



PRIVATE & CONFIDENTIAL



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# VALUE IN THE VINES

22 September 2023



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An aerial photograph of a forest with a stream. The water is a deep teal color, and the surrounding forest is a mix of dark green and light green, with some white foam or rapids visible in the stream.


# Agenda

- 1.* Business Overview
- 2.* Performance and Key Metrics
- 3.* Investment Strategy
- 4.* Squishiness
- 5.* Portfolio Manager Insights
- 6.* Closing Statements



# *01*

*Business Overview:*

A group of albatrosses, including adults and a fluffy chick, are gathered on a rocky shore. The birds have white heads and necks with dark wings and backs. They are positioned around a large, light-colored rock in the foreground. The background shows more rocks and other birds, slightly out of focus.

*“Successful investing takes time, discipline and patience. No matter how great the talent or effort, some things just take time.”*

**WARREN BUFFETT**

# *Introduction to Truebell Capital*

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**Boutique Investment Manager investing for the long-term in companies underpinned by both quality management teams and business models**

## **At a Glance:**

- **High-conviction & actively managed**
- **Global long strategy (with ability to go short)**
- **Focussed quality global growth fund**
- **16+ Years of performance**
- **Skin in the game**



## *Why the name Truebell?*

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It's a portmanteau for True Believers, representing our long-term partnership with our investors and our investees.



# *Truebell Capital Culture & Ethos*

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Our logo, The Wandering Albatross, is derived from the similarities between the aspirations and culture of the firm and the characteristics of the bird itself.

In short, Perseverance!

- **Focus**
- **Longevity, Lifelong Learning & Loyalty**
- **Integrity**
- **Growth**
- **Humility**
- **Trust**

*F L I G H T*





# *Management Team*

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- Alignment of goals with investors through personal investment in Fund
- Over 75+ years of experience ensuring custody of the business is in good hands



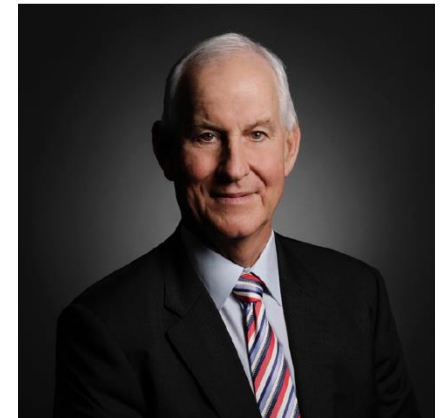
**BEN CAMERON**  
DIRECTOR



**SAM PARADICE**  
PORTFOLIO MANAGER



**KEVIN BAYETT**  
CHIEF OPERATING OFFICER



**PETER EVANS**  
NON - EXECUTIVE DIRECTOR

# History of Truebell Capital

In June 2007, a group of friends create a pool of capital to be managed by Ben Cameron and Sam Paradise. Just in time for the Global Financial Crisis and a lot of other crises to follow....



A dark, monochromatic photograph of a bird's nest. In the center, a fluffy, light-colored chick sits on a nest made of twigs and straw. To the right, the wing and tail of an adult bird are visible, extending over the nest. The background is blurred, showing other birds. The overall tone is dark and moody.

# *Performance & Key Metrics*

# Truebell Investment Fund Summary (as at 30 June 2023)

**NUMBER OF UNITS ON ISSUE**

**18,988,981**

**NTA PER UNIT**

**\$3.97**

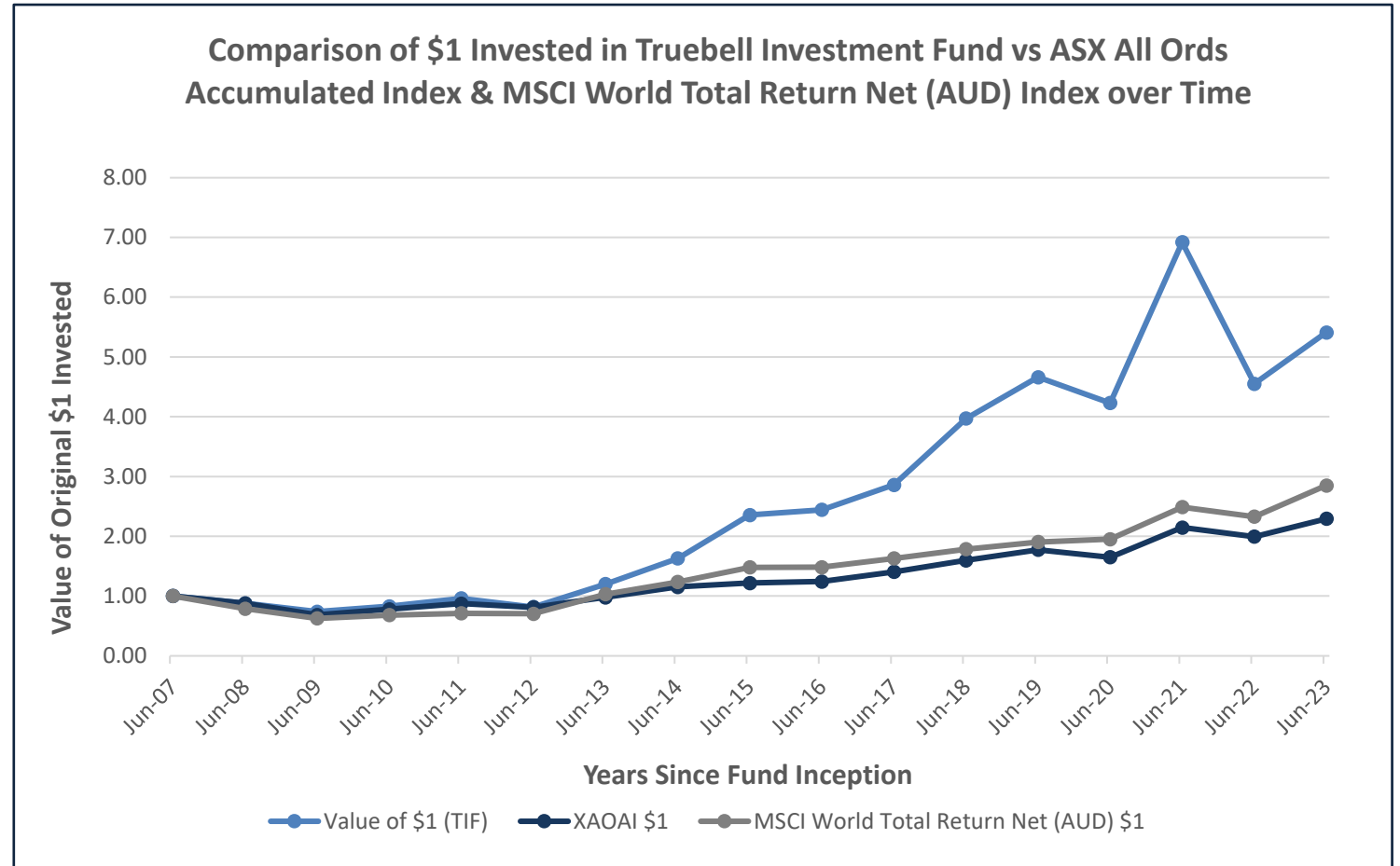
**+19% FYE23**

**TOTAL FUM**

**\$75m**



## FUND PERFORMANCE OVER TIME



*\*(Performance is based on an original \$150,000 investment with all distributions fully re-invested as at 30 June 2023)*

# Truebell Investment Fund Key Features

## Investment Basics

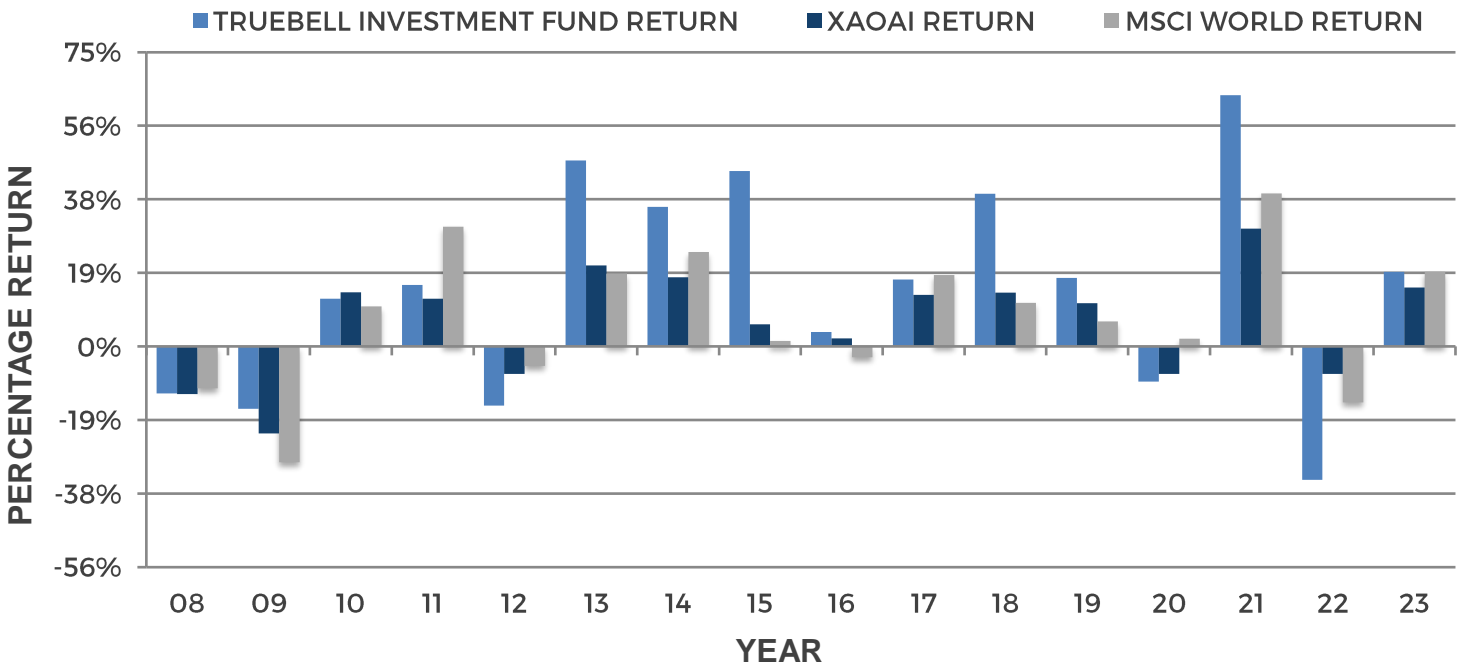
- AUD 50k Minimum Investment
- Wholesale / Sophisticated Investors only

## Fees

- Management Fee: 1.5% (excl GST)
- Performance Fee: 20/8
- No Transaction Fees



FUND RETURN PA % SINCE INCEPTION (as at 30 June 2023)



TRUEBELL CAGR = 11.1%    XAOAI CAGR = 5.28%    MSCI WORLD CAGR = 7.59%

TB vs Index	TB	XAOAI	TB Outperformance
Since Inception	11.10%	5.30%	5.80%
10 Year	14.10%	7.60%	6.50%
5 Year	6.10%	7.10%	-1.00%
3 Year	7.40%	11.10%	-3.70%
1 Year	18.70%	14.60%	4.10%



*OS*  
*Investment Strategy*

# *Investing in Quality for the Long-Term*

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We aim to invest long-term in well managed, high-quality companies that earn high and sustainable returns on capital and incremental capital without employing excessive levels of debt.

In other words, we're searching for;

- **The Quality Compounder (QC)**  
which becomes a
- **Permanent Multi-bagger (PMB)**





*Squishiness* 4



# *Squishiness*

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“The key to making money in stocks is not to get scared out of them. Investing in stocks is an art, not a science, and people who’ve been trained to rigidly quantify everything have a big disadvantage. All the math you need in the stock market you get in fourth grade”

*Peter Lynch*

## **What is quality?**

“Quality is not an absolute; it cannot be defined. It is, rather, a judgment. A judgment of value. A judgment based on feeling.” *Zen and the Art of Motorcycle Maintenance*

# *Our Perfect Company: Searching for Insight & Conviction*

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## Quantitative

- Long Term Earnings Growth
- High Return on Capital & Capital Lite
- Long Term Revenue and Margin Growth
- Many customers, Many suppliers
- High Return on Tangible Equity
- Low or Negative Long-Term Growth in Shares on Issue (No dilution)
- Mission Critical Product
- Inflection Point in Earnings
- Price Maker
- Large Total Addressable Market

## Qualitative

- Outstanding / Founder CEO with a large shareholding & Quality Management
- An intelligent fanatic
- A diaspora of high-quality people from another quality company
- Passion and Good Culture
- Cost Consciousness
- Long Term Staff Retention
- Focused, good quality board
- Shareholder focussed and friendly
- Track Record of Successful Capital Allocation

# *Examples of Squishy Things*

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Cost Conscious and Shareholder Focussed

Compare and Contrast!!!

## *Exhibit A:*

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Company HQ – Toronto CA

Market Cap = CAD 59Bill

Sales = CAD 10Bill, EBIT CAD1.6Bill

CEO Salary = CAD1

That's Right, One Dollar!!



# *Exhibit B:*

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Company HQ – Toronto CA

Market Cap = CAD 70Bill

Sales = CAD 130Bill, Profit CAD3Bill

CEO Salary = CAD8,000,000



# *17 Year Shareholder Return: Which is Which?*

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Which Return Metrics would you prefer since 2006?

11.3% pa ( \$1 invested equals \$5 )

or

33% pa (\$1 invested equals \$127)



Brookfield Corporation

# 17 Year Shareholder Return: Which is Which?

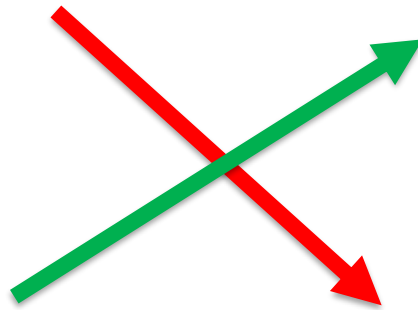
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Which Return Metrics would you prefer since 2006?

11.3% pa ( \$1  
invested equals \$5 )

or

33% pa (\$1 invested  
equals \$127)



Brookfield Corporation



# *Process: Capital Allocation is the Key*

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There is one almost foolproof tool we use to;

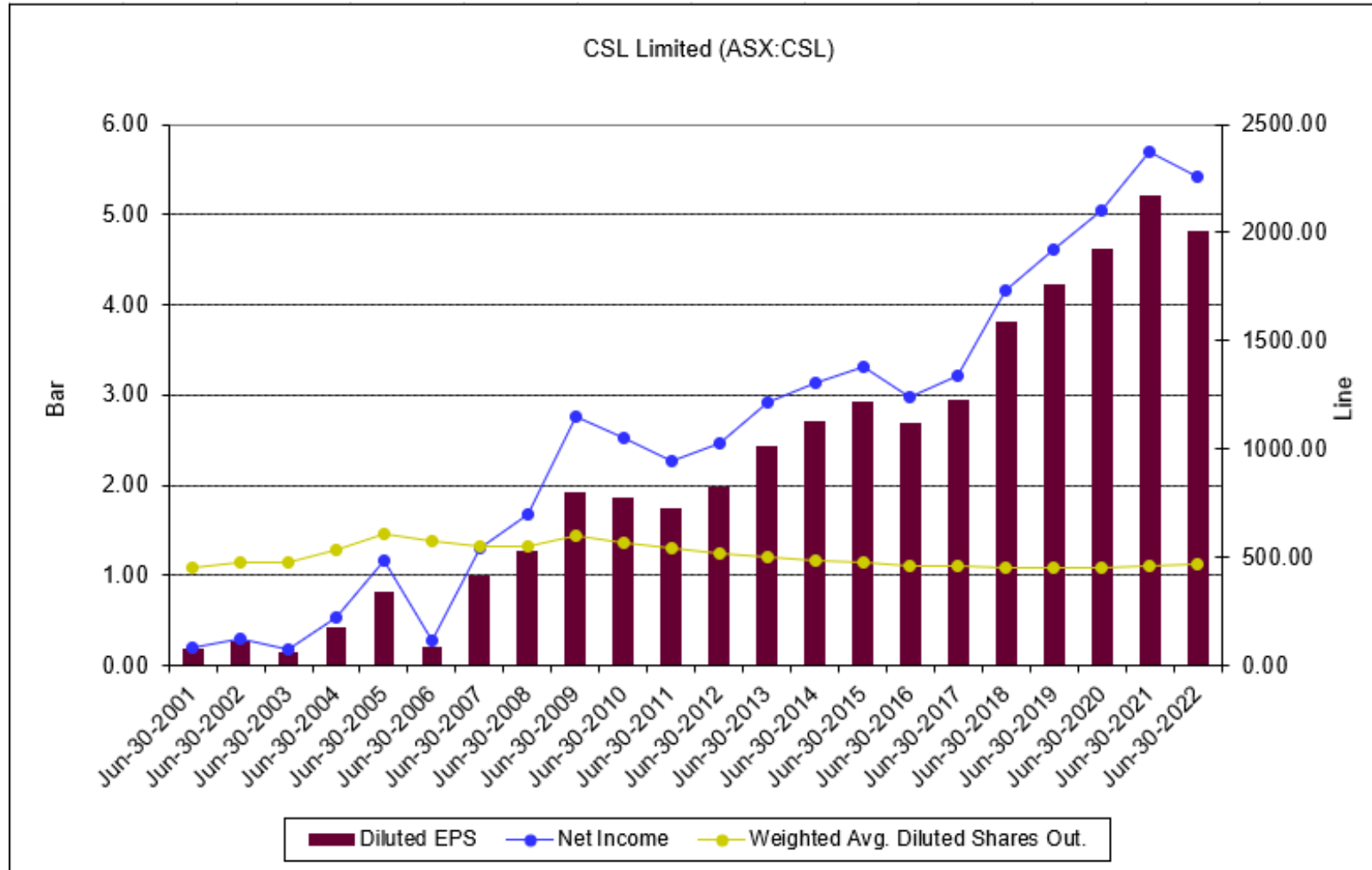
- 1) Evaluate a Company's capital requirements**
- 2) Gauge the Management's capital allocation ability**



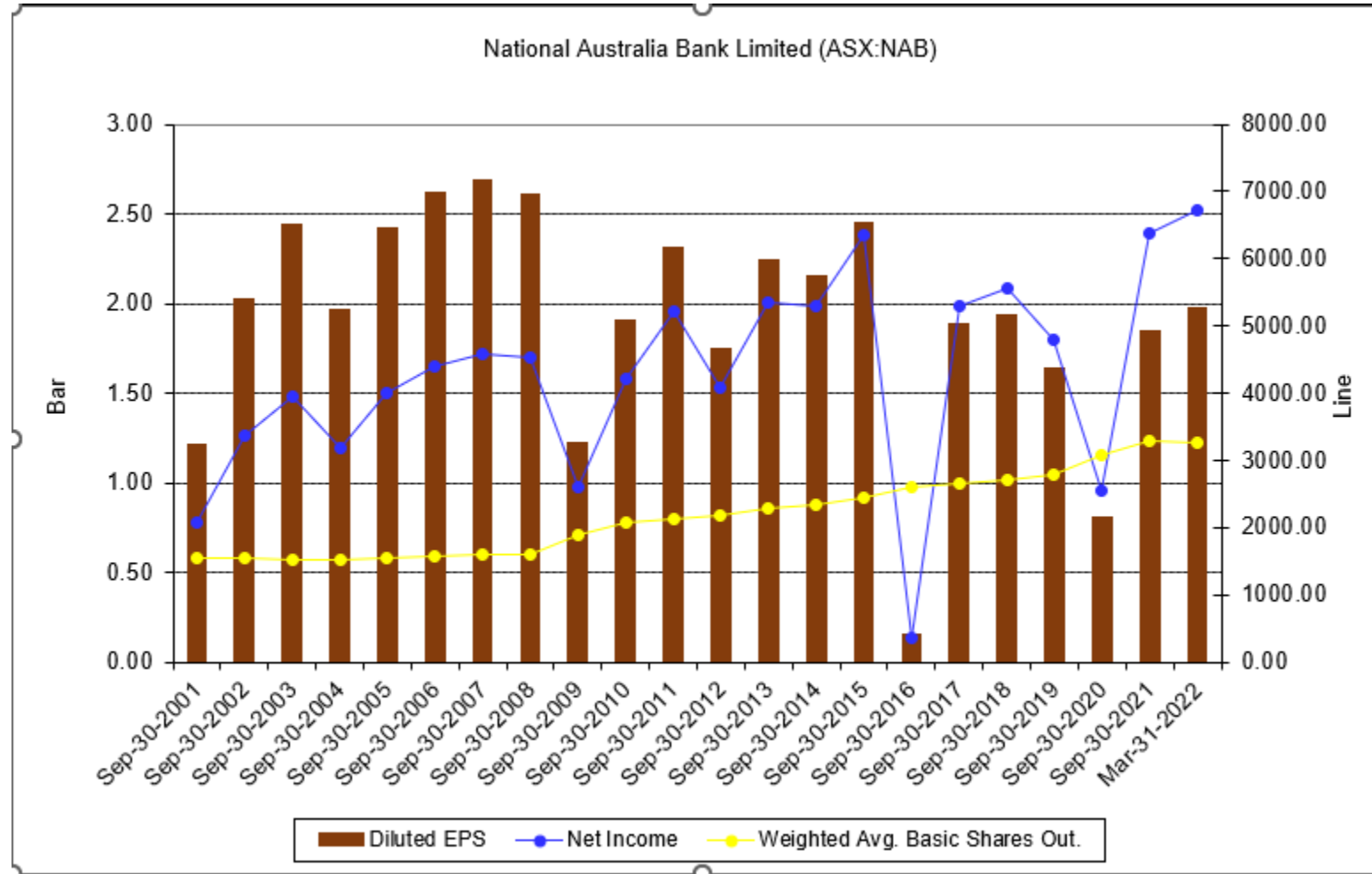
**(AKA: The Lie Detector)**



# The Lie Detector: Pass- CSL



# The Lie Detector: Fail-NAB



## *The Lie Detector: Share Dilution*

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The difference the tapeworm of dilution makes over time!!

<b>NAB</b>	<b>2002</b>	<b>2022</b>	<b>Growth</b>
EBIT M	\$ 4,300.00	\$ 9,000.00	109%
Shares on issue M	1500	3300	120%
Earnings per share	\$ 2.87	\$ 2.73	-5%
Share Price	\$ 32.00	\$ 32.00	0%
<b>CSL</b>			
EBIT M	\$ 73.00	\$ 2,200.00	2914%
Shares on issue M	454	470	4%
Earnings per share	\$ 0.16	\$ 4.68	2811%
Share Price	\$ 7.00	\$ 275.00	3829%



*Portfolio Manager Insights*



# *The Best Business to own in Inflationary Times?*

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*“Inflation acts as a gigantic tapeworm. That tape worm pre-emptively consumes its requisite daily diet of investment dollars regardless of the health of the host organism.”*

*“the less prosperous the enterprise, the greater the proportion of available sustenance claimed by the tapeworm. The business earning 8% to 10% on equity often has no leftovers.....The tapeworm cleans the plate”*

*- How inflation swindles the equity investor by Warren E Buffett May 1977 -*

So, businesses with low ROE suffer the most in high inflationary environments. Our portfolio companies have ROE significantly above 20% and also have significant forecast growth in sales and profitability.

# *Mainfreight – A Potential Multi-bagger*

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- An integrated logistics company expanding globally
- We believe they are one of the best managed companies in the world and set to dominate the logistics market globally



# *The Best of The Best*

We have seen many companies over the years and believe the best management teams we have seen are:

- Berkshire Hathaway Omaha, Nebraska 5x in 20 years (and 10+ of the subsidiaries)
  - Nebraska Furniture Mart Omaha, Nebraska, Des Moines Iowa and Dallas Texas (Unlisted)
  - Tractor Supply Corporation Nashville, Tennessee 20x in 20 years
  - Cintas, Cincinnati Ohio 8x in 20 years
  - Constellation Software Toronto Canada 100x in 20 years
- And
- Mainfreight Auckland New Zealand 60x in 20 years

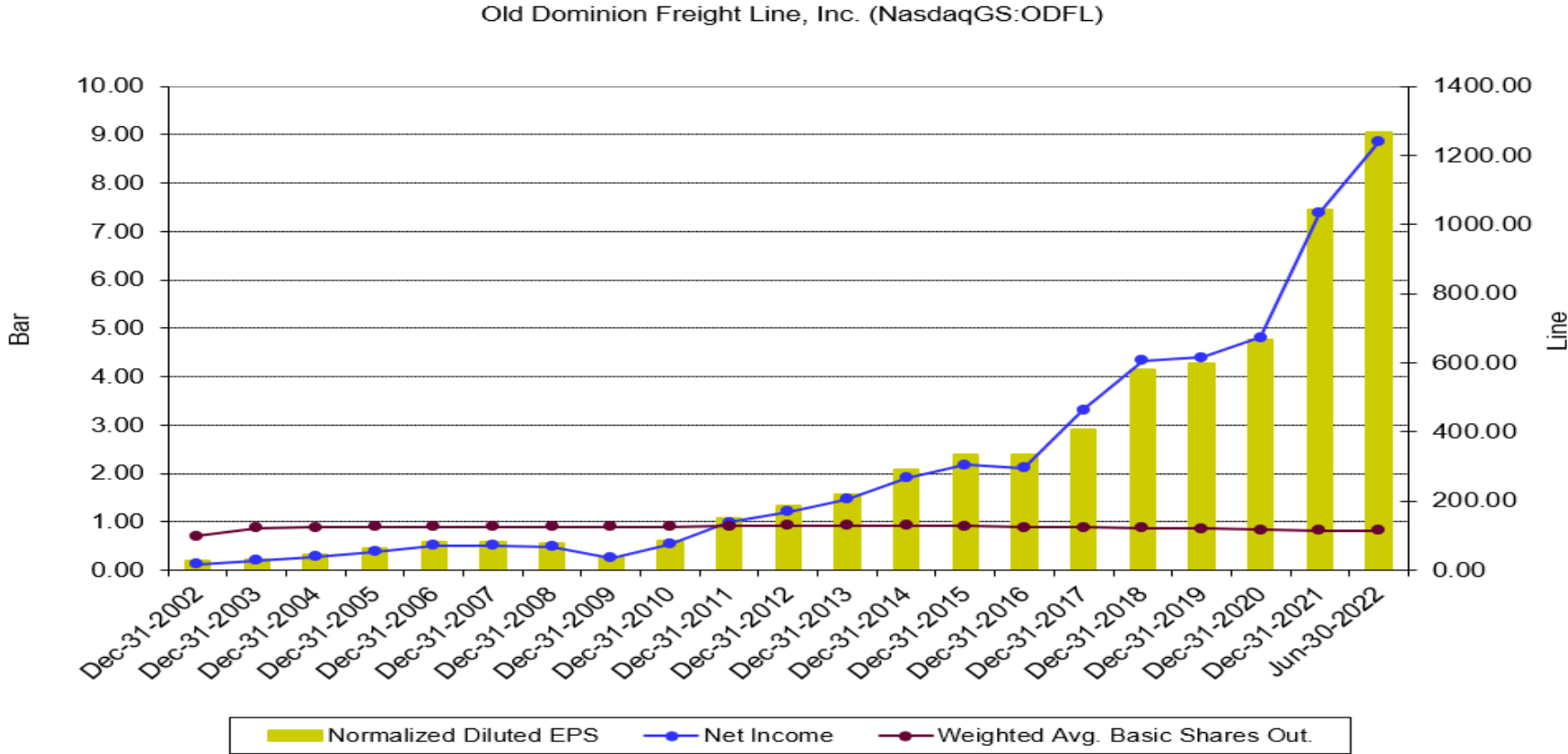
**We have good reason to believe we are the only ones in the world to have visited all the above companies and thus to understand just how good the MFT culture and team is.**

- We have met the largest institutional MFT shareholders and analysts in NZ and they hadn't heard of many of the above companies except MFT. We also speak and meet with a lot of well regarded, professional investors in the USA and they had never heard of MFT.

The market is underestimating them and yet there is a comparable company in the USA

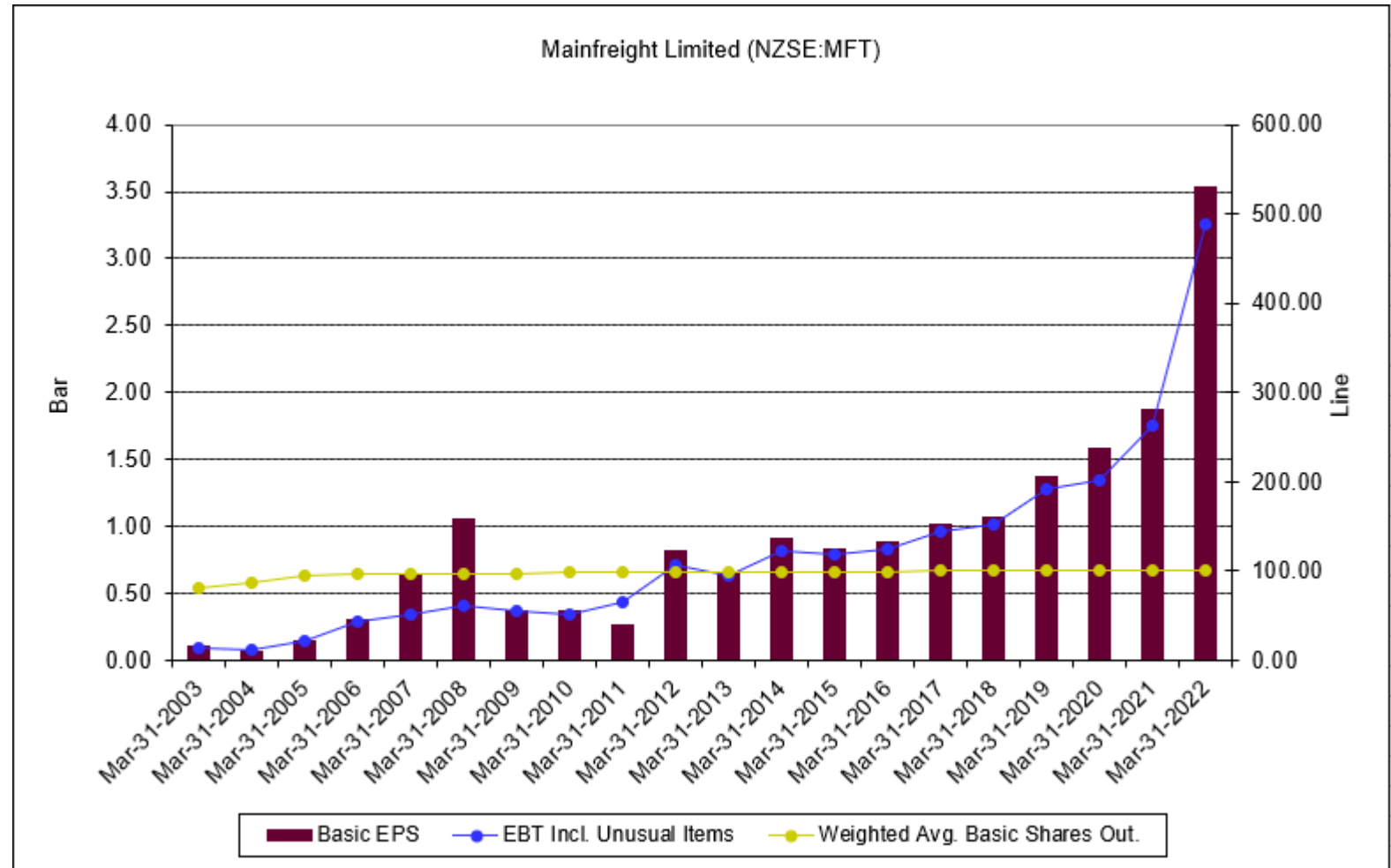


# Old Dominion Freight Lines – 40X in 20 Years





# Mainfreight – 70X in 20 Years



# Mainfreight vs. Old Dominion

USD			
	2002	2024	Growth
<b>ODFL</b>			
Sales	\$ 566.00	\$ 6,411.00	12%
EBIT M	\$ 36.00	\$ 1,600.00	19%
Shares on issue M	98	109	0%
EBIT per share	\$ 0.37	\$ 14.68	18%
Share Price	\$ 5.00	\$ 426.00	22%
Mkt Cap	\$ 490.00	\$ 46,434.00	23%
<b>MFT</b>			
Sales	\$ 237.00	\$ 2,883.00	12%
EBIT M	\$ 8.00	\$ 246.00	17%
Shares on issue M	80	100	1%
Earnings per share	\$ 0.10	\$ 2.46	16%
Share Price	\$ 0.63	\$ 39.00	21%
Mkt Cap	\$ 50.40	\$ 3,900.00	22%

	ODFL	MFT
<b>Market</b>	US Only	Global
<b>Product</b>	Freight	Air and Ocean Warehousing Freight
<b>PE</b>	32x	24x
<b>Sales</b>	\$ 6.4	\$ 2.9
<b>EBIT</b>	\$ 1.6	\$ 0.2
<b>Margin</b>	25%	8%
<b>Founded</b>	1934	1978
<b>Ownership</b>	10%	18%



# Mainfreight – What Makes them the Best?

- **Extreme Customer focus**
- **Extreme decentralisation to branches**
- **Founder led**
- **Incredible Culture**
- **Long term view**
- **High Returns on Capital**
- **No dilution**
- **Sales Growth and Margin Expansion**
- **Intensifying their branch network**
- **Long operating history**



Companies Chanticleer

— Chanticleer

## Is this the best-run firm in Australasia?

In Auckland's industrial heartland lies a 40-year experiment in culture, radical transparency and long-term thinking that every leader can learn from.



Sep 19, 2022 - 5.00am

The Auckland suburb of Otahuhu is an unlikely place for a wonder of modern management and corporate culture. Far from the city's beautiful harbour, this is Auckland's industrial heartland, full of car yards, factories, warehouses.

But you get the feeling there's nowhere Don Braid would rather be. He may be the chief executive of a \$NZ7.5 billion (\$6.7 billion) listed transport giant called Mainfreight [<https://www.afr.com/link/follow-20180101-p5b918>], but Braid's spiritual home is the lunchroom of the company's number-one Auckland branch.



Don Braid: "By making long-term decisions, you are developing the health of the business. You think deeply about your shareholders, you think more deeply about your people."

This is sacred ground for Mainfreight staff. When the company was founded in March 1978, New Zealand's strict transport regulations meant co-founder Bruce

# *Mainfreight – What Makes them the Best? (cont.)*

## CULTURE

- ◇ Under-promise, over deliver
- ◇ Keep reinventing with time and growth
- ◇ Education is optional, learning is compulsory
- ◇ Let the individuals decide
- ◇ Keep it simple
- ◇ Tear down the walls of bureaucracy, hierarchy and superiority
- ◇ Avoid mediocrity - maintain standards and beat them
- ◇ Look after our assets
- ◇ Immaculate image and presentation
- ◇ Promote from within
- ◇ Integrity - how it affects other people
- ◇ No job descriptions

## FAMILY

- ◇ Eat together - use mealtimes as a discussion time
- ◇ Listen to each other
- ◇ Share the profits and the successes
- ◇ Openly discuss problems and openly solve them
- ◇ Don't beat up your brothers and sisters
- ◇ Have respect - seek it from others and show it by actions

## PHILOSOPHY

- ◇ One hundred year company
- ◇ Profit comes from hard work, not talk
- ◇ We are driven by margin, not revenue
- ◇ Train successors, so that you may advance
- ◇ An enduring company is built by many good people, not a few
- ◇ We are here to make a positive difference, as well as a dollar
- ◇ We "care" for our customers, environment and community
- ◇ Total quality management base
- ◇ Ready, Fire, Aim

CULTURE, FAMILY, PHILOSOPHY, THE MAINFREIGHT WAY

# Mainfreight – What Makes them the Best? (cont.)

- CEO 5 year aspiration in AR2022
- Assuming margin growth continues with network intensification
- The average in the last 5 years
- **18% 7 year IRR**

Mainfreight Model					
NZD \$b	2017		2024		2030
Sales	\$ 2.30	\$ 4.90	\$ 10.00		
EBIT	\$ 0.15	\$ 0.41	\$ 1.50		
EBIT Margin	7%	8%	15%		
Mkt Cap	\$ 2.32	\$ 6.57	\$ 21.00		
SOI M	101	101	101		
Share Price	\$ 23.00	\$ 65.00	<b>\$ 208</b>		
EBIT Multiple	15	16	14		



# *Mr Market and Volatility: Case Study*

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“Imagine that in some private business you own a small share that cost you \$1,000, One of your partners named Mr Market is very obliging indeed. Every day he tells you what he thinks your interest is worth and furthermore offers either to buy you out or to sell you an additional interest on that basis. Sometime his idea of value appears plausible” “often he lets his enthusiasm, or his fears run away with him and the value he proposes seems to you a little short of silly” ‘You may choose to agree or disagree with him but do not fall under his spell!!!!!!!!!!!!!!

***Ben Graham: The Intelligent Investor***



# *Lovisa: Background*

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**FAST FASHION JEWELLERY RETAILER WITH APPROX. 800 STORE NETWORK GROWING GLOBALLY**



**LOVISA FOUNDED (AS DIVA) IN 2012 BY SHANE FALLSCHEER (THEN CEO) AND BRETT BLUNDY (CHAIRMAN) WHO OWNS ABOUT 50%.**



**FLOATED ON THE ASX 2014 AT \$2 WHEN WE INITIALLY INVESTED. NOW \$20. (30% PA)**

- **Still our biggest position. Why do we like it so much?**

# *Lovisa: The reasons we like it*

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Extremely high margins- GP 80%



Stores have fast payback-6 months in Australia to 1.5- 2 years in the USA



Vertically integrated (manufactured in South East Asia)



Large total addressable market (similar companies have 2,500 stores)



Exceptional founder led management, Brett and new CEO Victor Herrero (ex Zara) possibly best retailers in the world who own +50%



Very High return on Capital--+50%



Low debt , \$30M of cash, \$60M debt vs EBIT of \$107M



Highly cash generative



# *Lovisa: An Example of Volatility*

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## **Lovisa Share Price Change since IPO**

- \$2.00 Dec 2014
- \$20.00 Oct 2023
- +10x (+29% per annum)

**A great return however....**



# *Lovisa: An Example of Volatility*

## Yearly Share Price (10x 2014-2023)



# *Lovisa: An Example of Volatility*

**Weekly Share Price 2014 to 2023 (up 50%, down 38%, up 69%,down 23%)**



# *Lovisa: An Example of Volatility*

Intra Yearly share price movements have been over 50%

Lovisa Yearly Share Price Change						High to Low					
Date	Open	High	Low	Close	+/-	%	Sales	Change	EBIT	Change	
31-Dec-23	2350	2721	1788	1945	-17%	-34%	\$ 600	31%	\$ 110	36%	
31-Dec-22	2000	2513	1235	2237	12%	-51%	\$ 459	59%	\$ 81	161%	
31-Dec-21	1140	2307	1016	2009	76%	-56%	\$ 288	19%	\$ 31	55%	
31-Dec-20	1221	1245	234	1050	-14%	-81%	\$ 242	-3%	\$ 20	-62%	
31-Dec-19	629	1413	562	1237	97%	-60%	\$ 250	15%	\$ 53	4%	
31-Dec-18	700	1253	599	621	-11%	-52%	\$ 217	22%	\$ 51	24%	
31-Dec-17	393	700	323	687	75%	-54%	\$ 178	16%	\$ 41	71%	
31-Dec-16	359	410	185	390	9%	-55%	\$ 153	14%	\$ 24	-4%	
31-Dec-15	231	379	223	368	59%	-41%	\$ 134	28%	\$ 25	127%	
31-Dec-14	212	243	200	234	10%	-18%	\$ 105		\$ 11		

Meanwhile the company has grown Sales and EBIT by 15% per annum since 2018

**The only way to hold a position during volatility is to understand the company and trust quality management.**

# *Due Diligence & Research:*

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## **Some of the, companies, cities and countries we have visited this year**

Mainfreight - Auckland (Twice)

Promedicus - Melbourne Australia,

Clinuvel - Dinner with CEO Sydney and Melbourne

Nanosonics - Indianapolis Indiana

Transdigm - Cleveland Ohio

Constellation Software Toronto Canada

Brookfield Corporation Toronto Canada

Lumine Toronto Canada

Danaher Washington DC

Illinois Toolworks and Dover Corporation Chicago

Wideorbit San Francisco

Berkshire Hathaway - Omaha Nebraska

Nebraska Furniture Mart - Nebraska

Himalaya Capital - Omaha Nebraska and Seattle Washington

Multiple Lovisa stores in the USA, Australia and New Zealand!!!!!!



# Closing Statements:

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# *Closing Statements:*

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## Thank you for your continued support....

- We own a portfolio of well-managed, strongly growing, high returning and profitable companies.
- Despite wars, pandemics, floods, fires, political upheaval, riots, inflation, global financial crisis, geopolitical risks and stock market volatility, the best people will still keep producing. The trick is to hold on.



