Dear fellow investors

Arena Securities gross performance for the calendar year			
3 Month	6 Month	1 year	Since inception
13.65%	-	-	17%

It is with great pleasure that I am writing to you today to update you on what has happened with the fund during its first five months.

We have had several positions that have increased/decreased in value over this period, and today, I will outline that.

A fairly substantial holding for the fund that has apricated is (SMR:ASX). What does SMR do? SMR is a metalogical coal miner. What's Met coal? Met coal is a type of coal that is used to make steel. (this is not the type that is used for power generation). SMR produces PCI met coal, which usually trades at a discount to semi-soft coking coal.

Why did I Like SMR?

As a general theme, I have liked fossil fuel companies for a while. The reason is I believe the share market has heavily discounted their future earnings because the share market believes their services might not be needed. I believe this is a fair point the share market has. So why do I see value in these areas for Investors? The answer is simple. I think the share market is over-exuberant about the adoption of green energy and is frankly unrealistic about the needs of fossil fuels in the medium term.

In Stanmore's case, I believe the supply and demand dynamics of the underlying commodity to be even better than most fossil fuels. I believe there is less substitute supply for met coal than there is for thermal. Society has come up with ways to create power without thermal coal. I am not saying by any means that there isn't a demand for it, but met coal doesn't have competition, meaning I believe this commodity to have a longer terminal value.

During the quarter, SMR's major shareholders sold down their stake. Usually, I would look upon this as a negative but SMR'S majority shareholder owned 64% of the company after the 5% sell down they only own 59%. In an ideal world, I would like to see this number go below 50%

BKW:ASX

When I think about brickworks, bricks are just about the last thing I think about. If I was to value Brickworks I would spilt it into 3 parts.

Part 1. Soul Pattinson stake

Back in 1969, brickworks and a little pharmacy business called Washington H Soul Pattinson did a cross-shareholding to try and stop them from being taken over. Today brickworks owns roughly 26% of Washington H Soul Pattinson. Today Soul Pattinson is a diversified holdings group worth around 13 billion Australian dollars. This means the brickworks stake is worth 3.4 billion dollars.

Part 2. The real estate business

The net assets of the property trust are 2.3 billion. If I were to do some simple math and add the Sol Pats stake worth 3.4 billion, you would get an intrinsic value of $37.60. Brickworks will reinvest capital into the real estate side of the business, and I believe the valuations and rental yields will go up over time. I believe Sol Pattinson, over the long term, will increase in value because I believe the business will produce more cash in 5, 10 or 20 years than it is producing today. If you would like to know more about Sol Pattinson I strongly recommend you read this year's annual report.

Part 3. The brick business

Why am I excited about the USA brick business?

Since the GFC, there has been a heavy under-investment in this industry. That has created an opportunity for Brickworks as they have acquired assets well below their replacement value. Having spent time in the USA and asking friends, family and others about the brick industry I think the biggest opportunity in the brick department for brickworks would be taking more control of the value chain. Making bricks is a competitive industry, but if they were able to start distributing their bricks and their competitors, their margins would expand drastically.

FND:ASX

The Findi story has completely changed since inception. When I first came to Findi, it was an Indian ATM business that had just spun out its Australian cyber security operations. It's fair to say the stock was fairly bombed out. Since then, a few things have happened. They signed a 7 + 3 contract that the company believes will generate them EBITDA of 250-280 million dollars of EBITDA. See ASX announcement here. Findi also raised 37 million dollars via a leading Indian investment firm called Primal Assets Management. This values Findi at 153.0 million dollars. Which is a stark contrast from its 17-million-dollar market cap when I first invested in it. You can see that announcement here.

CGO:ASX

When I first came across CGO:ASX it was a small IT services business in Australia and the United States. The business made money by helping clients convert their legacy systems to the cloud. It's fair to say CGO has taken a few missed steps since then. I bought CGO after their bad first half. They had made a loss in the first half and were likely to struggle again in the second half, but the company was cheap compared to its previous cash flows. I honestly thought the company's profitability would turn faster, but it hasn't. Coupling this with a complete lack of guidance has the stock down 50% since I brought it in. It's fair to say this wasn't a high conviction bet as it only cost the fund 1%.

This quarter, I sadly said goodbye to my good mate and grandfather, Pino Gangemi. I would just like to thank Pino for the memories and various knowledge he has passed down to me.

Regards

Aleck Arena