

Q1 (+1 MONTH) 2025 INVESTOR UPDATE

Langdon Global Smaller Companies Portfolio

Performance	April 2025	Q1-2025	YTD	1 Year	2 Year	3 Year	Since Inception ²
Langdon Global Smaller Companies Portfolio ¹	-0.4%	0.0%	-0.4%	15.3%	14.2%	-	16.0%

1 LEP 210 (Class F) – Performance is net of fees.

2 Since inception date of August 26, 2022.

Performance as at April 30, 2025

Returns greater than one year are annualized.

Past performance is not indicative of future performance. Please see the important information in the endnote below.

What a difference a few months can make! We needed an extra month with this quarter's update to ensure we had the time to properly digest and articulate our views. Conventional wisdom suggested that the Trump Administration would extend the era of "US Exceptionalism" we've seen in financial markets for many years.

We've written several times over the past 2–3 years that we take no position on these kinds of "big picture" or macro agenda items. Instead, we stand firmly behind our promise not to make excuses for our portfolio or its performance. **In fact, our preferred backdrop for generating outsized long-term returns is:**

1. Volatility
2. Uncertainty
3. Pessimism

So, 2025 has kicked off in a way that we believe will be very helpful to our team's ability to uncover attractive opportunities. We've already been busy traveling to track down ideas across the US, Japan, Australia, and the UK—and it's only the end of April!

Consumer discretionary is one area of the portfolio that has seen a negative impact from all the tariff uncertainty. Watches of Switzerland, Thule, YETI, and Do & Co all saw their share prices decline by approximately 20-35%.

In April, we decided to sell our investment in Thule, primarily based on valuation. As we noted [last quarter](#), consumer had been the area of our weakest returns. Reflecting on the challenges we've experienced there – combined with the economic and tariff uncertainty we now face – we decided to reduce our exposure to the sector by a further 20%, which we did through the Thule elimination.

We saw some well-timed announcements help Fever-Tree (a specialty non-alcoholic beverage business) and Dalata (an owner of European hotels) avoid getting caught up in the uncertainty.

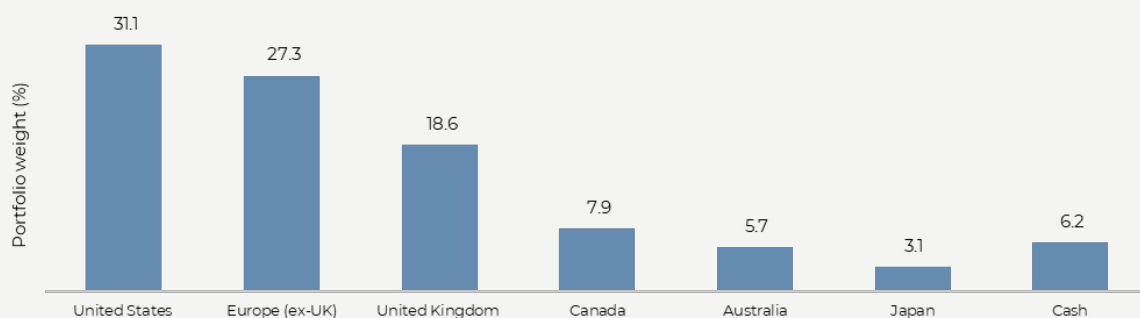
Fever-Tree announced it was selling its U.S. bottling operations to Molson, meaning that by the end of 2025, its product will be made in the U.S. and thus not subject to tariffs. As part of the deal, they also negotiated minimum profit guarantees from Molson, so very little uncertainty exists regarding near-term earnings. They've now transitioned roughly half their business to royalty collection tied to revenue (think Coke or Pepsi), which we believe will make for a much stronger company, as they had been struggling at their size to gain relevance and spend adequately to drive awareness.

Dalata announced on March 6, 2025, that they believed the company's value was significantly higher than what the stock market was pricing. They felt it best to run a strategic review to see if this might lead to an offer or other strategic transaction. Our three-year estimate of their intrinsic value is €8.00 vs. the share price of €5.06 (as of 4/30/2025), and their hard NAV (book value) is €7.00 EUR, so we are not surprised they chose to make this decision.

Our largest consumer investment, Royal Unibrew, was nicely insulated from all the noise, as it has zero exposure to the U.S. and is essentially a European manufacturer and distributor with a small investment in Canada.

The irony that what has transpired over these winter and spring months has been to the benefit of our regional exposures is not lost on us.

Geographic Positioning



Source: Bloomberg. Langdon Global Smaller Portfolio Geographic Positioning as of April 30, 2025.

With about 70% of the portfolio outside the U.S., we are prepared for either a reversal or a continuation of the recent euphoria and fund flows into U.S.-listed companies. We've consistently maintained that we seek the best 30–35 investment opportunities, regardless of domicile.

Lately, we've been finding more value among U.S.-listed holdings and recently bought our first U.S. software business since 2022, after a long stretch where capital deployment there was challenging – primarily due to valuation. The timing of this new investment was serendipitous, as we also exited our position in Esker SA, which was taken private by its management team, and Bridgepoint PLC,

a private equity firm. We earned a very strong Internal Rate of Return (IRR) and Multiple of Capital (MoC), with the Esker takeout price coming in roughly equal to our 3-year intrinsic value estimate. Management wanted to reposition the business's long-term strategy to pursue larger and more frequent M&A, and felt they would be best positioned to do so as a private company.

Private Markets Impact on Small Caps – Fact vs. Fiction

Several successful founders we've met over the years often share how happy they are to no longer have "one owner" and to now operate with greater transparency. Bill Gurley, the famed venture capitalist, has consistently stood by his view that "we need to look at the IPO as the objective" and that "until you get liquid, you really haven't accomplished anything." He went on to say, "What you're signaling when you tell people [to stay private longer] is that you're afraid to play."

This perspective applies not just to technology businesses but also to many of the largest private market investment firms. Eight leading firms are public, with all having IPO'd in the last 20 years. While their leaders often say that "the trend is toward private markets" and suggest that it is the more admirable pursuit, they are, in practice, choosing to take their own companies public.

Private Market Investment Firms: Public Listing Dates and Assets Under Management (AUM)

Firm Name	Year Went Public	AUM
CVC Capital Partners	2024	\$150 billion +
TPG Inc.	2022	\$135 billion +
Ares Management	2014	\$400 billion +
The Carlyle Group	2012	\$385 billion +
Apollo Global Management	2011	\$600 billion +
Brookfield Asset Management*	2012	\$800 billion +
KKR & Co.	2010	\$510 billion +
Blackstone Inc.	2007	\$1 trillion +

Source: Bloomberg, Reuters

*Spun off from Brookfield Corp in 2012

Why are we writing about this? Because we often get asked, ***"Will private companies staying private longer forever hurt our ability to generate strong returns?"*** There are layers to the question, but the most direct answer is no – because IPOs are not, and have never been, a significant source of opportunity for us. Those companies are often hastily assembled, both in terms of strategy and management, which makes it challenging for us to gather the data and track record needed to assess their true worth. Not to mention, there's usually a ridiculously short period to do the work, followed by intense competition among investors for allocations.

We prefer to follow companies through periods of stress before investing. That often means it's years after an IPO before we're in a position to commit to full diligence.

There have been exceptions, like Skyward Specialty Insurance, where we did invest at IPO. In that case, we had known the CEO and senior team for over three years when it was still a private company within Westaim. In fact, through our ownership of Westaim, our diligence on Skyward goes back more than five years. Since going public, Skyward has delivered over 2x MoC and a 65% IRR for us.

In our view, this is far more likely to be a temporal shift than a structural one – part of the natural evolution of capital markets and capital formation. That said, the growth of private markets and their desire for liquidity means we're now seeing a rapid convergence between private and public markets, which we welcome.

Ultimately, we believe the investment world is divided into alpha generators and beta providers—and that's true across credit, equity, private, public, large, and small. We remain laser-focused on delivering alpha for our clients.

The best part of small caps is that the universe is 10x the size of large caps, so we're not lacking for opportunity. Even though the last three years have been among the worst for IPOs in decades, we've still seen approximately 1,750 companies come to market – most of them considered small caps.

The more interesting question is: why hasn't there been a deluge of IPOs, despite stock markets sitting at or near all-time highs, a loud drumbeat for distributions to private equity LPs, and interest rates stabilizing and starting to ease? It may suggest that private markets are still digesting the multiple compression of the last 2–3 years in listed markets – and the reality of significantly higher interest rates. The health of companies acquired or expanded between 2019 and 2023 may need more time before they're fit to turn pro.

Portfolio Attribution

On the positive side, performance continues to be driven by a variety of sources, with no single theme dominating over stock selection.

Notable drivers include the following:

- BayCurrent, year to date performance of 52%
- Euronext, year to date performance of 43%
- Andlauer Healthcare, year to date performance of 27% (acquired by UPS)

The major detractors over the period included Johns Lyng, where the market expressed concern over their ability to win back insurance customers in key regions, as well as Watches of Switzerland and YETI, both of which we believe were impacted primarily by tariff uncertainty.

From a sector perspective, financials and consumer staples delivered strong performance, while consumer discretionary and industrials accounted for most of the weakness.

Over the past 12 months, we've conducted 382 company meetings across 10 countries and 38 cities. Yet, only a small number of new names have entered the Fund. The bar remains high, as we believe the current portfolio offers a compelling risk/reward profile. Our focus continues to be on building a collection of durable, value-creating businesses that can deliver strong absolute returns across a range of market environments.



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