

Q4 2021 Alta Fox Opportunities Fund, L.P. Quarterly Letter

January 2022

Limited Partners,

In Q4 2021, the Alta Fox Opportunities Fund (“the Fund”) produced a gross return of 3.82% and a net return of 3.04%. The Fund’s average net exposure during the quarter was 76.48%. Since inception in April 2018, the Fund has produced a gross return of 649.50% and a net return of 434.83% compared to the S&P 500’s return of 93.06%, the Russell 2000’s return of 53.98%, and the Russell Microcap’s return of 52.58%.

Alta Fox Opportunities Fund, LP	Relevant Index Returns				
	Gross Return	Net Return	S&P 500 (SPY)	Russell 2000 (IWM)	Russell Microcap (IWC)
Q4 2021	3.82%	3.04%	11.03%	2.14%	-2.66%
YTD	58.11%	45.30%	28.71%	14.82%	19.34%
Since Inception	649.50%	434.83%	93.06%	53.98%	52.58%
Annualized	71.11%	56.38%	19.17%	12.20%	11.93%

As always, Alta Fox strives to ignore short-term price fluctuations and instead focus on the intrinsic value growth in our portfolio holdings, which should converge with portfolio performance over time. We 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.

Review of 2021

The market’s winners in 2021 were very different from 2020 and the winning/losing sectors mostly flipped from 2020 to 2021. I am proud that we outperformed the market in both years despite very different market conditions.

While I am of course pleased with our 2021 results, I am most encouraged by the growth in our investment process and research capabilities. In 2021, we expanded the team’s headcount, talent, strengths, and bandwidth. Research-related KPIs such as the number of meetings with management teams, models created, and other metrics we track hit all-time highs in 2021. The portfolio’s 2021 financial performance displays only a small subset of what our overall research process has produced. In 2021, we continued to go wide and deep, and our watchlist has grown considerably, which should pay dividends down the road.

We made three compelling private investments in 2021, all of which were sourced as a byproduct of our public equity research. We believe all three businesses are high quality and run by excellent management teams. Most recently, we participated in Canalist’s Series C capital raise. As longtime customers of Canalist’s product, we are excited to support the team as they continue to execute on building the best source of public company financial data. Over the past four years, Canalist has

become a critical piece of Alta Fox’s research process, providing us with tools to efficiently conduct deep financial analysis on a significant number of publicly traded companies. For those investors who are not yet using Canalyt, we highly recommend you check it out.

2022 Portfolio Positioning

January 2022 has been a period of violent selling and carnage in the market. While Alta Fox does not generally own loss-generating SAAS companies at aggressive valuations, as a long-biased strategy with significant small-cap exposure, we have not been immune to general market weakness.

So far, the current market environment is proving to be challenging. Starting multiples have been high while the Fed has quickly turned from providing a multi-year tailwind to potentially a material headwind. The net result is that valuation multiples have rightfully come down sharply, particularly for companies not expected to generate any meaningful profits for years.

When we look across our portfolio, almost all of our holdings are in companies that are cash flow positive, have solid growth prospects, and are trading at reasonable to low multiples. As a result, while we have taken down our target multiples for a few of our portfolio companies, our fundamental estimates remain largely unchanged. The bottom line is that our estimated portfolio average IRR has increased meaningfully with the recent market sell-off. In the near-term, changes to valuation multiples drive equity returns, but in the long run, growth in earnings and cash flow per share are what matter.

In terms of portfolio positioning, we remain net long, in-line with the fund’s historical averages. We have some small hedges in more frothy areas of the market, but we continue to be long-term focused and invested in great companies at valuations that make sense to us. We believe this is still a dominant strategy regardless of the market environment.

Portfolio Commentary

We believe the recent sell-off in IDT is a good example of the market violently selling off misunderstood assets without much validity. At the time of this writing, IDT’s share price has declined from a peak of more than \$65.00 in November to approximately \$35.00. This sell-off strikes us as an irrational move based on panic selling and illiquidity rather than changing fundamentals. As a conglomerate with many distinct businesses, IDT is neither easy to understand nor easy to value. The lack of any sell-side coverage does not help, nor does some SAAS-valuation exposure in some of their business segments. Large insider ownership reduces the freely traded float. However, instead of rehashing [the full IDT thesis](#), one can simply look at their most valuable business: NRS.

In the most recent quarter, NRS grew revenue 105% over the prior year. This was triple-digit growth on top of triple-digit growth in the prior year (2-year comp was 321%). That is incredible organic top-line growth. Unlike many other SAAS businesses, NRS is already EBITDA breakeven (achieved in the most recent reported quarter). Therefore, we are dealing with a “Rule of 40” in excess of 100. NRS is a 90%+ gross margin business dominating a niche with no meaningful competition, growing triple digits, and already scaling profitability. Moreover, IDT at the parent-company level has a strong balance sheet with more than \$100M in cash, is generating significant EBITDA across its other business segments, and is managed by an A+ management team with a proven track record of value

creation. We continue to believe that shares of IDT are likely to more than double over the next few years and that NRS itself could be worth \$30 per IDT share in a few years' time.

In addition to IDT, there are several past winners that we had previously sold due to valuation concerns which have now become quite interesting again. This "recycling" of stocks that we know very well and have previously owned can be powerful because we can confidently add to these businesses on market pullbacks.

Finally, the Fund's current largest position is particularly exciting from a number of perspectives. The risk/reward setup reminds us in many ways of our original investment in [Collectors Universe \(CLCT\)](#). We expect to provide an update on this position later in Q1.

Business Updates

The Alta Fox Opportunities Fund remains closed until March 2023, but we are always happy to speak to long-term focused investors that are aligned with our strategy.

We are currently hiring for roles on both the operations and research teams. Please see our [careers page](#) on our website for more details.

Conclusion

We are humbled that you have elected to invest a portion of your assets with Alta Fox. We continue to strive to improve all aspects of our research and operational processes in our pursuit of building a world-class investment firm.

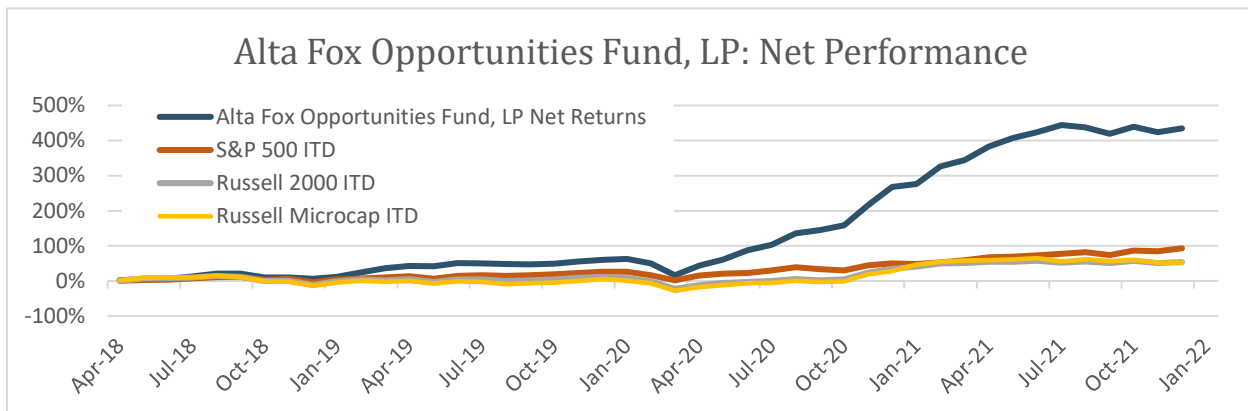
Sincerely,



Connor Haley

APPENDIX: HISTORICAL PERFORMANCE FIGURES

	Alta Fox Opportunities Fund, LP Net	S&P 500	Russell 2000	Russell Microcap
Since Inception	434.83%	93.06%	53.98%	52.58%
Annualized	56.38%	19.17%	12.20%	11.93%



	Alta Fox Gross Return	Alta Fox Net Return	Alta Fox Average 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	58.32%	50.44%	85.86%
2020	165.41%	130.52%	80.37%
Q1-2021	26.24%	20.78%	93.70%
Q2-2021	21.75%	17.93%	83.75%
Q3-2021	-0.91%	-0.99%	75.58%
Q4-2021	3.82%	3.04%	76.48%
YTD 2021	58.11%	45.30%	82.38%

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%
Oct-20	5.53%	-2.66%	2.09%	1.29%
Nov-20	22.50%	10.95%	18.43%	20.44%
Dec-20	16.37%	3.84%	8.65%	7.70%
Jan-21	2.25%	-1.01%	5.03%	14.22%
Feb-21	13.28%	2.76%	6.23%	6.02%
Mar-21	4.27%	4.38%	1.00%	2.31%
Apr-21	8.55%	5.34%	2.10%	0.26%
May-21	5.10%	0.70%	0.21%	1.64%
Jun-21	3.37%	2.33%	1.94%	2.19%
Jul-21	3.80%	2.38%	-3.61%	-5.51%
Aug-21	-1.15%	3.04%	2.24%	3.59%
Sep-21	-3.51%	-4.65%	-2.95%	-2.92%
Oct-21	3.91%	7.01%	4.25%	2.22%
Nov-21	-2.82%	-0.69%	-4.17%	-5.24%
Dec-21	2.04%	4.48%	2.23%	0.50%

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