langdon
PARTNERS

Q1 2026 INVESTOR UPDATE

LANGDON GLOBAL SMALLER COMPANIES PORTFOLIO

The stopwatch never lies

Net Performance (CAD, Class F)[1]	Q1 2026	1 Year	3 Year	Since inception[2]
Langdon Global Smaller Companies Portfolio[3]	-15.7%	-9.8%	7.0%	8.6%
MSCI World Small Cap Net Index	3.2%	22.4%	14.6%	13.7%

Net Calendar Year Performance (CAD, Class F)	2025	2024	2023	2022[2]
Langdon Global Smaller[3] Companies Portfolio	6.9%	19.8%	26.7%	-1.7%
MSCI World Small Cap Net Index	14.3%	18.0%	12.7%	1.3%

Dear Partners,

When asked what I love most about investing, I come back to a simple idea: the stopwatch never lies. It is a phrase often used in Formula One, and while our version is not a stopwatch but a NAV posted on a website or in a client statement, the principle still holds.

In Formula One, the stopwatch is the ultimate arbiter. Over 305km performance is continuously measured, comparable, and final. The checkered flag closes the system: every input, strategy decision, execution, and machinery collapses into a single, objective outcome.

Investing aspires to similar objectivity but operates in a far more open system. There is no fixed lap count, no synchronized start, and no agreed-upon finish line. Mark-to-market pricing gives us a "stopwatch," but one that ticks in a probabilistic, path-dependent environment where interim readings can mislead. Outcomes are often judged on arbitrary horizons, quarter, year, or fund life, none of which fully capture the underlying economic race.

And yet, over time, the statement still holds. The stopwatch of compounding does not lie. Cash flows received, capital allocated, and returns earned ultimately reconcile. Alpha cannot be asserted through narrative; it must be demonstrated in outcomes.

This creates the central tension of our craft. In Formula One, outcomes are black and white because the race ends. In investing, outcomes are black and white, but every day feels grey.

So how do we measure progress in the grey?

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[1] Performance as of March 31, 2026. Returns greater than one year are annualized. Past performance is not indicative of future performance. Please see the important information in the endnote below.
[2] Since inception date of August 26, 2022.
[3] LEP 210 (Class F) – Performance is net of fees.

No serious racing team waits for the checkered flag to understand whether it is running a good race. They rely on telemetry, sector splits, tire degradation, pace versus plan, to assess whether execution is compounding small advantages.

Even in Formula One, not all variables are within the team's control. Weather, safety cars, and track conditions can materially influence outcomes over short periods. The best teams do not attempt to predict these factors perfectly; they build systems that can respond to them. Investing is no different. We operate in an environment shaped by variables we do not control, interest rates, liquidity, and increasingly, shifting narratives around technology and disruption. These factors can dominate outcomes in the short term, even when underlying business performance remains strong. The variable we focus on most, and the one we believe has the strongest relationship to long-term value creation, is cash earnings.

Our goal is to roughly double the cash earnings per share of our NAV over rolling five-year periods. As with a listed company, we cannot control our NAV directly; we have much more agency over the underlying fundamentals of the businesses we own.

The paradox remains: we must evaluate ourselves without a finish line, yet be judged as if one exists. The only solution is to ensure that we are running the right race, with the right process, and time horizon and trust that eventually the stopwatch will take care of itself.

If Formula One races ran for five years, they would be almost impossible to watch. Every corner would feel important, every setback would feel like a mistake, and it would become much harder to distinguish genuine progress from noise.

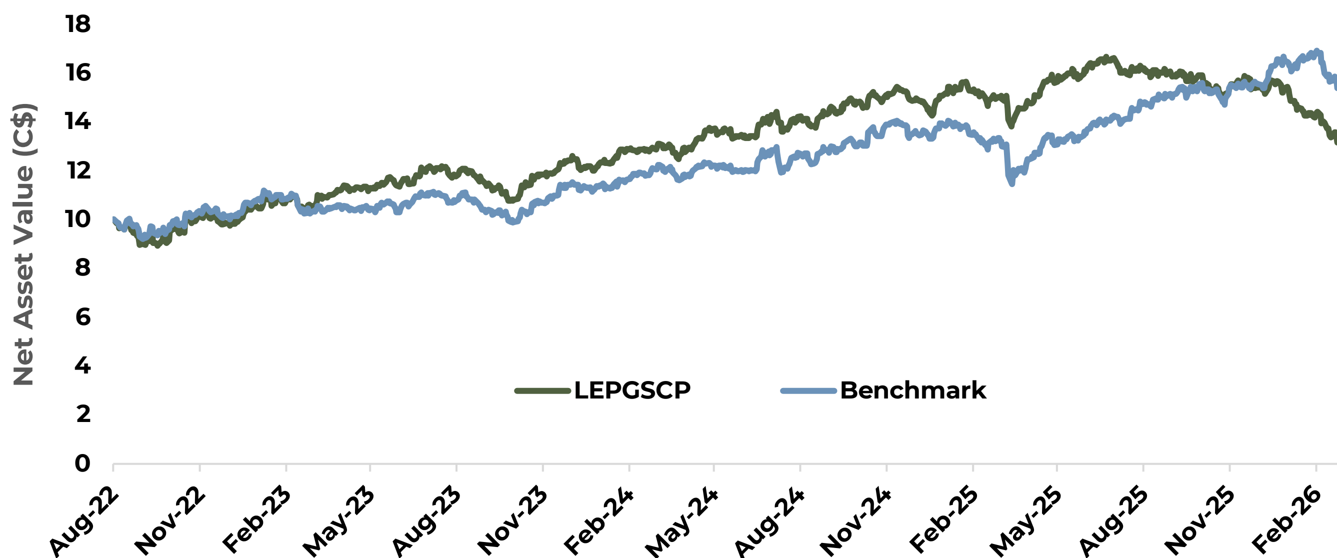
In this commentary, we want to discuss not only the quarter, but also the race we have been running since last summer's peak NAV, and since inception.

Q1 2026 PERFORMANCE

The portfolio declined 15.7% during the quarter, compared with a 3.2% gain for the benchmark. This represents a significant drawdown that we do not take lightly.

BUILDING AND GIVING BACK OUTPERFORMANCE

The chart below shows our performance since inception relative to the benchmark.[4]



As the chart above shows, for most of the race we've run since launching the firm, our clients were in the lead, so to speak.

Over the past nine months, we have given back that outperformance, and client capital would have been better served invested in the broad small-cap benchmark.

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[4] Source: Bloomberg. Benchmark is MSCI World Small Cap Net Index. See disclaimer at the end of this article for additional details on source and/or employed methodology.

This is difficult and important to acknowledge.

It is also a function of the approach we take. A concentrated portfolio of 30-35 holdings will not compound in a straight line. Periods of strong relative performance can be followed by equally sharp reversals, particularly when a small number of positions drive outcomes.

The key question is not the speed of the reversal, but whether the underlying drivers are structural or temporary. We would be more concerned if this reversal were driven by a broad deterioration in the businesses we own.

That is not what we are observing.

What Drove the Drawdown

Over the past nine months, our underperformance has been fairly concentrated, which matches historical periods. Four companies, Goosehead Insurance, Hypoport, Burford, and SmartCraft, accounted for roughly 40% of the relative underperformance and approximately 75% of the absolute drawdown since June 30, 2025.

Importantly, these were not four versions of the same mistake. They are fundamentally different businesses, with different business models, operating in different industries, based in different countries, and driven by different underlying variables. The market has nevertheless grouped three of them, Goosehead, Hypoport, and SmartCraft, into a single basket: companies perceived to be exposed to AI-related disruption. Burford is a separate case entirely.

In Burford, the correction was not AI-related. It was driven by a legal outcome on its largest and highest-profile case that was worse than we expected. We were disappointed by that development and viewed it as sufficiently thesis-relevant to exit the position, at least for now. We will discuss Burford in greater depth in a future piece.

The more important point for this letter is that the drawdowns in Goosehead, Hypoport, and SmartCraft appear to have been driven far more by valuation compression than by clear evidence of business deterioration. As the market has repriced the cost of capital for companies perceived to be vulnerable to AI-enabled workflow change, valuation multiples have compressed sharply across this group. That has created the appearance of a common factor exposure, even though our underwriting in each case was based on company-specific fundamentals rather than a shared macro or thematic view.

We understand why investors have become less willing to pay premium valuations for businesses perceived to sit in the path of AI-enabled change. That caution is not irrational. New technologies often alter competitive positions in ways that are difficult to foresee at the outset, and markets are quick to compress valuations when uncertainty rises. But investing is not a matter of asking whether a risk exists. Nearly every meaningful risk exists. The more relevant questions are how likely that risk is to emerge, how quickly it may emerge, how severe its consequences may be, and, most importantly, how much of that risk is already reflected in the price. On those questions, we believe the current market judgment has become materially more negative than the operating evidence presently supports.

In all three cases, the share prices have fallen dramatically despite continued revenue growth, profit growth, and solid operating execution. Said differently, the market has taken these stocks back toward prices we paid in mid-2022, even though the underlying businesses are now meaningfully larger, more profitable, and, in our view, more valuable than they were then. The market has effectively rewound the prices to 2022, while the businesses themselves have continued to move forward. That disconnect matters. It suggests the primary driver of the correction has been a lower valuation placed on future cash flows, not a material reduction in the cash flows themselves.

That point is especially important because 2025 is no longer a forecast. It is reported history. Goosehead delivered mid-teens revenue and earnings growth in 2025.[5] Hypoport delivered high single-digit revenue growth in 2025, and earnings power exiting the year was materially improved relative to 2024. SmartCraft also delivered solid growth in 2025. In other words, these stocks did not sell off because 2025 exposed broken business models. They sold off despite 2025 showing continued business progress.

Looking ahead, current expectations are for Goosehead to continue growing revenue and earnings at a mid-teens rate in 2026. Hypoport is expected to deliver another year of high single-digit revenue growth in 2026, with earnings in 2026 likely to be roughly 150% above 2024 levels. SmartCraft is also expected to continue growing in 2026, even as the market has become far more skeptical about the durability and strategic value of software businesses exposed to workflow automation themes.

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[5] Source: Bloomberg and Langdon Partners analysis. See disclaimer at the end of this article for additional details on source and/or employed methodology.

None of this means the market is wrong to ask hard questions. We are asking the same ones. What would actual thesis impairment look like? It would show up in lower retention, weakening unit economics, deteriorating competitive positioning, reduced pricing power, or evidence that customers are changing behavior in ways that permanently impair the company's role in the value chain. Those are the indicators that matter. To date, we believe the evidence is more consistent with multiple compression than with that kind of underlying erosion.

The market's recent judgment may ultimately prove too harsh, or it may prove prescient. Our point, for now, is narrower. Current prices appear to assume a degree of damage, and a pace of change, that the present facts do not yet support. It is also important to be clear about what we are, and are not, saying. These were not stocks that simply remained flat while earnings rose. All three created substantial value through June 30, 2025 as operating performance improved and the market recognized that progress. What has happened since is a material reversal. Despite continued growth in revenue, profits, and expected earnings power, a significant portion of that prior value recognition has been given back. The table below illustrates that disconnect.

Expected EBITDA has increased materially since our initial purchases, while share prices have since retraced toward earlier levels[6]

Company	EBITDA			Share Price		
	2023A	2026E	Change	09/30/2022	03/31/2026	Change
Goosehead	$70m	$123m	+76%	$35.64	$42.66	+20%
Hypoport	€51m	€80m	+57%	€89.14	€70.90	−20%
SmartCraft	NOK 167m	NOK 232m	+39%	SEK 15.62	SEK 17.20	+10%

EBITDA, our pre-tax proxy for cash earnings, has increased materially since our initial purchases and is expected to grow further in 2026, even though the share prices are now only modestly higher than, or in Hypoport's case below, where we first bought them.

These have not been static investments in the portfolio, and that is important. One of the advantages of a public-market strategy is the ability to use stock market volatility to our benefit, and historically, that has been a meaningful source of value creation for us.

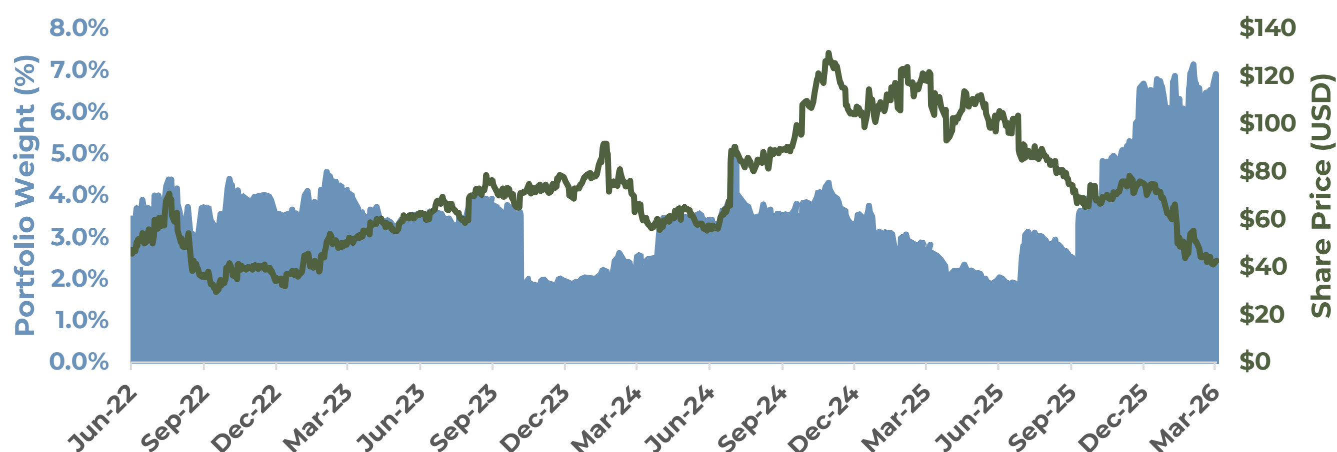
As the charts below show, we have actively reweighted these positions over time, trimming when forward returns appeared less compelling and adding when dislocations widened prospective returns. That is particularly true today in Goosehead and Hypoport, where we have increased both positions to maximum or near-maximum weights.

SmartCraft remains a different case. While the recent decline has improved the valuation, our level of conviction is lower, and we have not used the pullback to add meaningfully. That distinction is deliberate. When the facts change, we reserve the right to change our mind. At present, we believe software sits closer to the center of today's uncertainty than U.S. personal lines insurance distribution or German mortgage intermediation and infrastructure. With many attractive opportunities in our universe today, we do not feel compelled to press equally hard on every drawdown.

[6] Source: Bloomberg and Langdon Partners analysis. See disclaimer at the end of this article for additional details on source and/or employed methodology.

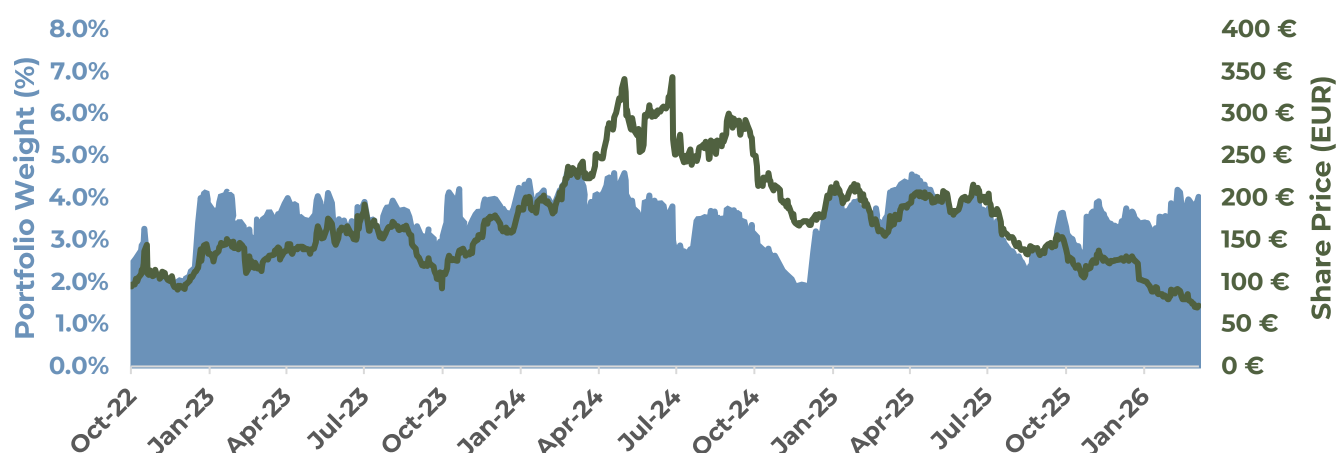
GOOSEHEAD INSURANCE[7]

In the last six months, we increased our position from a minimum to a maximum weight.



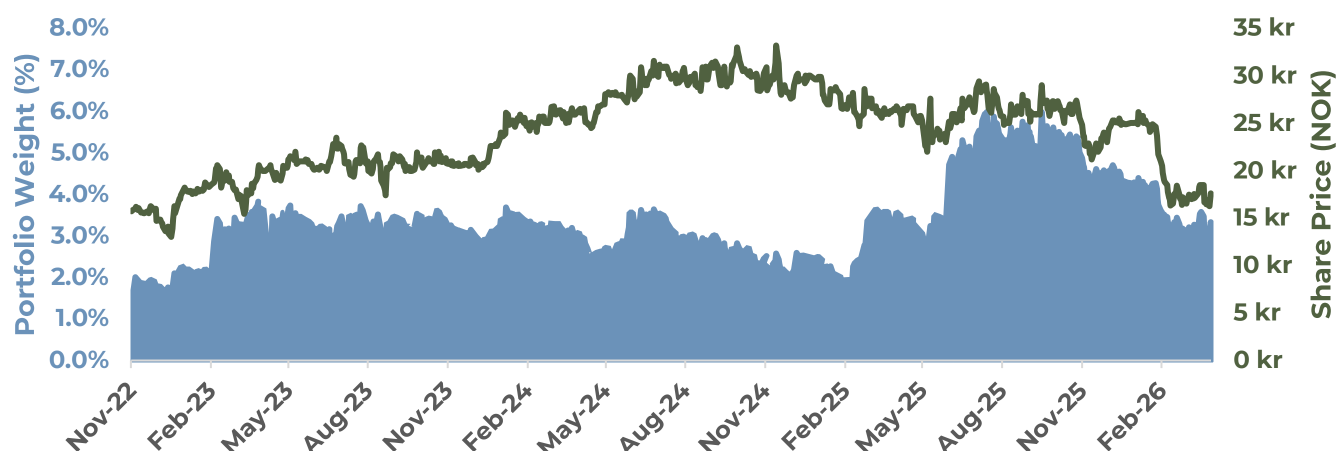
HYPOPORT[7]

We have maintained a mid-weight in Hypoport, despite share price decline.



SMARTCRAFT[7]

We have allowed SmartCraft to decline from a mid-weight to a minimum-weight position.



In periods like this, it can be difficult to distinguish between what is changing in the business and what is changing in the narrative around the business. One structural decision that matters in environments like this is our avoidance of financial leverage. The three companies above all entered this period with strong balance sheets and significant free cash flow, much of which is being used to repurchase shares. At the portfolio level, we entered 2026 at less than

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[7] Source: Bloomberg and Langdon Partners analysis. See disclaimer at the end of this article for additional details on source and/or employed methodology.

1x net debt/EBITDA, well below broad large and small cap benchmarks. This does not eliminate drawdowns, but it ensures we can navigate them on our own terms.

WHAT WE ARE DOING TO COME OUT OF THE FOG STRONGER

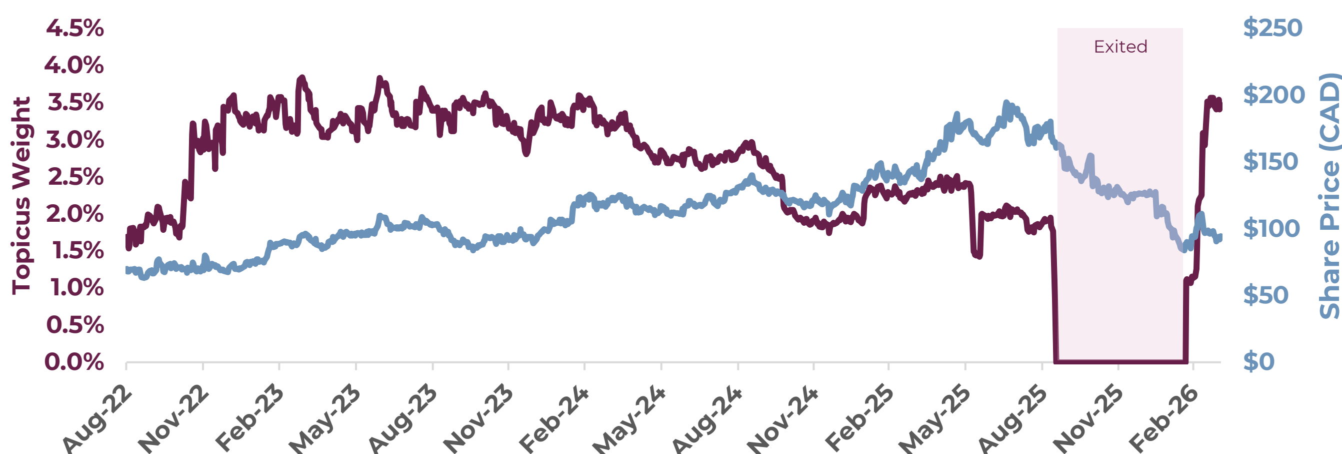
We cannot avoid uncertainty. But that does not mean we need to become a victim of it, or of the volatility it creates. One of our most asked questions to companies going through a difficult period is what they can do within their control to ensure they come out stronger. We are asking the very same thing from ourselves, both as investors individually and as a firm collectively.

The first change has been an increase in process intensity. During the quarter, we implemented a quarterly portfolio review, or QPR, which is a full-portfolio session focused on key operating metrics, changes in conviction, and the follow-up work required after each reporting period. The objective is simple: identify important issues earlier, debate them more rigorously, and shorten the time between new information and decisive action. The first review took more than five hours across 27 portfolio companies and produced a substantial number of follow-ups. That is precisely the point. In this business, timeliness matters, and we believe this process will improve both the speed and consistency of our decision-making.

The second change has been an investment in research infrastructure. After nearly a year of work, we have now rolled out Arnie, our internal research management system. This matters because of the scale of our research funnel. Each year, we meet with hundreds of companies but invest in only a small minority of them. Much of the value in that work lies in information gathered long before capital is committed. Arnie is designed to help us retain, organize, interrogate and compound that knowledge over time so that prior work becomes more reusable, more searchable, and more actionable across the team. We believe this will meaningfully improve our research efficiency and pattern recognition over the years ahead.

The third area is capital allocation within the portfolio itself. Corrections like this create opportunities to de-risk, upgrade quality, and improve forward return potential without necessarily increasing overall portfolio risk. A recent example is our decision to re-initiate a position in Topicus. This is not a new company to us. Between 2022 and 2025, we built and exited a position in the business, generating approximately 2.5x our capital. We sold not because our view of the company deteriorated, but because the forward return no longer justified the valuation. Today, the setup is very different. After a decline of more than 50% from where we exited, we believe the market is again offering us the chance to own a business with a long runway for reinvestment and a demonstrated ability to allocate capital at high rates of return. Importantly, we do not need things to go perfectly for the investment to work. That asymmetry matters. Over time, value is created by allocating capital where forward returns are attractive, exiting when they are not, and being willing to reverse that decision when the facts and price change.

Topicus: We built and exited the position based on valuation discipline, not changes in business quality, and re-entered once the share price had declined by roughly 50% from our exit.[8]



More broadly, this period has reinforced a point we have long believed: volatility is uncomfortable, but it is also useful. It creates the opportunity to refine position sizing, revisit assumptions, and reallocate capital toward better

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opportunities. Our job is not simply to endure periods like this. It is to use them constructively so that the portfolio exits the fog stronger than it entered.

CLOSING THOUGHTS

This has been a challenging period. It has also been a clarifying one.

We run a concentrated portfolio because we believe it is the most effective way to translate insight into long-term returns. That approach will inevitably lead to periods of divergence, both positive and negative. The question is not whether those periods occur, but whether they are driven by flawed underwriting or temporary dislocations.

We believe this period falls into the latter category. Not because we are dismissing the drawdown, but because the operating performance of the businesses we own has not deteriorated in a way that justifies the magnitude of the price decline. Across the portfolio, our companies are projected to grow earnings per share at roughly 23% annually over the next three years, more than double the ~12% expected for the broader market. This is what we mean by running the right race: the cash earnings of our businesses continue to compound even when their share prices do not. If, over time, valuations become less punitive, that would provide further support to returns.

Importantly, we are acting on that view. During this period, members of our team have meaningfully added to the fund, taking advantage of what we see as a widening gap between price and underlying value.

In a strategy like ours, periods of sharp divergence are unavoidable. The key question is whether they are driven by deterioration in business performance or by changes in how that performance is being valued. That is why we stay focused on what compounds. For us, that is the cash earnings of the businesses we own.

We understand that conviction alone is not enough. It must be supported by evidence and, ultimately, by outcomes. We cannot control when those outcomes are judged. **But we can control how we allocate capital, how we manage risk, and how we respond when uncertainty increases.**

Over time, price and value will converge. The stopwatch never lies.

Written by

Greg Dean

Founder and Lead Investor

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Link to the Target Market Determination: **here**

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