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Q2 2024 Right Tail Capital Investor Letter

“About 2-5 minutes (that is not a typo).”

I chuckled out loud. I thought that was an odd response to my question. I’d simply asked the head of investor relations how long the annual meeting would last.

I’ve attended annual meetings like Berkshire Hathaway and the Markel Group which are longer, multi-day affairs that draw investors from around the world. These are great events though more the exception than the norm. I did not know how long this meeting would last. Maybe 60-90 minutes? That seemed like enough time to address voting matters and allow for questions from interested parties.

You see I wanted to attend the annual meeting and learn more about the company. Perhaps dig a little deeper than what I could surmise from their limited communications with investors. I wanted an opportunity to meet management. It’s a team with a great track record that doesn’t spend much time with investors.

There were more surprises at the actual meeting. There was no pomp and circumstance. It was in a typical conference room at headquarters. There were only twenty people. The board of directors and senior management were there. I was there. So were two other interested parties that were not employees. These two individuals were representing organizations that submitted proposals regarding social issues for shareholders to vote. The board was against these proposals, and I thought that given the company’s history of success the proposals would have almost no chance of passing.

What struck me was that I was the only investor in attendance who cared about understanding the company and its prospects. This is not a small company. Rather it’s one with decades of accomplishment and a member of the S&P 500. Undoubtedly, these propositions were important to the parties that presented them. However, these individuals seemed to be carrying a message, more so than trying to understand the investment prospects of the business. After the meeting, I spent some time with the CEO and had the chance to learn from his awesome experience in the industry.

Meeting management of every one of our investments is not a must for Right Tail’s investment process. Understanding management’s behaviors, incentives and track record is crucial. With this company, my curiosity was particularly piqued given the limited amount of communication the company has with investors. I still am flummoxed that I was the only fundamental investor attending the annual meeting for this sizeable, successful company.

Attending this annual meeting is one example of the unique work that helps lay the foundation for Right Tail’s investment portfolio. It’s a process that’s rooted in long-term thinking and patience. It requires grit to seek information that may be off the beaten path. There’s no one silver bullet step in the process that produces a margin of safety and guarantees an investment’s success. Rather it’s trying to keep one’s eyes



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and ears open to build a mosaic of how the company and industry work. Often these special characteristics are part of the company doing many little things well day in and day out that create value for all parties in its ecosystem.

Insight could come from talking to decades-long employees at companies like Ferguson or O'Reilly Auto Parts. It could come from speaking to a land development partner for NVR. It could come from realizing Constellation Software's incredible capital allocation success after having studied hundreds of inferior companies. It could be a short-term dislocation within an industry or broader market turmoil that creates an opportunity. Our willingness to think longer term remains a significant advantage. There's no one thing. It's usually several little things that, when stirred together, form an investment thesis.

There's no handbook for which pieces of information you need to find or how one puts the pieces together. Over the last 18 years, I've become better at knowing which doors to knock on and rocks to look under to determine the special characteristics of a company. It's a process that tends to produce insights through hard work and allowing time for reflection. It can't be forced. These challenges are fun and create opportunities.

Right Tail Operational Update

Recall that Right Tail's goal is to compound wealth and generate excellent after-tax returns over multi-year periods. We'll do this through owning a concentrated portfolio of undervalued, high-quality businesses and investing with a longer-term mindset.

It's hard to believe we started Right Tail over two years ago. As is our tradition, we brought a taste of my hometown New Orleans to Richmond, VA, and boiled crawfish for Right Tail's investors and friends. While the food was good, what makes the event special is getting everyone together to build community and say thank you. It was great to see new friendships formed and older friendships strengthened. We hope you'll be able to attend next year.

Right Tail is pleased to have 49 investors. I am thankful for all of you – it's a great mix of friends, family, and other professional investors. We've also been fortunate to have several referrals, and I'm delighted that ~50% of our investors have added to their initial investments. I think this speaks to the consistency of Right Tail's investment process. What's under the hood matches what we've discussed prior to investing together.

Our family remains Right Tail's largest investors in terms of absolute dollars and likely percentage of our net worth. Our alignment will always remain strong.

In terms of business operations, the pipes are working well. Schwab has been a great partner as a custodian, and their technology offerings continue to improve as they finish integrating TD Ameritrade.



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The research process is also going well. I have continued to broaden our circle of competence by studying many new companies and becoming more knowledgeable about equipment rental, convenience stores, and payment networks. I continue to build great relationships with several companies and service providers, relationships which are now compounding. We aim to keep compounding our many strengths as we keep showing up and moving forward.

If this update rhymes with others from the past, well...it should. That's by design. Much of what I do is repeat the same processes day after day. Studying companies. Finding investments. Maintaining my health. Staying in the best frame of mind. Doggedly, and patiently, holding onto the best investments. It's what we'll keep doing – we'll keep aiming to get a little better each day.

Best wishes for continued joy this summer,

Jeremy Kokemor
Right Tail Capital



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Performance comparisons to benchmarks such as the S&P 500 Index and the SPDR S&P 500 ETF Trust ("SPY Index ETF", "SPY", or "S&P 500 Index ETF") are provided for information purposes only. The SPY is an exchange-traded fund which seeks to provide the investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500 Index. The S&P 500 Index is a diversified large cap U.S. index that holds companies across all 11 GICS sectors, and as such may differ materially from the securities managed by Right Tail in client accounts. Benchmarks such as the S&P 500 Index and the SPY may be of limited use in understanding the risks and uncertainties inherent in the investment strategies managed by Right Tail.

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