GA-Courtenay Special Situations Fund
October 2023 Monthly Factsheet

INVESTMENT OBJECTIVE

PROFESSIONAL INVESTORS ONLY

GA-Courtenay Special Situations Fund is a global equity strategy targeting competitive and efficient performance with modest-to-low correlation to the market at large. Our investment approach targets high quality equity investment opportunities and selected merger arbitrages.

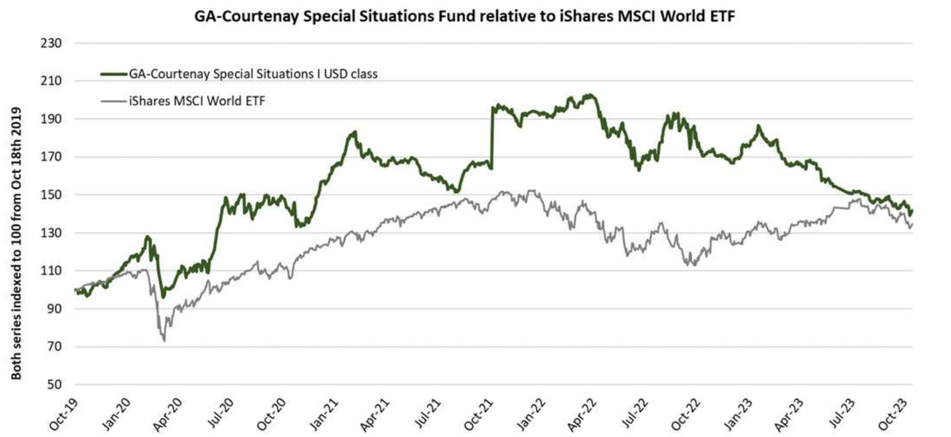
KEY INFORMATION

Fund Name	GA-Courtenay Special Situations Fund
Fund Manager	Adrian Courtenay
Fund Launch Date	17th October 2019
Fund Type	Irish UCITS
Liquidity	Daily
Fund Size	$28.5m
Share Classes	USD, GBP, EUR, CHF
USD I GBP I EUR I CHF I USD R GBP R EUR R CHF R	IE00BK6GVB95 IE00BK6GV757 IE00BK6GVD10 IE00BMCZLC50 IE00BK6GVC03 IE00BK6GV864 IE00BK6GVF34 IE00BMCZLD67
Investment Manager	Green Ash Partners LLP
Fees	Institutional share class: 0.75% pa + 20% performance fee Retail share class: 1.25% pa + 20% performance fee

SUMMARY

- The GA-Courtenay Special Situations Fund USD I share class declined by -2.0% in October, compared to the -2.5% decline in the iShares MSCI World ETF.
- Since the fund reinvested its capital at the end of July 2023, the fund has outperformed albeit by detracting -6.3% relative to an -8.4% detraction in the iShares MSCI World ETF. The fund's design results in some market correlation, and over longer periods this should allow holders to enjoy both a more efficient tailwind from equity compounding combined with our aim for continuing relative outperformance.
- In our appraisal the fund is strongly positioned, which we further detail in this monthly letter. At the end of October the fund had re-built its merger arbitrage exposures and is now well invested.

PERFORMANCE



GA-COURTENAY SPECIAL SITUATIONS FUND PERFORMANCE

Fund Performance by Year	2019 (3m)	2020	2021	2022	YTD 2023	ITD	Annualised
GA-Courtenay Special Situations Fund (USD I)	+9.1%	+42.8%	+24.4%	-12.8%	-16.2%	41.7%	9.0%

Fund Performance by Month (YTD)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	YTD
GA-Courtenay Special Situations Fund (USD I)	+7.6%	-3.2%	-5.4%	+0.6%	-6.6%	-4.1%	1.0%	-2.5%	-2.4%	-2.0%	-16.2%

The performance of the GA-Courtenay Special Situations Fund is based on the USD I share class.

Equity investments

Long equities	91.5% of NAV
Long term equity holdings	
Pershing Square Holdings	9.67%
Hotel Chocolat	9.65%
Formula One	8.32%
Berkshire Hathaway	7.97%
Lindt	4.96%
McDonald's Corporation	4.90%
Coca-Cola Co	4.87%
Mondelez	4.86%
Arcos Dorados (McDonald's LatAm)	4.86%
A.G. Barr	4.83%
Comcast	4.78%
Liberty Broadband	4.64%
Charter Communications	4.62%
Hershey	4.35%
Coca-Cola Andina	4.19%
Apple	3.99%
Long equities position count	16

Yield-to-maturity securities

Arbitrages and high yield bonds	15.0% of NAV
Merger arbitrages	
Intervest Offices & Warehouses	2.98%
Gresham House	2.94%
Lucas Bols	2.91%
OnTheMarket plc	2.11%
Estia Health Limited	2.05%
Lithium Power International	1.99%
Yield creation securities position count	6

Special opportunites

Special Opportunities	0.0% of NAV
Pershing Square SPARC Holding Warrants	0.00%

(SSF owns rights to 774,570 stock units upon re-distribution)

Gross and net exposure summary

Gross exposure - total fund ex currency (% of NAV)	**106.4%**
Gross exposure - total fund inc currency (% of NAV)	106.4%
Equity investments gross exposure	91.5%
Arbitrages and high yield bonds gross exposure	15.0%
Short equity hedges gross exposure	0.0%
Net exposure - total fund (% of NAV)	**91.5%**
Equity investments net exposure	91.5%
Arbitrages and hy bonds net exposure (beta est)	0.0%
Equity index put options	0.0%

11 Albemarle Street, London W1S 4HH Tel: 020 3170 7420 Fax: 020 3170 7426. e-mail: info@greenash-partners.com web: www.greenash-partners-courtenay.com

FUND MANAGER COMMENTARY

Dear investors and friends, I'm delighted to present our first monthly newsletter from the fund's stable and supportive new home at Green Ash Partners.

Some comment on what has so far been a detraction year is warranted – and indeed, why we see the fund as reversing its detraction in good order and delivering thereon.

The fund's recent path has resulted from a combination of both optimisation in process and thereon some re-correlation to the market. Our optimisation is that we have moved away from certain allocation types – any which rely on macro assumptions, as well as away from put-option protected leverage. We have also implemented more careful consideration of position sizing in that key allocations should be scaled but not over-concentrated.

The result is a far stronger path for the fund over time. We retain all the advantages that resulted in our strongest years, but reject those variables that we have learnt can handicap our results. The fund exists, in short, not to engage in anything that might be considered "a gamble", but instead to find securities that allow us to collect cash for our unitholders, and in this manner act for our unitholders as the house rather than a player at the tables.

In early July 2023 the fund shifted to a 90% cash position following the unusual redemption circumstances that were presented. And, with parent company level developments still continuing until the fund completed its transfer to Green Ash Partners on the 14th of October, we took the view that July-October we should continue to invest, but to restrict arbitrage until such time as we were completely confident in prime broker robustness. That robustness has now been achieved and hence the fund has grown its arbitrage allocations to a reasonable level (15% of NAV) as at October month end.

However, this did mean that from the July-October period the fund had higher beta to the market. Despite this, we would still put forward the period broadly as indicative as to the future path of progress of the fund. During this period the fund has had very little trading activity and outperformed albeit by detracting -6.3% relative to an -8.4% detraction in the iShares MSCI World ETF. Over longer periods what will remain a still modest market correlation should allow holders to enjoy both a more efficient tailwind from equity compounding combined with our determined mission for continuing relative outperformance.

In early November we are already seeing further signs of such progress, however, it will help allocators if I am more objective as to why I believe we should continue to expect pleasing times ahead.

There are three areas worthy of particular emphasis that the fund stands to benefit from. The first is that the inflation and interest rate cycle both appear to be moderating, and as the interest rate curve stabilises and potentially imposes lower yields, many of our positions may see pricing improvement.

In the fund's long term equity book, we have deliberately selected – for their robustness – equity securities that have, amongst other merits, "bond-like plus" characteristics. "Bond-like" because our equities distribute robust cashflows to their holders from market leadership positions with competitive advantage in stable industries. As such, all else equal, these names should be subject to pricing accretion when bond yields stabilise or decline.

The second driver is the "plus" element of these long term equity holdings. The probability of moderation in the interest rate cycle is rising as signs increase of economic slowdown and potentially, recession outcomes. However, the fund's long term equity holdings are names that have shown earnings robustness through recessionary periods, in particular through the 2007-2009 financial crisis. This should present scenarios of earnings growth outperformance, and accreted by the average 24% return on equity that our long term equity holdings also possess – well above the index averages.

The "plus" element of our long term equity holdings is also accreted by other stock-specific factors. In all cases, the equity valuations across our holdings are reasonably attractive (the weighted average PE rating of our long term equity book is 14x[1]). However, in selected cases, we have good evidence that prospective developments may cheapen valuations further. These selections are what we refer to as our "perfect pitch" holdings, they are our scaled allocations, and I detailed them in our October webinar, "Five stocks for five years", the replay of which is also available on the fund's website.

In particular, we believe that the fund's holding in Hotel Chocolat, and in Formula One, are of note in the context of near-term disclosures prospectively revealing to the market significantly more pleasing economic trajectories than consensus estimates, and as such, resulting in equity price implications.

Adrian Courtenay is the Fund Manager of the GA-Courtenay Special Situations Fund, established in 2019. Prior to Green Ash Partners, Adrian oversaw the fund at Odey Asset Management. Previously, Adrian was a Vice President in the Special Situations Group at D.E. Shaw & Co.

Adrian, who is also a recognised speaker at Sohn investment conferences, has completed the Chartered Financial Analyst Program and is a graduate of Oriel College, Oxford, where he graduated with a 1st class MA and was a scholar.

11 Albemarle Street, London W1S 4HH Tel: 020 3170 7420 Fax: 020 3170 7426. e-mail: info@greenash-partners.com web: www.greenash-partners-courtenay.com

FUND MANAGER COMMENTARY

With regard to Hotel Chocolat, the company has for some time persisted at a valuation implying a deep scepticism by market participants relative to its publically disclosed business plans. More specifically, the company guided an EBITDA margin of 20% by FY2026[2], and yet, on trailing revenue at the current share price valuation, the margin implies a cashflow yield to equity ratio of 11%[3], a considerable discount to comps that trade at a 5% yield or lower[4].

Hotel Chocolat has additionally revealed the completion of factory capacity build for 1bn units of chocolate per annum[5], relative to current revenues being achieved from 300m units of chocolate per annum[6].

In this context, Hotel Chocolat's discounted valuation relative to its *trailing* revenues indicates a high level of implied disbelief by the market that the company's capacity build will ultimately translate into the higher revenues that would be commensurate with full capacity utilisation. And so as market participants say "*show me*", the company's valuation has remained subdued.

However, what has been changing over recent months is that Hotel Chocolat is shifting from a company with a considerable capacity surplus to a company opening a significant square footage of new retail space, and thereby shortening the period between which its surplus capacity shifts directly to revenue growth.

On a trailing basis Hotel Chocolat has 124 stores[7] at an average of 700 sq feet each[8], and so total square footage of 86,800. However, in the last few months Hotel Chocolat has begun its new store opening trajectory, announcing: Leeds (3,550 sq feet)[9], Glasgow (1,900 sq feet)[10], Sevenoaks (sq feet not disclosed)[11], Orpington (3,560 sq feet)[12], Bournemouth (2,891 sq feet)[13] and Liverpool (3,750 sq feet)[14]. The six store openings add almost 20,000 square feet or an increase of more than 23% at the group level.

Hotel Chocolat in October disclosed that UK retail like-for-like sales are now increasing at 13% year-on-year[15] and as such once the new stores are open the company may report revenue growth exceeding 35%. We think this sort of disclosure, quite possibly reasonably soon, should provide a strong falsification of the current market contention the company lacks growth. It is additionally notable that these six new store openings are part of a plan to open almost 10x as many new stores over the next five years[16]. The valuation implication – in our contention – has the potential to make a noticeable impact at the fund level.

Similarly, we would point to Formula One as having the potential to add a good accretion to fund performance over the coming period.

The business is at an unusual position in having the rare opportunity to capture extremely valuable new broadcast and sponsorship contracts as its penetration of the lucrative US market continues.

However, with the inaugural Formula One Las Vegas Grand Prix approaching in less than two weeks, F1's ongoing penetration of the US market appears well-telegraphed. As such it might reasonably be asked what "secret" our analysis possesses above that which is readily ascertainable.

Our answer is that the market does not appear to recognise that a fairly priced US broadcast contract transforms Formula One's economics. For example, in Europe, F1 typically achieves a broadcast contract value of 6% of the total country sports broadcast revenue[17]. However, in the US a broadcast contract value for the same proportion would have a value of $1.2bn per annum[18], an incremental uplift of $1.1bn relative to F1's current US broadcast contract with ESPN at $90m per annum[19]. As we detailed in the 'Five stocks for five years' presentation, such an uplift in broadcast contract value would cheapen F1's cashflow yield to equity ratio to 9%, and thereon beyond in re-leverage scenarios.

It is in this context that near term disclosures from F1 may more fully reveal to the market the economic uplift probability that the race series is poised to capture. Whilst the Las Vegas Grand Prix is a showpiece event for continuing US market penetration, there are increasing disclosures that F1 is in talks with platform companies such as Apple for new broadcast contracts. In October, the F1 business magazine, BusinessF1, disclosed that Apple was considering an offer of $2bn per annum for F1's global sports rights broadcasting[20], implying the same $1.1bn uplift in contract value relative to F1's current broadcast revenues of $0.9bn per annum. To the extent such talks remain "live" – we would anticipate other of the global platform companies such as Google and Amazon are also competing – further near-term disclosures may be forthcoming.

The third driver of the fund's prospective opportunity to deliver strong performance comes from our "specials" category, in which I would include both our merger arbitrage activities and the fund's possession of Pershing Square SPARC warrants.

FUND MANAGER COMMENTARY

In terms of the fund's merger arbitrage holdings, the fund is now positioned comfortably and in familiar territory. The use of our wide search competency has enabled the isolation of a handful of arbitrages with robust enforcement (binding contracts), little to no conditionality, and at current 18% annualised returns. Fund unitholders should not assume, however, that we can expand the arbitrage book materially and still capture that level of yield with similar robustness. In arbitrage we are hunting down the very rare, attractive yield, yet still absolutely binding situation. Such situations will remain rare during most periods – and yet, we think somewhat uniquely – we will also retain a high capture rate of them relative to that which most other funds will achieve.

To the extent that the inflation and the interest rate cycle are both moderating, this may also present new opportunities in what has traditionally been our most profitable arbitrage allocation area, the competitive bidding situation.

As we emerge from the trailing inflationary environment there is rationale for the frequency of competitive bidding situations to increase. This is because for those asset classes where a steeper gradient of inflation has taken place (for example mining resource deposits, or land and property holdings), net asset values can rise in some instances as to high as or even above the market capitalisation of the corporate equity that owns them. This then can result in some takeover situations being so prospectively profitable for an interloping takeover protagonist, that competing bidders become the most probable outcome.

As, and if, interest rates now come down, the present value of the prospective income streams from such assets further increases, exacerbating the break up value type calculations that often drive competitive takeover situations. So we remain highly alert to competitive bidding situations, and anticipate in due course to return to capturing accretive alpha from this area.

Finally, the fund's holding in Pershing Square SPARC warrants continues to have unusual promise for the fund and we patiently await further developments.

It is notable that in the Pershing Square SPARC prospectus, it was disclosed that the entity would seek a "*majority interest in a large privately-owned corporation (i.e. valuations above $25.0 billion)*"[21]. The implication is that the value of the SPARC transaction targeted may be in the region of $13bn (i.e. >50% x $25.0bn), and this was repeated by Bill Ackman in his CNBC interview following the SEC clearance of the SPARC on 2nd October 2023. Ackman stated: "*It would be hard to do a $13bn capital raise using the route of a traditional IPO, let's say to pay down debt. But what is interesting here, with the SPARC, is that we could commit – Pershing Square, $2bn to a transaction, and so long as the rights have positive value they are all going to get exercised, and SPARC transaction raises $13bn*."[22]

The fund owns rights to 774,570 stock units relative to a total of 122.2m total stock units that correspond to the Pershing Square SPARC. As such, the fund can be thought of as having a call option on 0.63% on whatever volume of monies are raised by the SPARC transaction. Therefore, if the capital raised is $13bn, then the fund has a call option on an $82m participation.

In considering the range of outcomes that are possible from the fund's exposure to this participation, it is instructive to note first of all that the average day one price rise for private-to-public transactions that will be targeted by the SPAR is +20%, and this has been consistently positive every year for the last 40 years[23].

However, this does not rule out more pleasing outcomes. In August 2021, Pershing Square Holdings, in a private-to-public transaction, made an investment of 10% in the equity of the then privately held Universal Music Group "UMG"[24]. UMG shares subsequently rose by 40% on day one of their IPO[25].

As such, and therefore overall in conclusion, we continue to appraise the current time point as an attractive period for the fund in terms of its prospective return trajectory. And, as noted this comes from a number of factors which include, on the more modest amplitude side, the fund's core high quality compounding blocks in both equities and merger arbitrages that should help drive returns through most market periods, and on the higher amplitude side both prospective pricing developments with regard to selected of the fund's scaled positions such as Hotel Chocolat and Formula One, amongst others, as well as a prospective pricing event for the fund's Pershing Square SPARC warrants.

11 Albemarle Street, London W1S 4HH Tel: 020 3170 7420 Fax: 020 3170 7426. e-mail: info@greenash-partners.com web: www.greenash-partners-courtenay.com

Footnotes

1. Based on weighted position sizes and consensus estimates for FY2024; for F1 the cash earnings are used rather than accounting earnings, and for Hotel Chocolat earnings based on normalised margin guidance, 2. See Hotel Chocolat trading update October 2023 [link], 3. Green Ash estimates based on 20% EBITDA margin at trailing revenues, 4. Bloomberg consensus estimates for chocolate sector peers Hershey, Mondelez, Lindt, 5., 6. See Hotel Chocolat Interim Results 2023 presentation, slide 29 [link], 7. See Hotel Chocolat trading update October 2023 [link], 8. The size of a regular Hotel Chocolat location is 700 sq feet, Retail Week [link], 9. Hotel Chocolat opens new concept store at The Springs Leeds [link], 10. Hotel Chocolat Glasgow [link], 11. Hotel Chocolat to open in Sevenoaks [link], 12. New Hotel Chocolat to open in Orpington this November [link], 13. Hotel Chocolat to open cafe and shop in Bournemouth [link], 14. Hotel Chocolat opens new concept store Liverpool [link], 15. See Hotel Chocolat trading update October 2023 [link], 16. See Hotel Chocolat annual report 2023 [link], 17. Broadcast revenue disclosures per country per sport, source: corporate, public domain disclosures, 18. Source: Green Ash research derivation, see our Formula One white paper [link], 19. ESPN and F1 announce new U.S. broadcast deal [link], 20. Formula 1 could be coming to Apple as it mulls offering up to $2 billion a year to show races [link], 21. Pershing Square SPARC Holdings prospectus [link], 22. Bill Ackman, announcing SEC clearance of Pershing Square SPARC Holdings, 2nd Oct 2023 [link], 23. University of Florida, IPO Statistics since 1980 [link], 24. Pershing Square Acquires Initial Stake in Universal Music Group [link], 25. Universal Shares Soar as Music Giant Makes $53 Billion Debut, Bloomberg [link]