

Q3 2020 Alta Fox Opportunities Fund, L.P. Quarterly Letter

October 2020

Limited Partners,

In Q3 2020, the fund returned 37.38% gross and 30.77% net. This brought the YTD gross return to 67.64% and YTD net return to 53.25%. The average net exposure during the quarter was 85.4%. Since inception in April 2018, the fund has returned 199.35% gross and 144.72% net compared to 33.75% for the S&P 500, 2.08% for the Russell 2000, and a decline of 2.69% for the Russell Microcap Index. See the below table and appendix for further details.

	Alta Fox Opportunities Fund, LP		Relevant Index Returns		
	Gross Return	Net Return	S&P 500 (SPY)	Russell 2000 (IWM)	Russell Microcap (IWC)
Q3 2020	37.38%	30.77%	8.93%	4.93%	3.69%
YTD	67.64%	53.25%	5.57%	-8.69%	-7.94%
Since Inception	199.35%	144.72%	33.75%	2.08%	-2.69%
Annualized	55.05%	43.04%	12.34%	0.83%	-1.08%

As always, I strive to ignore short-term fluctuations and instead focus on the intrinsic value growth in our portfolio holdings, which over the long run should converge with portfolio performance. I encourage limited partners to do the same (both in times of outperformance and underperformance). I firmly believe that in the long run, our strategy of buying high-quality and underfollowed businesses at cheap prices will deliver attractive absolute and relative returns. Most importantly, our process will remain disciplined with strict risk controls, minimal gross leverage, and a sound research process.

Update: Collectors Universe ("CLCT")

CLCT was discussed extensively in our Q2-2020 quarterly letter so we will not rehash the thesis, but we believe a brief update on the position is warranted given significant events throughout the quarter.

On September 29th, Alta Fox reached a successful [public settlement with CLCT](#). Since our original activism announcement through the settlement date, we have been pleased with significant positive change at the company:

- Five of the eight board members going forward are new
- The company has hired an investor relations firm
- The company will obtain coverage by at least one sell-side analyst within the next six months
- The company has committed to attending at least two investor conferences in 2021
- There is a new Chairman of the Board
- The Alta Fox Board appointee was chosen to lead a newly formed Strategy Committee

These are significant steps to unlock potential value and the stock is up over 100% since our original [announcement of activism](#). CLCT remains a core position for Alta Fox today as we have increased confidence that CLCT's leadership team can capitalize on the significant changes in the collectibles marketplace to drive value for shareholders.

"Makings of a Multibagger" and the Goal for Constant Improvement

Alta Fox consistently seeks to identify exceptionally high-quality businesses at cheap multiples of normalized earnings over a medium-term time horizon of 3-5 years. Our hunt for quality at a cheap price often leads us to structurally inefficient small and micro-cap equities where there is less competition from institutional investors. However, at Alta Fox, we have always indicated our belief that high-quality, attractively priced companies can be found in many places, regardless of market cap. In Q1-2020, the market downturn provided many interesting opportunities outside of our more common market cap style. This year, two of our top contributors to performance have been multi-billion-dollar companies that we had long admired but were not able to purchase at an attractive price until the market meltdown in March. Because we already knew these businesses well and had followed them closely on our watchlist, we were able to act decisively during a market panic. We have also had several strong performing international equities contribute to results this year and we continue to maintain significant exposure outside of North America.

At Alta Fox, we believe a commitment to ongoing "research and development" will likely result in better long-term investing processes and outcomes for our investors. Just as we expect from our portfolio companies, Alta Fox is focused on creating long-term value and building a fortified business that will withstand the test of time. We are very aware that the fast pace of public markets can make it easy to get lost in chasing one idea after the next causing individuals to neglect personal development. Much of our success since inception is attributable to years of studying what has come before and taking a creative and open-minded approach in preparing for what is yet to come. On that note, we continue to deeply study great businesses and stock market outliers. While we keep most of our work internal, we recently decided to publish our ["Makings of a Multibagger"](#) research, which our three interns worked diligently on this summer. Their task was to analyze the top performing small-cap stocks in developed markets over the last five years and draw both qualitative and quantitative conclusions. Eight of the top ten performing small-cap stocks in their report are international companies and this exhaustive study generated healthy internal discussion over how to efficiently improve our process for analyzing the most promising international businesses. Recently, we have been spending more time than usual on international opportunities given the valuation discount that often exists relative to U.S. companies.

Enlabs (NLAB SS)

In the Q2-2020 letter, we profiled our investment in Enlabs for the first time. While the stock has appreciated since our original write-up, our view is the shares have become even cheaper relative to intrinsic value since our original purchase. We believe the company's acquisition of Global Gaming (GLOBAL SS) is likely to create significant synergies, which will add to an already impressive organic growth rate. We believe shares have a realistic chance of tripling in the next three years. Our full analysis can be viewed here: [NLAB](#)

Operational Updates

In August, we welcomed Nicole Lacues to the Alta Fox team as Chief Operating Officer and Chief Compliance Officer. She brings 15+ years of relevant operations, compliance, business development, and investor relations experience. Nicole will be taking over all non-investment related activities, which will free up more of my time to focus on the portfolio. She will be investors' primary contact point going forward so expect to hear from her soon if you have not already. Of course, I am always available if needed.

We are currently evaluating candidates for an [investment analyst role](#). A full job description can be viewed here:

If you know of any exceptional candidates that would be a good fit for this DFW-based role, please have them reach out with their resume and cover letter to info@altafoxcapital.com.

Conclusion

Your continued support has been especially important and appreciated in a year that has been an absolute rollercoaster ride. I continue to remain committed to building a world class investment firm and am proud of our early progress towards that goal. I continue to have the vast majority of my net worth compounding alongside your own capital.

Investors can be added to our email distribution list for all future updates and publicly posted ideas here: <https://www.altafoxcapital.com/contact/>.

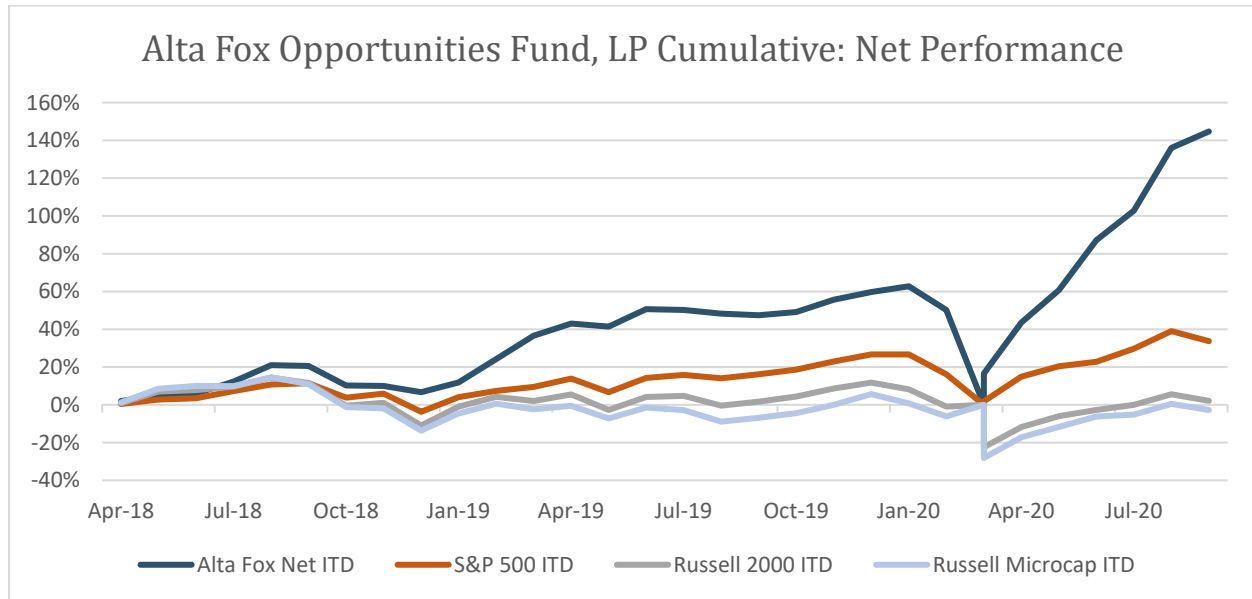
Sincerely,



Connor Haley

Appendix: Historical Performance Figures

	Alta Fox Net	S&P 500	Russell 2000	Russell Microcap
Cumulative Return	144.72%	33.75%	2.08%	-2.69%
Annualized	43.04%	12.34%	0.83%	-1.08%



	Alta Fox Gross Return	Alta Fox Net Return	Alta Fox Net Exposure
Q2-2018	7.82%	6.05%	79.31%
Q3-2018	17.12%	13.68%	85.44%
Q4-2018	-13.57%	-11.52%	77.23%
2018	9.13%	6.67%	80.66%
Q1-2019	35.41%	28.10%	83.00%
Q2-2019	12.39%	10.23%	83.45%
Q3-2019	-2.21%	-2.10%	79.07%
Q4-2019	9.96%	8.29%	77.86%
2019	63.63%	49.70%	80.84%
Q1-2020	-26.77%	-26.98%	75.12%
Q2-2020	66.65%	60.47%	75.17%
Q3-2020	37.38%	30.77%	85.36%
Q4-2020			

2020 YTD

67.64%

53.25%

78.55%

Monthly Performance vs. Relevant Indices Since Inception				
	Alta Fox Net Return	S&P 500	Russell 2000	Russell Micro-Cap
Apr-18	2.03%	0.38%	0.86%	1.25%
May-18	2.80%	2.41%	6.07%	7.22%
Jun-18	1.11%	0.62%	0.72%	1.30%
Jul-18	5.91%	3.72%	1.74%	-0.07%
Aug-18	7.77%	3.26%	4.31%	4.30%
Sep-18	-0.40%	0.57%	-2.41%	-3.26%
Oct-18	-8.55%	-6.84%	-10.86%	-10.90%
Nov-18	-0.25%	2.04%	1.59%	-0.64%
Dec-18	-3.01%	-9.03%	-11.88%	-12.05%
Jan-19	4.86%	8.01%	11.25%	10.49%
Feb-19	11.08%	3.21%	5.20%	5.48%
Mar-19	9.97%	1.94%	-2.09%	-2.95%
Apr-19	4.67%	4.05%	3.40%	1.91%
May-19	-1.14%	-6.35%	-7.78%	-6.74%
Jun-19	6.53%	7.05%	7.07%	6.19%
Jul-19	-0.24%	1.44%	0.51%	-1.36%
Aug-19	-1.33%	-1.58%	-4.88%	-6.29%
Sep-19	-0.54%	1.87%	2.08%	2.28%
Oct-19	1.13%	2.17%	2.63%	2.57%
Nov-19	4.38%	3.63%	4.12%	4.64%
Dec-19	2.59%	3.02%	2.88%	5.70%
Jan-20	1.93%	-0.04%	-3.21%	-4.66%
Feb-20	-7.68%	-8.23%	-8.42%	-6.84%
Mar-20	-22.40%	-12.35%	-21.73%	-23.43%
Apr-20	23.10%	12.82%	13.74%	15.23%
May-20	11.97%	4.76%	6.51%	6.63%
Jun-20	16.43%	1.99%	3.53%	6.25%
Jul-20	8.38%	5.64%	2.77%	1.07%
Aug-20	16.38%	7.19%	5.63%	5.95%
Sep-20	3.68%	-3.80%	-3.34%	-3.17%

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