July 2025

Q2 2025 Right Tail Capital Investor Letter

When was the last time you were blown away by an experience?

Recently, my car failed inspection.

The inspector determined I needed a new windshield. There was a hairline crack from a few years ago that I had previously repaired. The car had since passed inspection several times. The crack was so small that I rarely noticed it.

Nevertheless, it was time to move on…time to replace it.

A repairman came to my house to do the job. It was incredibly convenient. He was on time and easy to schedule. He completed the job in less time than he'd estimated.

Then the experience got even better.

He said, "I'm finished but I'm not happy with it."

"What do you mean?" I said.

"Well, the new glass has a small scratch in it. I will order a new one and come back to replace it." He would not request payment until then.

Incredible honesty. I would not have noticed this tiny scratch, and I may not have cared. It was a great reminder of how amazing people can be. A quiet example of excellence, integrity and continuous improvement in an unexpected place. If we're paying attention, these examples are all around us.

I share this story as I reflect on the first 3+ years of Right Tail Capital. It embodies what I aim to provide you. I'm incredibly thankful for the opportunity to serve you and the journey so far.

Reflecting on Right Tail's 3 Years

As a reminder, at Right Tail we aim to generate excellent after-tax returns through owning high quality public companies for the long run.

Running Right Tail for the last 3 years has been incredibly fulfilling. The relationships I've built with you have exceeded all expectations. It's fun to compound our wealth together and help in whatever way possible. Being able to do this while pursuing my long-term dream makes it even more special.

One investor asked what has been the toughest part since starting Right Tail. It was clearly year one. Doing everything on the business side for the first time combined with making lots of small decisions was a challenge. I felt as prepared as possible going into it and yet was still surprised by how hard it is to get a business up and running. On top of that, I was building the portfolio and aiming to make excellent investment decisions at the same time.

I look forward to compounding our wealth and getting better over time. It's a slow deliberate pursuit that will produce big results over the long term.

Right Tail continues to do well. We've been fortunate to grow from ~$3 million of AUM at the beginning to ~$27M today. I continue to invest right alongside you and remain Right Tail's largest investor. While future compounding is far more important than asset growth, the progress to date is important for several reasons.

The business continues to be on excellent footing for long-term success. I also know how to do everything for business, which is great for all of us. We have a great group of investors that I've been fortunate to get to know from many different periods of life. It's a great mix of friends and family, mentors and mentees, other professional investors, and newer friends who I didn't know before Right Tail.

The period of market volatility surrounding Trump's tariff decisions showed the long-term thinking of our investor base. While not extreme in magnitude relative to history, it's the most volatility we've had in the 3+ years of Right Tail. During one 2-day stretch, the market dropped ~10%. A few investors used the volatility to add to their Right Tail investments. A similar number reached out wanting to hear my thoughts and feeling nervous about the events taking place. Uncertainty always exists and we'll go through more periods of volatility (and greater market drawdowns) over the many years to come. It's a great sign of how our investors think long term. While a very short period of time, the Right Tail portfolio held up extremely well during that period of turbulence.

I've also been fortunate to work with our first intern this summer. This has been an amazing experience for several reasons, some of which include turning over more rocks, sharing a passion for learning and investing, having the opportunity to mentor someone, discussing the portfolio and learning how to better use AI. For example, I find AI helpful in getting up to speed more quickly on companies and industries. I've used a prompt to study management's ownership and leadership. I've also used it to edit my writings and to synthesize Right Tail's first 3 years of letters into a podcast.[1]

<u>Portfolio update</u>

Moving on from an update on Right Tail's business, here's a portfolio update – written by me, not AI.

The businesses we own have strong competitive advantages and returns on incremental capital. ~70% of our portfolio is in companies that we've held for the better part of 3 years, coinciding with the early months of ramping the Right Tail portfolio. This is not a statistic that I manage for. Rather it's an outcome of owning high quality businesses that create value for us over time. It also aligns well with underwriting

[1] https://notebooklm.google.com/notebook/cbcfb2b4-0cd5-4cf5-ab21-aa6aa5184ba1/audio

investments over a 3+ year holding period. There likely will be periods when the portfolio will experience greater turnover, especially when the opportunity set dictates it.

When I think about what I'd like to do better, it's largely what I work on every day. I want to continue to develop insights about businesses and industries. I would love to find businesses even earlier in their reinvestment lifecycle where the opportunity ahead is even greater. I would also like to read and process more – AI will be helpful here.

One way to evaluate Right Tail's progress and decision making is to take a look at what we no longer own. Below I've provided some thoughts on investments I've exited since inception.

- **Charles Schwab (SCHW; exited early 2023).** I detailed the reasons for selling Charles Schwab in the Q4 2023 letter.[2] While the company navigated funding concerns better than expected, and the stock ended up performing well, I felt the thesis had changed. I preferred to spend my time seeking the next great idea.
- **IAC Communications (IAC; exited late 2023).** This was an investment I originally made before Right Tail. Initially impressed by Barry Diller's capital allocation history, I later questioned the quality and competitive positioning of the underlying businesses, especially in tougher environments.
- **Charter Communications (CHTR; exited early 2024).** I'd owned CHTR in various forms since 2015. Over time, rising competition from fixed wireless made me less confident in Charter's ability to maintain its edge.
- **Norfolk Southern (NSC; exited early 2024).** I originally purchased NSC in late 2022. I think the North American rails are irreplaceable assets and had the potential to be run more efficiently over time and perhaps earn the right to move greater volumes. Over time, I did not get the sense that this business was well operated or that returns on incremental capital would improve. I saw better opportunities elsewhere and decided to move on.
- **SSNC Corp (SSNC; exited mid 2024).** I sold SSNC a little over a year ago. Despite recurring revenue and a strong core business, I was disappointed by management's capital allocation and saw better opportunities elsewhere.
- **Boyd Group Services (BYD.TO; exited late 2024).** I detailed Boyd in my Q1 2024 letter[3]. I loved the long-term value creation due to a high reinvestment rate and high returns on incremental capital. I also liked the fact that insurance companies are the primary payors for collision repair. However, I underestimated consumers' reluctance to get repairs done, likely due to rising repair costs and tougher economic conditions.

[2] https://www.righttailcapital.com/_files/ugd/9593df_1210257b171f44759c94bf60d255e38f.pdf
[3] https://www.righttailcapital.com/_files/ugd/9593df_c25defd475aa4e55825da91036fb78eb.pdf

- **Insight Enterprises (NSIT; exited mid 2025).** I discussed NSIT in our Q3 2024 shareholder letter[4]. I considered this part of an investment alongside CDW. For our 2+ year holding period, NSIT was a pretty good investment with the stock arguably performing better than the business. With murky company fundamentals and potential positive change agent ValueAct selling some of their position, I thought it was best to move on from this small position.

Since moving on from these investments, several have had uninspiring performance and some have outperformed – that's pretty typical in investing. More importantly, with each of these sale decisions, I felt our investment thesis had weakened. I chose to steer our capital and research efforts towards investments with a higher likelihood of generating excellent long-term returns.

As I think about the next 3+ years, I look forward to more laughs and learnings and continuing to compound our capital by investing in great businesses for the long run.

Best wishes for a fun, healthy summer,

Jeremy Kokemor

[4] https://www.righttailcapital.com/_files/ugd/9593df_3e3f81b8d7c743ecae38231204a7a121.pdf

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