



January 2025

Q4 2024 Right Tail Capital Investor Letter

What's the most provocative license plate you've ever seen?

If I wrote one that described our approach at Right Tail, it might be COMPOUND, G3T B3TR, or RITE TAIL.

Well, I saw one recently that grabbed my attention.

"DEBACLE"

It was spelled out clearly. No clever letter arrangements or numbers taking the place of letters. Just "DEBACLE". I guess no one previously had requested this plate.

Now I recognize that I do not know what the owner intended to communicate. But it sure sounds negative, right?

It got me thinking about mindset. How do we view our lives? What are the things that we're most proud of? In what ways was 2024 a good year? Where have we improved recently and over time?

These questions stand front and center from one of my favorite books of the year *The Gap and The Gain* by Dan Sullivan. The Gap refers to the mindset where we are judging ourselves versus an ideal. It connotes something that is lacking or that we are failing to reach our goals. The DEBACLE license plate seemed to signal this type of mindset.

The Gain is the exact opposite. When we are thinking in the Gain, we are realizing the progress we have made. We are recognizing the opportunities we have. And through having this positive mindset, we are happier, more confident and more likely to produce further gains. It's the process of shifting our mindset to focus on long term growth. It requires patience and perspective. It emphasizes progress over perfection. It's amazing that we can train our brains to think more regularly with a positive mindset.

These are all great processes aligned with Right Tail's long-term objectives. 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.

As it relates to Right Tail, it's been another year of significant progress. I've continued to research and understand more industries and companies. Some industries of focus have been convenience stores, insurance, royalty companies, trucking and pest control. I've written more and read a lot. I've continued to exercise and meditate. A dozen new investors have chosen to invest alongside us. I'm checking the stock market less often. I'm trying to focus more on which businesses we want to own and have the highest odds of producing great returns over the next 5 years. I'm also studying artificial intelligence, both the impact it might have on the world and ways that I may be able to use it in our investing processes. So far Google NotebookLM has been one positive discovery (I can upload files and have them



January 2025

nicely summarized into a podcast), and I continue to look for more. I look forward to 2025 both the disciplines that will continue to help us learn and progress and the uncertainty that may present investment opportunities for us.

PERFORMANCE DISCUSSION

Since inception in May 2022, our investments have grown significantly. \$1 million invested using our performance fee structure has appreciated to \$1.35 million; in our management fee structure, it has grown to \$1.38 million. If Right Tail compounds at ~13% per year, this ~\$1.35 million will grow to \$4.58 million in 10 years. If we grow more modestly at ~8% per year, this ~\$1.35 million will grow to \$2.91 million in 10 years. Long term compounding is what we're focused on, and it's great to see that we're making progress. While secondary to finding great investments, we've also been mindful of taxes and have harvested tax losses since inception that outweigh our realized gains.

The value of our investments grew in 2024. Before fees, Right Tail was up 11.7%. Net performance for performance fee investors grew ~10.24% while management fee investors grew ~10.25%. Our companies' fundamentals generally had good years.

Broader market indexes like the S&P 500 had an even better year rising ~24.9%¹. Performance for the broader US indexes was heavily concentrated in the "Magnificent 7" (Apple, Nvidia, Microsoft, Amazon, Alphabet, Meta and Tesla) which on average rose over 60%. Of these larger companies, Right Tail only owns Alphabet which rose ~36%. Years where our relative performance does not hold up to the broader market are to be expected, especially when larger companies which have a bigger index weighting rise so much. Even Buffett's Berkshire Hathaway, which has outperformed the market by 140x the last almost 60 years, has underperformed the market at least one third of the years.

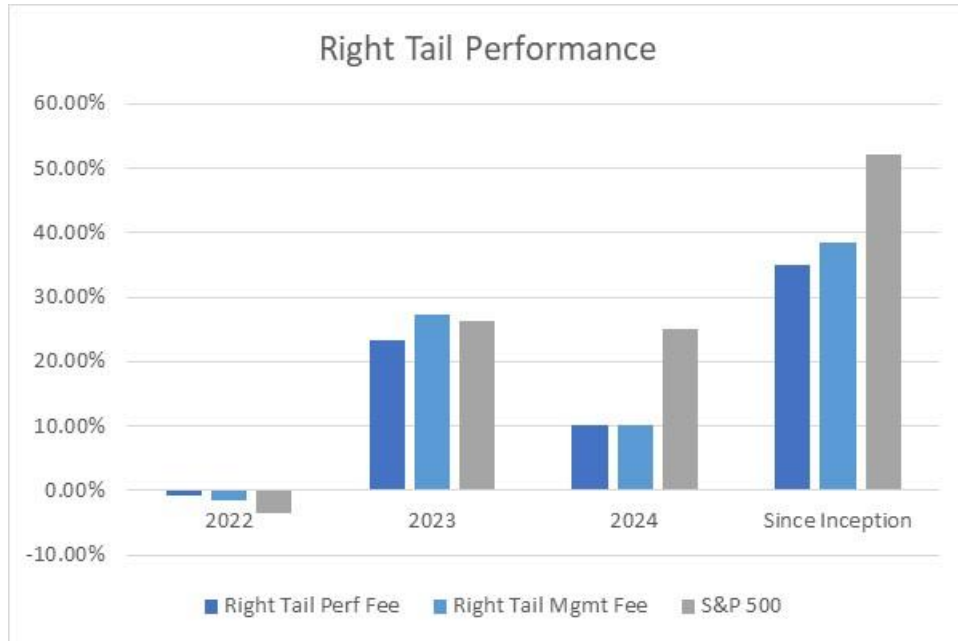
I'm optimistic about what the future holds. Right Tail owns a concentrated portfolio of excellent businesses that I expect to grow faster than the broader market and have higher returns on capital. We also have the flexibility to invest in amazing opportunities rather than owning the whole market when valuations are high. I think the recent performance among a smaller group of larger companies sets up compelling investment opportunities in other parts of the market. I feel great about the businesses we own over the next several years as well as newer opportunities that I'm finding.

¹ Subtracted 9.5 bps of annual fees from S&P 500 total return inline with SPY ETF fees.



January 2025

The chart below shows Right Tail's longer-term performance.



FAVORITE BOOKS AND PODCASTS OF THE YEAR

Like last year's letter where we honored Charlie Munger, here are some of my favorite books and podcasts from this year.

The Gap and The Gain by Dan Sullivan. Please see the above discussion.

The Inner Game of Tennis by W. Timothy Gallwey. Originally written in 1974, I'm always impressed by books with timeless messages such as this one. I've taken away lessons on mindfulness and process over outcome. If you're a tennis fan, you may enjoy it even more! Here's one passage I particularly appreciate, "The player of the inner game comes to value the art of relaxed concentration above all other skills...he aims at the kind of spontaneous performance which occurs only when the mind is calm."

Also here are a few timeless podcast episodes that I have listened to repeatedly:

- Tim Ferriss interviewing Jamie Foxx: <https://open.spotify.com/episode/09htQ8cHixQnqQUOAFNdDP>
- Tim Ferriss interviewing James Clear: <https://open.spotify.com/episode/2xj6m3PQE23EIHsnsj703q>
- Founders' episode #314 on Paul Graham (How To Do Great Work): <https://open.spotify.com/episode/2hQqV8AeQMYfkFJLQ4rCZc>
- Founders' episode #335 on Brad Jacobs: <https://open.spotify.com/episode/4iWLeQEeqFoRNTLvxooJF0N>

As I look towards 2025, I look forward to maintaining and improving the habits and processes that will continue to produce long term compounding of our capital. I'll take one of Andre Agassi's quotes with



January 2025

me, "I've won 869 matches in my career, fifth on the all-time list, and many were won during the afternoon shower." This type of mental preparation and fortitude will continue to serve us well over time.

Many thanks and may you all have a fantastic 2025,

Jeremy Kokemor



January 2025

DISCLAIMER

This review (the "Review") is being furnished by Right Tail Capital LLC ("Right Tail" or the "Firm") for informational purposes only. This Review does not constitute an offer to sell, or a solicitation, recommendation or offer to buy, any securities, investment products or investment advisory services offered by the Firm (the "Offering"). Any offer or solicitation may only be made to prospective eligible investors by means of an Investment Advisory Agreement and Form ADV, which contain a description of the material terms relating to the Offering, including the numerous risks involved. This Review is being provided for general informational purposes only.

Right Tail Capital ("Right Tail") is registered as an Investment Adviser with the states of Virginia and Louisiana. Interested parties should read Right Tail's Forms ADV I and II, available at adviserinfo.sec.gov.

Certain information set forth in this Review is based upon data, quotations, documentation and/or other information obtained from various sources believed by the Firm to be reliable. No representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. This report and others posted on www.RightTailCapital.com are issued without regard to the specific investment objectives, financial situation, or needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Company fundamentals and earnings may be mentioned occasionally but should not be construed as a recommendation to buy, sell, or hold a company's stock.

Predictions, forecasts, estimates for markets should not be construed as recommendations to buy, sell, or hold any security -- including common stocks, bonds, mutual funds, futures contracts, and exchange traded funds, or any similar instruments. Investment strategies managed by Right Tail involve a significant degree of risk, and there can be no assurance that the strategy's investment objectives will be achieved or that significant or total losses will not be incurred. Nothing contained herein is or should be relied upon as a promise, representation or guarantee as to the future performance of Right Tail's strategies. Past performance is not indicative of future results.

Images, graphics, logos, and other designs used in the Review are believed to be in the public domain. A reasonable, but not exhaustive, effort has been made to verify that such images, graphics, logos, and designs are not protected under copyright. However, if any party feels that this Review is in breach of copyright law, it should immediately contact the Firm.

Performance data for the Right Tail Portfolio is based on the advisor's brokerage account which was invested beginning on May 16, 2022. This performance figure has not been audited by any third party. Individual account performance will vary depending on a variety of factors, including the initial date of investment, inflows/outflows, account size, fee class, tax considerations, and transaction costs. Please see your individual account statement(s) for actual account balances and performance.

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.

The information in this Review is not intended to provide, and should not be relied upon for, accounting, legal, or tax advice or investment recommendations. The Recipient should consult the Recipient's own tax, legal, accounting, financial, or other advisers about the issues discussed herein. Nothing in this Review regarding tax strategies, tax savings, tax rates, tax efficiency, or any other statements related to taxes should be relied upon as an indication of Right Tail's suitability to give advice or make decisions with respect to taxes in any jurisdiction.