

Arena Securities gross performance			
3 Month	6 Month	1 year	Since inception
0.75%	14.40%	-	17.75%

KME: ASX

In the stock market, we often talk about looking the opposite way to the crowd and going where others don't go. Only a few years back, in (2020), the market valued KME at 85 million dollars. They had big plans for US expansion and franchising their stores. Everyone loved the stock; it was a simple business that everyone could understand that would grow its earnings. Since then, the value of Kip McGrath has gone from 85 million dollars to 17 million dollars.

I recently flew to NSW to attend the Kip McGrath AGM. Usually, the room is full of fellow investors/fund managers. It's fair to say I got to the Kip McGrath AGM, and I had to ask if this was the meeting. Only three years ago, the room was packed; you couldn't get a seat. Only two investors, including myself, attended the AGM this year.

I believe the empty room creates an opportunity as it showcases that the stock is unloved. Investors know its core business is fine and produces 2.4 million in profit. I agree the USA business is losing money right now, and everybody else can see that. If the USA business is to stop losing money, the market's price today will be wrong.

LBL: ASX

During this quarter, I opened a position in Laserbond, a stock I have spent multiple years researching. The question is why did I buy Laserbond now? On the 23rd of February, Laser Bond announced its half-year results. The report stated that its NPAT fell by 15% from last year's first half. I thought this was okay because Laserbond usually has a stronger second half, and its first half in the prior year was abnormally strong. On the same day, Laserbond announced that they had brought 40% of Gateway. Gateway operates in the same space as Laserbond. I believe Laserbond has brought this stake in Gateway because, they want to get a foothold in the West Australian market. I think this deal will leverage Gateway's existing clients and Laserbonds IP, creating value for both parties involved.

AHL: ASX

AHL has been on my watchlist for a while, my interest sparked when it floated back in 2022. As a general rule, I don't invest in companies that have recently had an IPO (initial public offering). This is believe that I am not all world-knowing, As the late Charlie Munger would say.

Why am I interested in AHL: ASX?

I am interested in AHL because I believe it to be a relatively simple business. It makes small cooling systems or radiators, whether that is for trucks or data centres.

Gary Washington founded the company in 1985. He is still at the company today as an executive director. He currently owns 60% of the stock.

When private equity lists a business, they usually play with the numbers a little and load the company up with debt. AHL has been net cash since listing.

In a previous life, I held (BAP: ASX). Because of this, I think having Darryl Abotomey on the board is great. He has lots of experience in the automation industry and knows how to run a listed business. I believe he will provide a guiding hand for AHL.

I like AHL because it's a bombed-out float. The most common theory in markets is the efficient market theory. The theory is best explained like this. If you were walking on the street and you saw \$10 on the ground, there is no point in even looking at it because if it were real somebody already would have picked it up. The greatest investors do not believe this theory. Simply they think you should look at everything because one day you might find something of value.

What's a bombed-out float? Simply, when a company IPOs, it has to be liquid, meaning there needs to be multiple parties holding stock before it hits the market. Investment banks, funds or brokers usually take stakes before they list. These people usually need to sell their stock immediately, within a few months of the company listing or in a year. If equity markets are going up, they will usually get out at a higher price than they got in. If equity markets are going down and everyone needs to sell the stock, this creates quite a drag. If the business is fundamentally okay, it could create a mispriced stock. I believe this could be the case with AHL.

Regards

Aleck Arena

