

## SUMMARY

March performance was -5.7% taking since inception returns to +14.2% p.a.

## COMMENTARY

March was a tough month for the fund. Our growthiest stocks that had previously been strong contributors to performance were the largest detractors for the month. These include **Lovisa, MA Financial, HUB24, Life360, James Hardie** and **Aristocrat**. We often hold large weights in companies like these as the long-dated nature of their EPS growth and low capital requirements are supportive of high long-term returns. The quid pro quo of any profitable strategy however, is that it doesn't work all of the time. For context, the S&P 500 growth index is now down 13% peak to trough while the S&P 500 value index is down only 4% and we have felt this in our portfolio.

What about our shorts? Whilst the size of our long book is roughly 2.5x that of our short book, the shorts contributed strongly on both an absolute and relative basis. Amongst our shorts we saw two production downgrades, an earnings downgrade, a CEO removed, increasing competitive threats and rapidly waning enthusiasm for AI stocks. We believe that these price moves are underpinned by fundamentals and expect the gains from our short book will be more permanent than losses in our long book.

**James Hardie** was our one key detractor for the month with fundamental news-flow. Hardie announced a sizable acquisition of US building products business **Azek**. Instantaneously, JHX has become a battleground stock with bears arguing the 37% acquisition premium is unjustifiable and bulls arguing that an 18% share price fall has more than priced this in. Perhaps unsurprisingly, the \$2.2bn USD premium is equivalent to the market cap reduction in JHX. Objectively, the combined business now trades on the same EBIT multiple as it previously did (excluding synergies) but now with a faster growth profile. It also grows faster than the average industrial with a higher ROIC but doesn't trade at a premium. The hairs on it are a more levered balance sheet and a management team with shareholder un-friendly capital allocation. The opposing forces here are attractive maths on the current valuation but unattractive behaviour from management.

Imagine your Uber driver picks you up in a Lexus but then starts driving dangerously. You very quickly stop caring how nice the car is.

## OUTLOOK

The Orange Man in the White House has been the catalyst for a rapid 10% pull back in markets which have dragged the fund down with them. We try to keep our perspective objective and the below data since WWII is instructive:

- Corrections are frequent: they occur every 2.5 years on average
- Corrections often deepen: a 10% drop turns into a 13% drop decline almost 80% of the time
- 48% of corrections since 1945 escalated to a fall of 15% or greater
- Less than 30% of corrections turn into bear markets
- Bear markets are not fun, but corrections can be considered just a 'cost of doing business' as on average they're recovered in just 4 months

No one knows what tomorrow will bring but we do know from history that corrections are frequent and painful, but they're recovered relatively quickly. We are focused on making sure we are well positioned for the inevitable recovery by staying fully invested in durable growth companies.

## NET PERFORMANCE

PERIOD	FUND RETURN
1 month	-5.72%
12 months	+2.49%
3 years p.a.	+6.26%
5 years p.a.	+14.42%
Since Inception*	+118.75%
Since Inception p.a.*	+14.21%

\*Inception on 13th May 2019

## TOP 5 HOLDINGS

1. HUB24 (HUB)
2. Aristocrat (ALL)
3. Generation Development (GDG)
4. Life360 (360)
5. EML Payments (EML)