

Annual Review: 2024

Published: January 3rd, 2025

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Introduction

The fund holds 18 long investments, it is 70% invested. This compares to 72% and 17 investments at the start of the year. During the year we added three new investments to the fund; A. P. Moller - Maersk A/S, Akzo Nobel N.V. and Aeroports de Paris SA. We expect to invest in these businesses longer term, we think we have invested in each at sensible valuations.

The fund's equity investments can be grouped as follows.

- 44% European & UK Equities - Infrastructure, logistics, transport and industrial investments
- 16% Regulated electric utilities
- 10% Qube, Nihon Kohden, Tower Insurance
- 30% Cash and Term Deposits.

We like to invest in businesses that internally fund their ongoing operations and growth, have attractive internal investment opportunities, are appropriately geared and have management that are aligned to the long-term interests of the business. We look to invest in these businesses when we view their valuations to be attractive from a long-term perspective. We are finding investments based in Europe that meet these characteristics.

Many of the fund's investments are cyclically exposed. Given the relatively concentrated nature of the fund's holdings, the mixed economic environment and broad political instability, we expect short term volatility will increase. We are attracted to investments that we think are durable, despite the prevailing macro environment.

16% of the fund's capital is invested in 6 regulated electric utility businesses. The fund has held investments focused on this thesis since 2020 and adjacent investments since 2015. We expect to invest around this idea long term. We think this investment thesis has merit for consideration for a discrete investment mandate; the idea is long term in nature and there is considerable capacity. Please let us know if this is something that you would like to discuss in more detail.

Nigel and I formed the business in 2009, we started the fund in April 2010. The fund is the primary entity that we use to invest our personal capital long term. We think of the other fund investors as people investing or allocating capital alongside ours. We are grateful for your support and trust.

We hope that you have an enjoyable holiday period.

Miles, Nigel & Toby.

Fund Positioning

| | Total | | Number of Days Owned |
|---------------------------------|-------|------|----------------------|
| | % | no/. | |
| Electric Utilities - US | 11 | 4 | 1,743 |
| Electric Utilities - Transition | 6 | 2 | 230 |
| Eurokai | 14 | 1 | 2,762 |
| STO SE | 5 | 1 | 2,065 |
| Akzo Nobel N.V. | 5 | 1 | 264 |
| Ponsse OYJ | 4 | 1 | 2,036 |
| Qube Holdings Ltd | 4 | 1 | 1,758 |
| A.P. Moller - Maersk A/S | 4 | 1 | 169 |
| Rotork Plc | 3 | 1 | 1,254 |
| AENA S.M.E | 3 | 1 | 435 |
| Nihon Kohden Corp | 3 | 1 | 1,104 |
| Tower Limited | 3 | 1 | 1,796 |
| Aeroports de Paris SA | 2 | 1 | 21 |
| Topps Tiles | 2 | 1 | 2,955 |
| Gross long | 70 | 18 | |
| Gross short | | | |
| Gross invested position | 70 | 18 | |
| Derivatives (annual cost) | 3 | 3 | |

Notes: Totals may not add due to rounding. Data as at 31st December 2024.

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

Electric Utilities US

The fund has 4 investments and 11% of its capital invested in this idea. We started investing in it in 2020 and the fund has had adjacent investments since 2015. We expect that the regulatory frameworks of these businesses will evolve to reflect their rapidly changing business models. The frameworks will evolve to provide reasonable opportunities for these businesses to invest and earn fair and adequate returns. We are attracted to utilities that own advantaged generation assets and are engaging pro-actively with their stakeholders on a multitude of issues. The process we are interested in is gradual, there are no short-term catalysts or similar that we are looking for, rather we are interested in long term persistent shifts. We are encouraged by the progress of the fund's investments to date regarding the issues that we are focused on.

Electric Utilities Transition

These investments are non-US based regulated electric utilities. Compared to the fund's US electric utility investments, these investments are somewhat more opportunistic and valuation based, rather than the impetus being the regulatory shifts described above. We invested in these businesses at points where we think they are sensible investments over the medium and long term.

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

Eurokai is the largest investment in the fund, it is a long-standing investment. We are attracted to the terminal concessions that Eurokai operates and has interests in, the lowly geared positions of the various entities and we hold management in high regard. Current operating activity across the terminals is broadly positive, terminals within Eurogate also appear to be future beneficiaries of recent shipping alliance adjustments. We continue to view the shares as materially mispriced; we expect the fund to invest in Eurokai long term.

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

Sto is a German based manufacturer of external wall insulation systems (EWIS) and adjacent products with leading market shares in Germany. It has significant operations and distribution assets in Germany and across Western Europe with expanding interests in USA, Canada and Asian Pacific markets. Their products are well regarded. Sto appears to aspire to expand and invest into the immediate declining macro environment. This is going to feel uncomfortable. Recently, Sto has had difficulties absorbing declining revenues against relatively fixed costs. We think this is a timing rather than structural issue, but regardless, Sto's operating performance has been weak. We are attracted to Sto's relatively low capital intensity, high cash generation, family ownership and involvement and conservative capital structure.

Akzo Nobel N.V. / Initial investment – April 2024

We invested 5% of the fund's capital in Akzo Nobel at EUR 66.45 in April 2024. The fund previously invested in Akzo Nobel. At that time, we published a note detailing our thoughts. That note is accessible [here](#). We are attracted to the relatively low capital intensity of the business, we like the geographic breadth of their decorative paint businesses and believe there are opportunities to improve the performance of these businesses through a relentless and consistent focus on local market by market operational execution. The performance coatings and decorative paints businesses have strong well-regarded brands. There has been changes in senior management and amongst members of the Supervisory Board. We are encouraged by the recent deleveraging of the business and their forward-looking debt targets. We like the transparency around the building blocks of the various business activities. This transparency creates internal accountability. Our sense is the focus is where we want it to be. We view the existing businesses as attractive businesses for the fund to own long term. The current valuation seems reasonable in the context of the opportunity that we perceive.

Ponsse Oyj / Initial investment – June 2019

Ponsse is a Finnish based manufacturer of forest cut to length harvesting machines and forwarders. It has highly regarded products and leading market positions (with Deere and Komatsu) in various markets globally. In its largest markets, Ponsse supports its machine sales activities with company owned service and parts operations. We are attracted to Ponsse's narrow focus and the manner they have developed over time, funding this development internally. The last few years have been difficult for Ponsse. They had considerable operations in Russia, and more recently a problematic machine service contract in Brazil. Immediately they are also managing a slowing demand environment for forestry products. Despite the numerous issues the business is working through, we think there is a high-quality business here, that is well managed, conservatively geared and reasonably valued.

Qube Holdings Limited / Initial Investment – March 2020

We think of Qube as a network business with strong, integrated positions in various import/ export supply chains. Management have done a credible job deploying capital, earning the expected return from this investment and then organically building additional activities around it. We view the future success of the business as being reliant on continuing management execution, rather than there being a fixed asset base that underpins the business. We expect that the value of the business will be considerably greater in the long term than it is today; this will be determined by their ability to generate organic, internally funded, incremental cashflow.

A.P. Moller - Maersk A/S / Initial investment - July 2024

We invested 2.5% of the fund's capital in Maersk at DKK10,674 in July 2024. Maersk is a Danish based container shipping business with significant adjacent interests in container terminal concessions and logistics assets. We perceive there are some networks that are developing and growing within Maersk, and that the value of these networks is worth materially more than the sum of their parts. We are interested in the changes that Maersk is implementing in their core shipping services; holding capacity flat and looking to differentiate through on time reliability of ship movements. Realising this goal may enable a long-term improvement in the economics of Maersk's core shipping activities. Benefits from this initiative will also accrue to Maersk's terminal and logistics operations.

Rotork Plc / Initial investment - July 2021

Rotork is a UK based business that designs, manufactures, services and sells electric and hydraulic actuators. Rotork has leading market positions in global markets selling actuators that are used in oil, gas, water, power, chemical and industrial applications. The business generates strong cashflows, it earns attractive margins and is self-funding. We think current management are operationally focused and capable. Rotork is well placed for an increasing uptake of electric actuators. If our thesis is right, the business will deliver accelerating organic volume and revenue growth over at least the medium term.

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

We like that Aena's airports are freehold and their destination nature. We like the notion of investing in Spain as a destination. Operationally the business progressed well over the year. The key issue we are managing is the risk that there is political interference, or an event that disenfranchises the non-government Aena equity investors. We have tried to manage this risk to a degree through the size of the investment in the fund. The company provides detailed disclosures which reflect well and we appreciate as ultimately minority investors to the Spanish government.

Aeroports de Paris SA / Initial investment – December 2024

The fund invested 2.5% of its capital in ADP in December 2024 at EUR 115.30. The fund previously invested in ADP (from July 2010 to Jan 2015). Like Aena, we are attracted to the freehold assets and destination aspects of ADP's Paris airports. The Paris airport footprints have significant under utilised land assets, in attractive locations, that will progressively be improved, developed and redeveloped to the benefit of ADP and the broader local communities. We viewed the fund's recent investment in ADP as a sensible price to pay to invest in a business owning highly desirable assets that we expect to own longer term. Also, like Aena, we are minority investors to the French Government. The investment carries political risk. We are attuned to regulatory process development and similar. If we viewed the balance was moving disproportionately against minority equity investors, this would be a reason for us to sell the investment despite our views around valuation and asset quality. It was similar concerns that triggered us to exit the fund's prior investment in ADP in 2015.

Topps Tiles Plc / Initial Investment – Nov 2016

Topps Tiles is generating reasonable cashflow in the context of the prevailing macro environment and compared to similar UK based businesses. Topps Tiles are using the difficulties in the market to broaden out their activities and to also expand their actual instore ranging. There are new risks and opportunities from the various expansion initiatives. The current valuation of Topps Tiles seems modest compared to their historic cash generation and the prevailing macro environment. Ultimately, Topps Tiles core omni channel retail business needs to stabilise and then at least hold its position and economics. The nature of this business means the risks are high. We are content to maintain the fund's investment.

Nihon Kohden Corporation / Initial Investment - December 2021

Nihon Kohden is a Japanese based manufacturer of electronic medical equipment, they describe their core strength as human machine interface. Nihon Kohden holds leading market shares in Japan in patient monitors, AED's and defibrillators, Polygraphs and EEG's. The business is also developing software to support and manage a patients' progression through a hospital stay and software to support clinical decision making and facilitate remote monitoring of patients. Nihon Kohden have established and are continuing to build meaningful export activities for their machines and products into America, Europe and various Asian markets. The business has a high level of internal investment opportunities. Nihon Kohden is strongly cash generative, their balance sheet has net cash, their machines and ongoing aftermarket support are well regarded. The revenue base is USD 1.5B, they are earning 8% EBIT margins, they expect to grow both over the medium term. We think that there is a lot here in the context of their enterprise value (circa USD 2B).

Tower Limited / Initial investment – January 2020

Tower progressed well over the year. They are winning market share in their core home and motor portfolios and realising positive underlying operating leverage from cost control. This is in line with our investment thesis. We think these underlying dynamics can continue to compound positively longer term. Tower has also recently benefitted from some good luck regarding a benign claims environment. The difficulty with Tower is the concentrated geographic exposure of their insurance risks. As a result, if a large event does occur in New Zealand, it is likely that Tower will have a large exposure to it. Because of Tower's concentrated insurance risk, we have misgivings about the Board's desire to pay dividends and return capital to shareholders. Our mindset with the fund's current investment is to manage the position size closely, harvest the cash that is coming back to shareholders and to be well prepared for a rainy day.

INVESTMENTS SOLD

The Walt Disney Company / Investment – October 2023 to February 2024

We sold Disney in February 2024 at USD 109.92. The fund initially invested in Disney at USD 84.92 in October 2023. It contributed 0.9% to the fund's return and generated an annualised IRR of 121.3%.

Asics Corporation / Investment – May 2018 to March 2024

We sold Asics Corp in March 2024 at JPY 6,844. The fund initially invested in Asics at JPY 1,953 in May 2018. It generated an annualised IRR of 20.4% and contributed 4.4% to the fund's returns.

Intel Corporation / Investment – March 2022 to December 2024

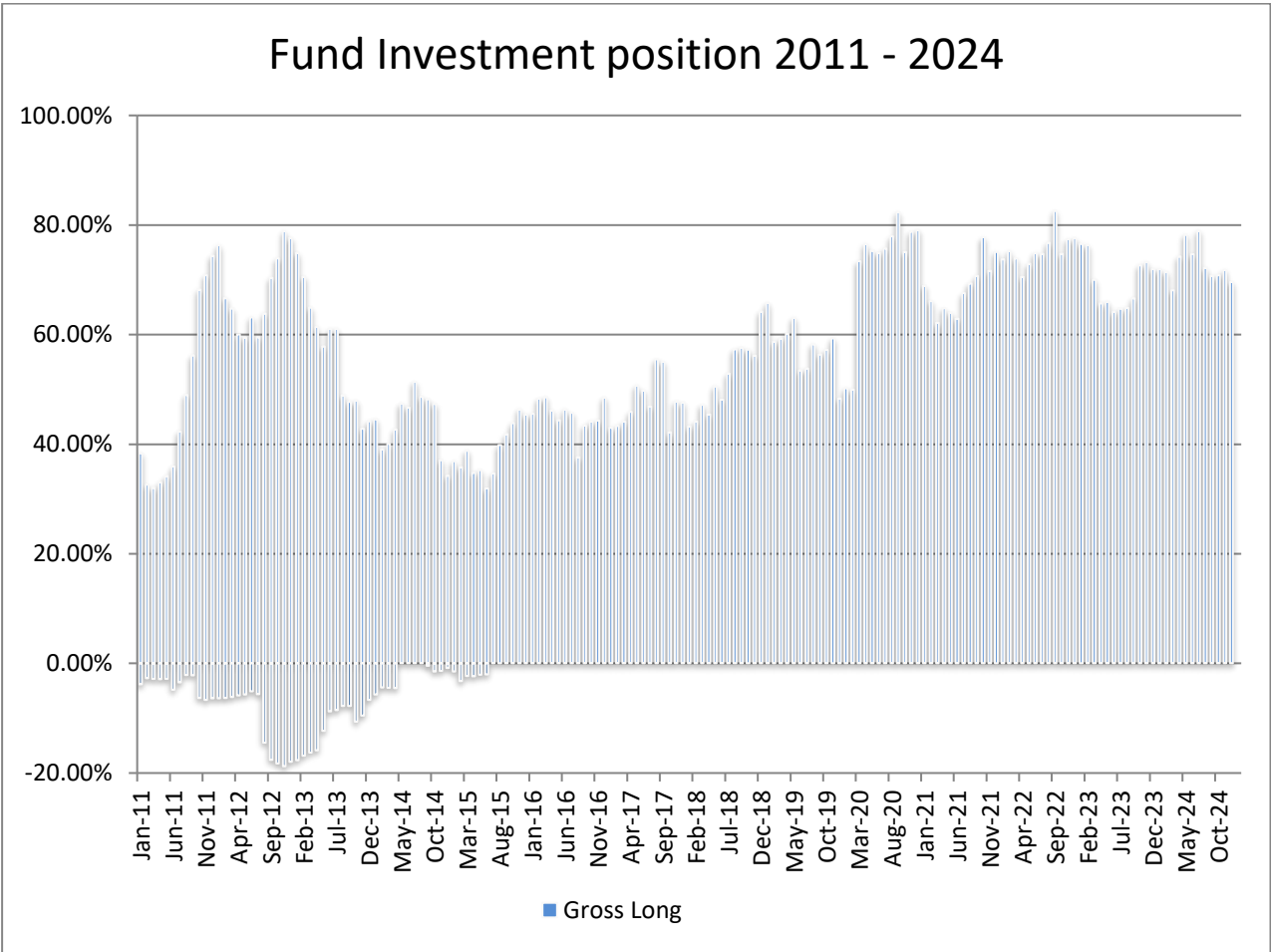
We sold Intel in December 2024 at USD 22.77. The fund initially invested in Intel at USD 47.65 in March 2022. It generated an annualised IRR of –18.5% and detracted 1.7% from the fund's return over the holding period.

FUND POSITION TABLES

| | Long (%) | Short (%) | Currency (%) |
|---------------------------|----------|-----------|--------------|
| Australia / New Zealand | 10 | 0 | 44 |
| United States | 11 | 0 | 11 |
| UK/Europe | 46 | 0 | 42 |
| Japan | 3 | 0 | 3 |
| Total | 70 | 0 | 100 |
| Derivatives (annual cost) | 3 | | |

Notes: Data as at 31st December 2024.

| 31 December 2024 | |
|---|-----|
| Large capitalisation (\$3 billion plus) | 34% |
| Mid / Small capitalisation (\$100 million to \$3 billion) | 36% |
| Micro capitalisation (less than \$100 million) | 0% |
| Total | 70% |



Investment Results

The fund returned 11.8% for calendar year 2024.

The contributors to the return were as follows:

- Long equity investments (in local currencies) contributed 8.9%;
 - Key contributors were Tower Ltd, Eurokai, Qube and Asics Corp.
- Movements in the Australian dollar contributed 3.3%;
- USD call / Yen put options contributed 1.3%;
- Currency hedges detracted 0.6%; and
- Equity derivatives detracted 0.8%.

| Returns (to 31/12/2024) | Fund |
|-------------------------------|--------|
| Since inception* (annualised) | 9.2% |
| Since inception* (cumulative) | 265.2% |
| Rolling 5 year (annualised) | 10.5% |
| Rolling 3 year (annualised) | 11.6% |
| Rolling 1 year | 11.8% |
| Standard deviation | 10.1% |

| | 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% |
| 2024 | (0.1) | 3.2 | 1.7 | 0.9 | 2.6 | (0.1) | 2.3 | (3.6) | 1.6 | 1.6 | (1.0) | 2.5 | 11.8% |

* 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](#).

Key realised contributors to Long Tail Partners No.1 fund since inception (April 2010).

| | Annual IRR | Purchase | Sale | Initial Weight |
|-----------------------------|------------|----------|--------|----------------|
| Infrastructure | | | | |
| <u>Airports</u> | | | | |
| Aeroports de Paris | 19.9% | Jul-10 | Jan-15 | 5.0% |
| SAVE SpA | 40.5% | Apr-11 | Sep-13 | 4.0% |
| Flughafen Wien | 53.0% | Mar-12 | Feb-15 | 4.5% |
| <u>Electricity / Energy</u> | | | | |
| SemGroup Holdings | 44.9% | Jul-11 | Apr-12 | 3.5% |
| Calpine Corp | 21.0% | Aug-11 | Nov-14 | 3.5% |
| Saft Groupe SA | 33.7% | Jun-12 | Aug-16 | 3.0% |
| Verbund AG | 9.9% | Mar-15 | Oct-17 | 3.5% |
| Calpine Corp | 10.4% | Jun-16 | Oct-17 | 3.0% |
| Santos | 65.5% | May-17 | Jun-18 | 4.0% |
| Origin Energy Ltd | 69.2% | Oct-21 | Mar-23 | 3.0% |
| <u>Transport</u> | | | | |
| UK Mail Group Plc | 64.8% | Nov-15 | Jan-17 | 2.0% |
| FedEx Corp | 19.4% | Dec-12 | Mar-23 | 2.5% |
| Paints and Coatings | | | | |
| Akzo Nobel | 21.6% | Jul-16 | Sep-19 | 4.0% |
| Tikkurila | 20.6% | Aug-17 | Mar-21 | 4.0% |
| Consumer Facing | | | | |
| Churchill Downs Inc | 28.2% | Apr-10 | Oct-14 | 7.5% |
| The Wendy's Co | 32.1% | Oct-11 | Nov-13 | 4.0% |
| Asics Corp | 20.4% | May-18 | Mar-24 | 2.5% |
| Capital Goods | | | | |
| Deere & Co | 34.0% | Aug-15 | Jan-18 | 3.5% |

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