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VT Holland Advisors Equity Fund

17th July 2024

Dear Investors and Friends,

Interim Investor Letter – June 2024

The fund NAV is up 9.8% year to date as of 30th June.

We have for ten years now written at length to our fellow investors twice a year. In these letters we discussed markets a little, but mostly our investment approach, using examples of current holdings to illustrate our points. All those past letters are publicly available on our [website](#). We have noticed that when new investors are reading these, not unreasonably, they tend to read only the past year end letters, not the interim ones. As such messages or an understanding of our approach can get missed. In addition to these bi-annual letters, we also publish individual [company](#) and [macro](#) pieces that we make free to all. Writing well helps us communicate our thinking to investors. In truth, we find it clarifies things in our own mind too. What we do not want however, is to be writers first and investors second.

Our individual company pieces we hope provide good insight into our thinking, warts and all. With all this in mind we have decided to make future interim fund letters shorter and use it mostly to reference released research pieces. At each year-end, however we will continue to write at greater length about our investment process.

In the spirit of evolution rather than revolution this letter falls somewhere between those of the past and future.

Focusing on the day job and wonderful hires

Before highlighting some stock commentaries, we make a few points on fund development. As we unapologetically seek to grow the fund's size it is very important not to lose 'focus'. We highly recommend a Warren Buffett/Bill Gates joint interview we watched some years back. They were both asked what had made them successful. Without hesitation both men said the same word: **"Focus."**

In a finance world full of unlimited information and 24/7 multitasking, focusing on a single task is to many an anathema. We mention this because in recent months we have engaged a little time in marketing the fund to prospective investors. Whilst some of this time is useful and it is great to meet new, smart people, it can also distract from the day job i.e. that of trying to carefully compound our collective capital. We fondly remember Munger being asked how to grow a business. He answered: *"the best way to get new clients is to look after the ones you've got."* In the course of recent marketing, we have been advised on all sorts of things we should be doing differently. If your manager was a younger man, he might be inclined to comply with much of this advice, but at 55 with a worryingly independent streak he feels differently. Many we meet like our differentiated approach to investing, but a few then seek to tell us how we need to conform when it comes to marketing. Such intermediaries are well meaning but we are very mindful not to lose our focus with such distractions.

Your manager will not chase his tail in a marketing frenzy, thus losing the 'focus' that is so important to the great capital compounding outcomes we aspire to. Our passion for the investing job has brought us this far and created an investment process that we hope stands out from others.

With all this in mind, we have decided to better resource Holland Advisors to make sure we can handle enquiries and answer reasonable questions that arise from new investors. We are delighted that in the last few months we have hired a COO (Stephen Heaps) and a Fund Development Consultant (Matthew Lovatt). Both roles are part time, but the quality of the individuals are outstanding. These are highly experienced, highly competent businesspeople not just in their COO/Fund Development Consultant spots, but across management, accounting, marketing and all fund management skills. They are also both already investors in the fund and known to the manager for a long time. We are excited by these hires, partly because of the skills they bring and how much we like the people. Also, crucially because they will enable your investment manager to really focus on the day job*. Welcome Stephen and Matthew.

We are open for new investors who want to join us and are thus making sure we have the resources to be ready for them. However, we feel strongly that Munger's route to growth is the right, and only, way forward. c.90 % of fund assets are invested in companies run by owner-managers that we hugely admire. Almost all such CEO's do not jump through every investor hoop put in front of them. Ultimately, they are judged on their outputs (the long-term compound growth achieved) and the process and culture that produces such results. That is how we hope to be judged also. If along the way we have to say 'no' occasionally, so be it.

Time – Our most scarce resource

Whilst we are on the subject of time management, we recall chatting with someone that had sight of Buffett's diary. It was almost empty that week, and the week after!

Having worked at large investment banks and busy fund management/stock-broking businesses, we know a thing or two about 'Mr Market'. The most obvious trait about him is how frantically busy and overworked he is, constantly. All we want to do in investing to get a great outcome is make a few great decisions a year. However, it is very hard to make good (long-term) decisions when you are stressed. Equally the more daily decisions you have to make, the more stressful our bodies find it.

Over the last 10-15 years we have developed an office/analytical environment that keeps us away from such noise. Whilst we want the skill sets that invest the fund's capital to develop and grow, we will carefully protect this environment. What this all means is a quieter, not a busier diary for your investment manager to ensure continued time to find new ideas, reflect, even to change one's mind.

Investing examples

We try where we can, to share our thinking about markets and individual companies. The disclaimers on all such documents make it very clear they are in no way investment advice. They are merely the investment manager's views at the date of publication. These being shared publicly only to give investors insight into his investment approach/thinking.

Frasers

A link to a piece we wrote on Fraser last December is [here](#). It is one of many we have written. Frasers is company that we think investors can learn from, both in terms of the actions of a driven idiosyncratic owner-manager and, just as importantly, how Mr Market often perceives such people.

Here is an extract:

[The messy business of business](#)

The business of investment like life is sometimes messy. It does not glide its way neatly across a spreadsheet. The business of understanding owner managed companies is even more messy. Clearly it is easier if a proven owner manager stays at the head of a company and stays in their

lane of proven past success. Indeed, that exact scenario is why we've been so attracted to Ryanair as it approaches its industry endgame. But in truth this is a rarity.

More often we find owner managers that retreat from public/investors view. Their time spent with institutional investors they come to despise. They re-invent their job description to one that allows them to do what they love. I.e. run or heavily influence their business and to do so surrounded by people they respect and trust. With an acceptance of that complexity, we remain reassured by Mike Ashley's behind the scenes role at Frasers and impressed by each interaction we have with Mike Murray. Whilst the textbooks suggest poor corporate governance or even nepotism, our real life experience with these people suggests something very different. Their combined experience, energy, and passion for this business we like a great deal. Their ingrained DNA of looking for competitor weaknesses and consolidating fragmented markets we find greatly appealing.

Source: Holland Advisors – Frasers -Top of the club & Another Double, Dec 23

TSMC

We recently shared the work we did on TSMC around the time we purchased the funds holding in it (early 2023). Readers can look at two pieces where we discussed it [here](#) and [here](#). Here is an extract:

We have now spent a good amount of time on TSMC. The more pages we turn, the more we like it. Numerous mental models come to mind as we study it. The first is one we heard Charlie describe when he was once discussing Google. He talked of “*surfers and wallowers*” i.e. if a business is surfing in front of a wave (having found some form or advantage; scale, technological or otherwise), no competitor frantically paddling behind it is going to be able to catch up. In large cap tech there are plenty of examples of such situations: Google's search engine, Microsoft's Windows, Apple IOS etc. Most such business are priced by markets reflecting these advantages, however. Investors, we think should pay attention when they are not priced as such. Today TSMC looks a good example of a business that is surfing further and further away from competitors, but it is not priced for the likely outcome that will result.

We conclude that TSMC has:

- A growing scale and process advantage
- Improved competitive tailwinds
- Regulatory assistance

Source: Holland Advisors – TSMC – Surfing USA, Jan 23

Amazon

Amazon is an important company for the fund. More because of the business model it has powerfully employed than just our ownership of it. The Scale-Economy-Shared model is one we seek out around the world and often find investor misunderstandings of it. Our holdings of Ryanair, JDW and Jet2 all use this same business model. Amazon did not invent this model, but arguably sought inspiration from the likes of Costco. The idea of using scale to give customers low prices, not high ones is something that goes a long way back and often is a quiet underpinning of many great businesses (Standard Oil, led by John Rockefeller in c.1900 perhaps being an early example). These two pieces [Holland Advisors – Amazon – The one that got away, May 2022](#) and [Holland Advisors – Amazon – Reflections on a SES Gorilla, Sept 2023](#), we hope give an insight into our Amazon thinking. Here is extract from the latter piece from September last year.

[A trusted global supplier of AI](#)

One of the reflections that came to us as we researched Amazon last year was of the huge potential of what using a Scale Economy Shared model might yield in the business-to-business sector. All the companies we have studied globally using this business model do so in the B2C arena. Except for TSMC we could not think of another using it in the business-to-business arena. This intrigued us and suggested a potential huge future opportunity for AWS. With AWS providing critical functionality to many of the world's biggest and most important organisations, Amazon has become a highly trusted business partner. That it shares its efficiency in a way, so few suppliers do is also a dramatic change in how government departments for example are used to engaging with those they outsource to. This we observed was crucial relationship building at multiple levels in an unprecedented way. We suggested this could mean that one day Amazon would be set to sell more B2B services which if in demand and offered at the right price those customers would quickly trust it to supply.

What those future products were going to be we had little idea when writing last Spring. Listening to Andy Jassy on the company's most recent investor call leads us to think that AI might be one such product area. We are likely to be the last people to understand what and how AI can be deployed globally, but even we can see its potential in the business sector in problem solving and customer handling etc. Andy Jassy's comments we thought revealing. Yes, we can all see/read that Nivida has complex AI chips that the world wants today but is Ryanair going to order those chips and start building its own AI functions in house from scratch? No, they are either going to outsource such functions to other companies that most likely will run the programming through AWS cloud data system. Or they are going to wait until easier to use off the shelf products are provided to them by a corporate, they already trust to innovate, and supply needed functionality at great prices. Enter Amazon. That AWS has already shown its ability to develop its own chips (Graviton) in the past, passing on the achieved efficiency to AWS customers is a blueprint for what might come next for AWS and AI.

Source: Holland Advisors – Amazon – Reflections on a SES Gorilla, Sept 23

For those new to the fund, we would encourage you to read our 2022 and 2023 year-end investor letters to get a feel for our investing approach. Also maybe take a look at our 2021 [Owner's Manual](#), or [How we invest and think](#) documents.

Thank you for your ongoing support and interest.

With best wishes

Andrew Hollingworth

*Just a word about the cost of these hires. The hires we refer to above are ones being made by the manager of the fund, Holland Advisors. All the cost of such hires and the running of Holland Advisors is borne by that company, not by the fund. Our regulators rightly make us disclose up front the aggregated full costs of everything that is charged annually to a fund investor. This is called a Total Expense Ratio (TER). As shown in our Factsheet dated June 2024 this is 1.12% of 'I' class units. Those that wish to discuss costs and charges further should get in touch.

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