



TACTILE FUND

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Letter to Limited Partners First Quarter 2025

The cover image shows a tugboat owned by Tactile Fund investment Svitzer Group A/S guiding the HMM NURI during a visit to the port of Rotterdam. Tugboats play an essential role in global commerce by ensuring that the massive container and cargo ships, which transport a vast majority of goods, can safely and swiftly navigate ports and terminals on their journey. To learn more about recent developments with Svitzer Group, please continue reading the letter.

Photo Credit

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TACTILE FUND

Dear Partners,

I am very pleased to share our first Tactile Fund LP quarterly update. Launching Alluvial Capital's new strategy took quite a bit of background work and preparation and seeing it come to fruition is extremely rewarding. We have invested in a variety of companies with extraordinary physical assets and look forward to reaping the benefits in the decades to come. While I would caution against drawing conclusions from a single quarter of data, Tactile's genesis appears auspiciously timed. Investors are beginning to do what was previously unthinkable: question the sustainability of the US Dollar's role as global reserve currency. They are also reckoning with the possibility that inflation may remain elevated far longer than expected. I do not know if such concerns are simply the worries of the moment or if they represent a real shakeup in the global economic order. Whatever the truth may be, we believe the case for investing in businesses with truly outstanding physical assets across the globe is strong.

TABLE I: Tactile Fund LP Returns (%) as of March 31, 2025

	YTD
Tactile Fund LP NET	0.7
MSCI World Sm+MicroCap NR	-4.8

Partnership began operations 01/07/2025

Tactile Fund eked out a gain in the first quarter, a satisfying result given the backdrop of pessimism and fear that gripped global stock markets. Some of this result was driven by the high average cash balance as we gradually put our capital to work, but I am pleased with how our investments have performed in this adverse environment. Deciding on appropriate benchmarks for the Tactile Fund strategy has been a challenging exercise. We are investing in global equities, residual claims on the assets and earnings of operating companies around the world. Most of these entities are quite a bit smaller than the average listed stock, so a global small-cap stock benchmark is a good fit. However, since one of the goals of the Tactile Fund strategy is to provide a partial hedge against inflation and currency debasement, I also want to compare against some "real return" benchmark. Some measure based on the performance of Treasury Inflation-Protected Securities

plus an equity risk premium comes to mind, but the risk profile and cash flow characteristics of operating businesses are quite different than those of TIPS. It's a puzzle I am still considering. I will add a real return benchmark once I find one that captures Tactile's return drivers and risk exposures.

These quarterly updates will be on the shorter side. Frankly, I don't expect to have much to talk about most of the time. Tactile Fund's turnover will be extremely low, and the quarterly and annual results reported by our holdings are not terribly relevant to the long-term thesis for owning each. Still, I will likely profile a small number of portfolio holdings in each letter and provide summaries of any major developments. We have already had one such development. **Svitzer Group A/S**, a Danish tugboat operator, is being bought by its largest shareholder, A.P. Møller Maersk. While the quick 35% return on our Svitzer shares is welcome, the buyout is not! I had hoped we could own Svitzer for decades. Our portfolio holdings will occasionally depart against our will, bought by competitors or financial investors or taken private by management. The assets they own are simply too good not to attract attention. But my preference will always be to capture a double digit return stream for many, many years over a one-time gain from a buyout or merger.

Here is a list of the top 20 holdings for Tactile Fund, which are drawn from numerous industries from across the developed world.

TABLE II: Top Twenty Holdings, 3/31/25 (%)

The Monarch Cement Company	4.4	Sanlorenzo S.p.A.	2.3
Fonterra Shareholders Fund	3.6	Cranswick plc.	2.3
BVZ Holding AG	3.5	Corticeira Amorim S.G.P.S. S.A.	2.3
SCR-Sibelco N.V.	3.2	Koninklijke Vopak N.V.	2.3
Jungfraubahn Holding AG	3.0	Gruma S.A.B. de C.V.	2.3
JG Boswell Company	2.6	Fujita Kanko Inc.	2.2
SUTL Enterprise Ltd.	2.5	SkiStar AB	2.2
The North West Company Inc.	2.4	Resorttrust, Inc.	2.2
CFE FIBRA E	2.4	SigmaRoc plc.	2.2
Malteries Franco-Belges SA	2.3	Labrador Iron Ore Royalty Corp.	2.2
Total, Top Twenty			52.5%

For this first letter, I will lay out some of the themes and core beliefs behind the decision to own what we own:

I want to own providers of the materials and services that make modern life possible, provided they have some permanent advantage like cost of production, quality, geographic proximity to customers and suppliers, or barriers to entry by competitors. Cement is a prime

example. In many areas, the cement industry operates as a stable oligopoly where the top 2-3 incumbents enjoy good profitability, but the economics are insufficient to support new entrants. Cement is bulky and has a low value-to-weight ratio, which often makes importing from other regions uneconomical. Cement plants are noisy and dusty, which limits where new capacity can be built. In cement, it's good to be an incumbent and tough to be a challenger.

I am happy to own “trophy assets” like hotels, ski facilities, and resorts, but only if they are backed by solid cash flows and assets. Too

many trophy assets offer the pride of ownership and little else. Many require intensive investment to maintain their prestige, leaving little for owners. I believe our “luxury and leisure” assets deserve premium valuations due to their rarity and quality, but they must also provide us with a solid cash flow stream and be backed by excellent physical assets.

I am confident that the productivity of the world’s agricultural economy will continue to increase, and most of the value will accrue to those owning the productive land and processing assets. Between 1948 and 2017, the output of American farms [nearly tripled](#) despite employing substantially less land and labor. We believe this process will continue, with asset owners the primary beneficiaries. Higher-yielding acreage will command higher rents, while processing facilities will benefit from greater throughput. Farming is a difficult business, but it has always been more lucrative to own the field than to plant and harvest it.

I am in it for the long haul. Since I truly believe these companies own extraordinary physical assets that will deliver superior performance in the long run, it only makes sense

TABLE III: World Alloc., 3/31/25 (%)

United States	25.9
Eurozone	23.1
Australia	7.9
Switzerland	6.5
Canada	6.3
Denmark	6.2
Japan	5.6
Mexico	4.6
United Kingdom	4.5
New Zealand	4.0
Sweden	3.0
Singapore	2.5
Total	100%

that our investing time horizon is of a similar tenor. Generally speaking, there are no specific catalysts that would drive the share prices of these firms upward, just the steady accumulation of economic value that has been going on for decades or even centuries at many of these enterprises. So long as this virtuous process continues, I see no reason to introduce unnecessary trading expenses, tax drag, or “risk of missing out” by entering or exiting holdings based on short-term trends.

In Summary

Partners may enjoy listening to a recent interview I did with my friend Hunter Hopcroft, author of the very thoughtful “Lewis Enterprises” publication. The interview covers many aspects of the Tactile strategy including securities selection, the effects of macroeconomic forces on these companies, and what makes an asset “extraordinary.” [The interview can be found here.](#)

Thank you for helping Tactile Fund achieve a great start. I have decided to extend the “Founder’s Class” fee structure to the first 20 limited partners, rather than the first \$10 million in assets, so if you know of anyone who might be interested in investing and would like to benefit from the preferential terms, I would greatly appreciate the referral. I welcome your questions and comments about any aspect of the Tactile Fund portfolio and strategy. Please be sure to subscribe to tactilefund.substack.com for additional commentary, and I look forward to writing to you again next quarter.

TABLE IV: Inv. Themes, 3/31/25 (%)

Food, Water, and Shelter	26.6
Industry and Infrastructure	40.4
Leisure and Luxury	33.3
Total	100%

Best Regards,

Dave Waters, CFA
Alluvial Capital Management, LLC

Disclosures

Investment in Tactile Fund are subject to risk, including the risk of permanent loss. Tactile Fund's strategy may experience greater volatility and drawdowns than market indexes. An investment in Tactile Fund is not intended to be a complete investment program and is not intended for short-term investment. Before investing, potential limited partners should carefully evaluate their financial situation and their ability to tolerate volatility.

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Performance Notes

Net performance figures are for a typical limited partner under the standard fee arrangement. Returns for partners' capital accounts may vary depending on individual fee arrangements. Tactile Fund LP has a fiscal year end of December 31, 2025 and is subject to an annual audit by Cohen & Company. Performance figures for year-to-date periods are calculated by NAV Consulting, Inc. Year-to-date figures are unaudited and are subject to change. Gross performance figures are reported net of all partnership expenses. Net performance figures for Tactile Fund LP are reported net of all partnership expenses, management fees, and performance incentive fees.

Contact

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