langdon

PARTNERS

Q4 2025 INVESTOR UPDATE

Langdon Global Smaller Companies Fund

Net Performance[1]	Q4 2025	1 Year	3 year	Since inception[2]
Langdon Global Smaller Companies Fund	0.7%	5.4%	19.0%	16.4%
Benchmark Return**	2.2%	11.3%	15.1%	14.0%
Value added	-1.5%	-5.9%	3.9%	2.4%

1 Inception date of Fund is 27 June 2022. Performance numbers as of 31 December 2025. Performance numbers less than one year are cumulative while numbers greater than one year are annualised. Past performance is no guarantee of future results.
** Benchmark is MSCI World Small Cap Net Index for all periods. Please note that the Benchmark from inception to September 22, 2023, was MSCI World Small Cap Index

The Langdon Global Smaller Companies Fund increased 0.7% in the fourth quarter of 2025 and delivered a return of 5.4% for the full year.

While the Q4 result was disappointing in isolation, 2025 reflected many of the defining characteristics of investing in global smaller companies: elevated volatility, sharp shifts in sentiment, and frequent disconnects between short-term share price movements and long-term business value. These are features of the asset class that we consider necessary preconditions to generate material outperformance. We have capitalized on these factors and intend to continue to do so over the medium and long term.

As we reflect on the year and look ahead to 2026, our conviction in the portfolio remains high. We believe today represents the strongest opportunity for future value creation since we launched the firm in 2022. It remains a concentrated collection of businesses with durable competitive positions, strong balance sheets, and management teams capable of compounding intrinsic value at a high rate through cash earnings growth. Periods such as 2025 test patience, but they also reinforce the importance of discipline and long-term orientation in this segment of the market.

Market and Portfolio Context

Global equity markets in 2025 were shaped by a familiar mix of crosscurrents: easing inflation, shifting expectations around interest rates, uneven consumer demand, and ongoing caution toward economically sensitive and smaller-capitalization companies. While large-cap indices performed reasonably well, smaller companies experienced significantly greater dispersion, with sentiment often swinging sharply in response to short-term data points.

During the first part of the year, global equities experienced a sharp drawdown as investor sentiment deteriorated and risk appetite contracted. While the Fund was not immune to this volatility, its drawdown was materially less severe than that of the broader market. At the height of the volatility, the fund declined by less than 6%, compared with more than a 13% drawdown for the MSCI World Index.

We view this outcome as a meaningful real-world stress test of our approach. Importantly, the Fund’s relative resilience was not the result of market timing, macro positioning, or exposure to defensive factors. Instead, it reflected the underlying quality of the businesses we own, including balance-sheet strength, cash generation, and management teams that can adapt operating plans as conditions tighten.

Periods of stress often expose the difference between concentration on ideas and concentration on risk. While the portfolio is intentionally focused, it is not constructed around narrow themes or single-factor exposures. We believe true diversification comes from owning a small number of well-understood businesses with different economic drivers, rather than from owning many variations of the same macro or factor trade. In contrast, portfolios concentrated in popular themes or factors can appear diversified on the surface, but often experience correlated drawdowns when sentiment shifts.

The Fund's ability to act as a shock absorber during this period also has important implications for long-term compounding. Shallower drawdowns reduce the amount of capital required to recover and allow intrinsic value growth to translate more efficiently into long-term returns. In our view, downside protection during periods of stress is at least as important as upside participation during strong markets.

Attribution and Company Commentary

From our perspective, 2025 was less about aggregate returns and more about how the fund behaved under pressure. In multiple cases, we were able to add to positions where our conviction increased as prices declined, reinforcing long-term return potential.

Several positions that detracted meaningfully in the first half of 2025 rebounded strongly in the second half, particularly in Q4. Others continued to face skepticism despite limited changes in underlying fundamentals.

The largest contributors in Q4 included: **YETI**, a premium outdoor products company; **Watches of Switzerland Group**, a luxury watch retailer; and **CSW Industrials**, a diversified industrial products company.

YETI Holdings

YETI was a significant detractor in the first half of 2025, as concerns about consumer demand, drinkware inventory levels, and discretionary spending dominated the narrative. Share prices declined despite limited evidence of structural deterioration in the business.

In the second half of the year, and particularly in Q4, YETI rebounded sharply and became one of the Fund's largest contributors. The improvement reflected execution rather than a change in the environment. Inventory levels normalized, margins stabilized, and the business continued to generate strong free cash flow.

We believe YETI is emerging from this period with a stronger competitive position and a very strong new product roadmap. Management has demonstrated discipline in inventory and pricing, continued to invest in product innovation, and expanded its direct-to-consumer channel. Over a four- to five-year horizon, we see a credible path to doubling cash earnings and intrinsic value.

Watches of Switzerland Group

Watches of Switzerland followed a similar trajectory to YETI in 2025. The stock was pressured earlier in the year amid macro uncertainty before becoming one of the Fund's largest contributors in Q4.

The recovery reflected improved confidence in management execution rather than a sudden improvement in end-market conditions. The company continues to benefit from its position as a leading retailer of highly desirable luxury watch brands, supported by strong client relationships and disciplined inventory management. Tariffs have hit the Swiss watch industry hard, but companies can mitigate the impact through retail price adjustments, transfer pricing strategies, and tighter cost controls. Today, manufacturers rely on their retail partners more than at any time in the past decade. A good example is Rolex, which now allows authorized wholesalers, such as Watches of Switzerland, to become exclusive retailers of pre-owned timepieces, creating an additional revenue stream alongside service-related income.

We believe Watches of Switzerland remains well-positioned to compound intrinsic value even in a more muted consumer environment. Operational leverage, continued market-share gains, and a focus on return on invested capital underpin our long-term thesis. We see a credible path to doubling cash earnings over the next four to five years.

Gains in YETI, Watches of Switzerland and CSW Industrials were offset by weakness in a limited number of positions, most notably Burford Capital, a litigation finance firm, which was the largest detractor during the quarter.

Burford Capital

Burford was one of the Fund's most challenging holdings in 2025, down about 28%. The stock detracted, reflecting continued investor focus on the timing and predictability of realizations (namely, a very large single case) despite having a diversified portfolio of hundreds of cases and a historical track record of 30%+ gross IRRs.

Our investment case has never depended on smooth quarterly earnings or short-term accounting outcomes. Burford operates a differentiated platform that can deploy capital to deliver attractive returns across a diversified portfolio of legal assets. Long-term value is driven by aggregate cash realizations rather than quarter-to-quarter volatility.

Management remained focused on balance-sheet strength, disciplined capital deployment, and improved transparency around portfolio performance. While sentiment remained cautious, we believe these actions enhance the franchise's long-term value.

Looking ahead, we see a clear path to materially higher cash earnings as Burford's portfolio matures and capital is recycled into new opportunities. Our base case remains that intrinsic value can double over the next four to five years, without reliance on economic tailwinds or multiple expansion. The stock is the cheapest on price-to-book and enterprise value-to-invested capital it has ever been and is poised to deliver regardless of the outcome of its case against the Argentinian government.

A defining feature of 2025 was the dispersion across the portfolio. Consumer-exposed holdings were among the largest detractors in the first half of the year and among the largest contributors by year-end. In our view, this reflected shifts in sentiment, inventories, and positioning rather than meaningful changes in long-term earnings power.

Importantly, the recovery in Q4 was narrow and stock specific. Performance was driven by a small number of businesses executing in a challenging environment, with no major fundamental impairments across our existing investments.

Closing Thoughts

As we enter 2026, we remain cautious about making broad macroeconomic predictions. Our outlook is grounded in a bottom-up assessment of the businesses we own.

Across the portfolio, we see companies entering the year with leaner cost structures, improved working capital discipline, and balance sheets positioned to support both resilience and opportunity. In short, they continue to control the controllables while building stronger businesses over time. Valuations across several holdings remain attractive relative to our estimates of intrinsic value, reflecting continued skepticism around near-term conditions.

We believe this creates a favourable setup for long-term investors. If operating conditions stabilize or modestly improve, the portfolio could benefit from both earnings growth and valuation normalization (which we view as a free option). Even in a more challenging environment, we believe the businesses we own are positioned to compound cash flow and thus value over time.

Just as importantly, we believe the portfolio enters 2026 positioned to deliver a return stream that is differentiated not only in its sources of upside but also in how it behaves during periods of market stress.

Investing in smaller companies requires patience, conviction, and a willingness to look wrong in the short term. 2025 tested all three. It also reinforced why we focus on fundamentals rather than headlines, and why we remain committed to a disciplined, owner-oriented approach.

We enter 2026 confident in the quality of the portfolio and encouraged by the actions management teams are taking across our holdings. We thank you for your continued trust and partnership.

Written by

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