. There has been some progress in this regard, we expect this to continue longer term.

AENA S.M.E / Initial investment – October 2023

The fund invested 2.5% of its capital into Aena in October at EUR 137.20. (the fund previously invested in Aena from February 2020 to February 2021). Aena operates 46 airports in Spain, 32 of these airports are owned (rather than concessions). Aena also has direct interests in a number of non-Spanish airports. Aena's most significant assets are the primary airports located in Barcelona, Madrid and Mallorca. We are attracted to the sheer scale of Aena's asset base, which we perceive can be relatively seamlessly expanded ahead of passenger growth. We are also interested in investing in Spain as a tourist destination. Currently, the dual till regulatory framework and implementation of this framework appears equitable from the perspective of minority investors. Aena is 51% owned by ENAIRE, an entity that is a national asset of Spain (i.e. through ENAIRE, Aena is a controlled asset of the Spanish government). This national influence partly explains Aena's valuation, there is also some sovereign risk at the provincial level. We are trying to manage these risks to some degree through the position size of the investment.

Asics Corporation / Initial investment - May 2018

Operationally Asics is performing well. The business is driving positive economics from the direct distribution of their running shoes category. Asics wholesale channels have also been more robust than we anticipated. Asics are delivering well above system growth in multiple markets and shoe categories. Management is clear on the long-term business objectives. The business is currently strongly cash generative.

Topps Tiles Plc / Initial Investment – Nov 2016

Topps Tiles is the largest UK based tile retailer. They have 304 stores and a growing online presence servicing professional tilers and retail customers. We are attracted to the core cash generation that the business has delivered over a long period of time and the current unlevered balance sheet. The macro environment is softening, Topps Tiles earnings are being negatively impacted by higher mortgage rates, declining housing transactions and inflationary cost pressures. Despite these issues, we continue to be attracted to the unit economics of the business and view the valuation as undemanding. The unlevered balance sheet will also provide some support in the current environment.

INVESTMENTS SOLD

Fedex / Investment –September 2022 to March 2023

We sold the fund's investment in Fedex Corp in March 2023 at USD 221.44. The fund held this investment since September 2022. It generated an annualised IRR of 99.5% and contributed 1.1% to the fund's returns.

Origin Energy Limited/ Investment – October 2021 to March 2023

We sold the fund's investment in Origin Energy Ltd in March 2023 at AUD 8.00. The fund held this investment since October 2021. It generated an annualised IRR of 69.2% and contributed 1.9% to the fund's returns.

Ferguson Plc / Initial Investment – September 2022

We sold the fund's investment in Ferguson plc in December 2023 at USD 174.53. The fund held the investment since September 2022. It generated an annualised IRR of 59.0% and contributed 1.0% to the fund's returns.

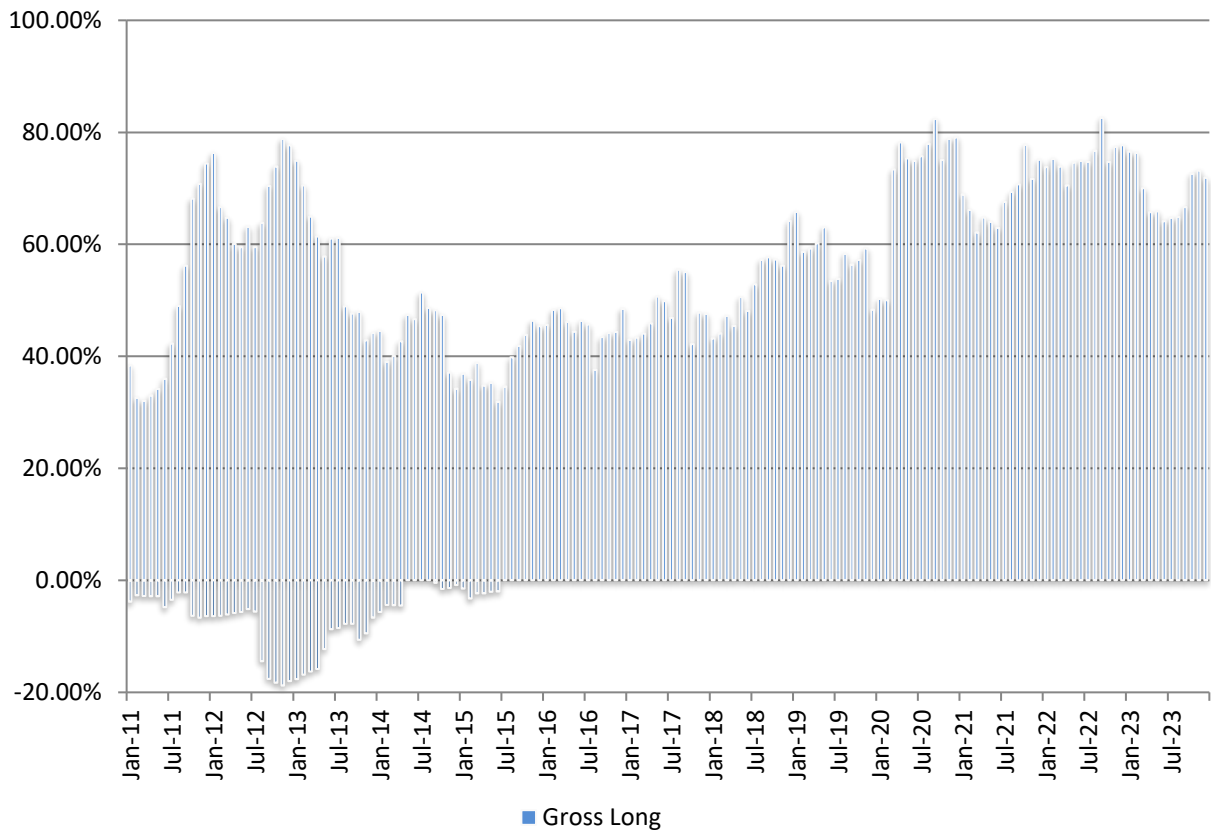
FUND POSITION TABLES

	Long (%)	Short (%)	Currency (%)
Australia	6	0	39
United States	25	0	23
UK/Europe	32	0	29
Japan	6	0	6
New Zealand	3	0	3
Total	72	0	100
Derivatives (annual cost)	3		

Notes: Data as at 31st December 2023.

	31 December 2023
Large capitalisation (\$3 billion plus)	37%
Mid / Small capitalisation (\$100 million to \$3 billion)	35%
Micro capitalisation (less than \$100 million)	0%
Total	72%

Fund Investment position 2011 - 2023



Investment Results

The fund returned 3.6% for calendar year 2023.

The contributors to the return were as follows:

- Long equity investments (in local currencies) contributed 5.8%;
 - Key contributors were Intel, Asics Corp, Nihon Khoden, Qube and Fedex Corp.
- Movements in the Australian dollar contributed 0.8%;
- USD call / Yen put options detracted 1.6%;
- Currency hedges contributed 0.2%; and
- Equity derivatives detracted 0.4%.

Returns (to 31/12/2023)	Fund
Since inception* (annualised)	9.0%
Since inception* (cumulative)	226.5%
Rolling 5 year (annualised)	9.7%
Rolling 3 year (annualised)	13.4%
Rolling 1 year	3.6%
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)	0.7	(1.6)	2.1	3.6%

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

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

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