langdon
PARTNERS

Q3 2026 INVESTOR UPDATE

LANGDON GLOBAL SMALLER COMPANIES PORTFOLIO

An uncomfortable investment

Net Performance (CAD, Class F)[1]	Q3 2026	YTD	1 Year	3 Year	Since inception[2]
Langdon Global Smaller Companies Portfolio	-1.1%	-8.7%	-9.2%	8.3%	9.6%
MSCI World Small Cap Net Index	-3.6%	16.3%	17.8%	19.8%	15.3%

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

Please see IMPORTANT disclaimer below

Dear Partners,

This is my 16th year managing money for clients. For much of that time I have looked for exceptional businesses and management teams facing a short-term headwind or a material misunderstanding. Such investments can be uncomfortable to own.

A good business does not stop being good because it encounters a difficult year. But neither does a record of success make it immune to change. The work is to distinguish a temporary setback from a problem that changes what the business can earn for its owners. Our willingness to hold an uncomfortable investment must be matched by an equal willingness to change our minds.

Our recent results have put you in a similar position with Langdon. Over the past year, the portfolio has fallen well short of the benchmark. That is disappointing. Part of the shortfall came from industries we chose not to own. Part came from our own decisions. A preference for good businesses and capable management teams is only a starting point. We have to demonstrate what our research and judgment add.

The questions I would ask in your position are straightforward. Knowing everything that has happened, would I choose this team and this portfolio today? And can the portfolio do well even if quality growth does not return to favour? This letter sets out our answers.

---

[1] Performance as of September 30, 2026. Returns greater than one year are annualized. Past performance is not indicative of future performance. F Class. These net performance figures cover the period from August 26, 2022 to September 30, 2026, and has been provided to Langdon Equity Partners Ltd. by State Street Trust Company Canada for the Global Portfolio ("LGSCP"). Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated

[2] Since inception date of August 26, 2022.

PERFORMANCE ATTRIBUTION

Third Quarter

The third quarter brought improved relative performance. The portfolio declined approximately 1%, compared with 3.6% for the benchmark, finishing roughly two and a half percentage points ahead despite a difficult September. We remain well behind for the year, but the quarter included meaningful contributions from both established holdings and newer investments.

Top contributors for the quarter	Top detractors for the quarter
Planisware	Hypoport
Euronext	ATS Corporation
Baycurrent	YETI

Year to Date

The year-to-date comparison tells a broader story. Approximately 40% of the relative underperformance came from industry groups where we held no investments. Hardware and semiconductors, healthcare (primarily biotechnology), and materials. These are meaningful parts of the benchmark, but they have not been where we have found the most compelling combinations of business economics, capital allocation and price.

That positioning works both ways. During the third quarter, those same unowned industry groups accounted for roughly 60% of our relative outperformance. The reversal is worth noting: the portfolio's differences from the benchmark did not disappear, but the effect on returns changed.

Top contributors, year to date	Top detractors, year to date
Watches of Switzerland	Hypoport
Euronext	Burford Capital
L1 Group	Goosehead Insurance

Hypoport and Goosehead remain meaningful weights in the portfolio as stock prices continue to be disconnected from business progress. Burford raised a different issue, and we sold it in early April. In our view, slower cash collections and continued investment, supported by borrowing, made the business more vulnerable to the adverse legal outcome. The experience reinforced the need to examine not just expected returns, but the funding required to reach them and the consequences of unlikely but severe events.

Within the portfolio, the year's results have also been far from uniform, however, there has been more progress than the portfolio's return suggests. A number of companies have delivered ahead of our expectations, but what matters for investors today is how much of that progress remains ahead of us and how much we are paying for it. We think the combination is particularly attractive.

SECOND ORDER THINKING: WHO PUTS THE INTELLIGENCE TO WORK?

The first question investors have asked about AI is who gets paid to build it. We think the next question deserves more attention: who will earn the best returns from putting it to work?

There is a tension in the economics. Enormous sums are being committed to developing the technology, while access to capable models has become dramatically cheaper. That could be a better bargain for the businesses using the intelligence than for the shareholders funding it.

For those funding the build-out, the equipment must earn its keep before it needs replacing. The debt must be repaid. And today's returns must survive the arrival of more capacity. We have struggled to get comfortable with those assumptions in parts of the market. Believing in the technology does not require us to like every investment attached to it.

But consider the same development from the perspective of a capable management team. What could increasingly powerful, inexpensive intelligence allow them to do for their customers, and earn for their shareholders?

Some of the biggest beneficiaries could emerge from the industries being labelled as vulnerable to disruption. Replacing a task is not the same as replacing a business.

A company with valuable customer relationships and strong distribution may be able to remove work that has always constrained its growth (Hypoport). Less administration could mean more time advising clients (Goosehead). Faster quoting and scheduling could allow a service business to complete more jobs. Better tools could let the same team tackle work it previously lacked the capacity to deliver (Baycurrent).

This is not simply a headcount-reduction thesis. It is an opportunity to grow without costs growing at the same pace. The difference can become cash for shareholders, provided it is not consumed by implementation costs or competed away through lower prices.

There is already capital backing this idea. In September, Michael Dell's family office and Sequence Holdings agreed to take insurance broker Baldwin private, with plans to use AI to improve its operations, products and services. They are backing a team to change what a business can earn, not merely buying exposure to the build-out.

That is the question we are asking in our portfolio. Which teams can turn these capabilities into better service, stronger customer relationships and more cash per share? And what are we paying for that possibility?

We are not counting on our businesses being left untouched by AI. Part of what excites us is what the people running them can do with it, and where we believe the market is giving them too little credit.

TESTING OUR INVESTMENT CASES

Baycurrent: Staying the Course When it was Uncomfortable

Baycurrent was caught up in concerns that AI would reduce the need for consultants. We took that risk seriously, but believed the market was overlooking an important difference: Japan's IT sector is structurally distinct. Consulting firms often play a less discretionary role than they do in other developed markets, acting as critical IT partners to their clients.

That position could make Baycurrent more relevant as AI changes how businesses operate. Clients need help deciding where to invest, adapting their operations and putting new technology to work. We believed Baycurrent's people and client relationships positioned it to help.

We also thought the market was underestimating Baycurrent's recruitment of experienced consultants in areas such as cybersecurity and defence. Those hires bring expertise that can broaden the work it does for existing clients and open new relationships. The hiring cost was immediate; we believed the potential return deserved more weight.

Results released in mid-October, after quarter-end, strengthened our view. In the quarter ended August 31, revenue grew 42%, and operating profit grew 39%[3]. Both exceeded our expectations, despite continued investment in hiring and development.

The mix of growth was especially encouraging. Management said AI-related work accounted for 50-60% of first-half revenue, while cybersecurity and defence together represented approximately 10%. The opportunities we had identified were becoming meaningful parts of the business.

Free cash flow per share has increased 60% over the past three years, and the earnings multiple has increased from 18x to 30x in 2027, leading us to exit this investment. Our clients have earned about 2.5x their capital on this investment (~40% IRR), with our resizing during periods of market volatility contributing meaningfully to the return.[3]

Volex: Opportunity Hidden in Plain Sight

Our ownership of Rosebank led us to Volex, a competitor of one of Rosebank's acquired businesses. We found a highly aligned management team that had transformed a historically mediocre business into one we wanted to own. Our existing network helped us move quickly, arranging several management meetings and time with the Chairman at April's investor day. We established a position during the quarter.

Data centres, defence, electrification and life sciences offer attractive growth. But we are not simply buying exposure to those markets. We believe Volex can turn more of that growth into operating profit than consensus expects.

---

[3] Past performance is for illustrative purposes only and is not indicative of future performance.

Two customers account for roughly a third of their revenue. That is a risk, but the percentage alone does not tell the whole story. As with Watches of Switzerland and Rolex, the strength of the relationship matters. Volex is a critical supplier, has gained share with these customers and has successfully navigated similar concentration before.

Organic growth and margins have been strong since Volex set its five-year targets in April 2026. We believe it can exceed those targets one to two years early, before any upside from acquisitions. We expect earnings to grow around 20% annually over the next three years. At 14 times our FY2027 earnings estimate, we do not think the price gives enough credit to that progress.

Euronext: Operating Progress Against our Expectations

When we bought Euronext in 2023, we believed the market still viewed it primarily as a cash equities trading business. That overlooked the growth potential in fixed income trading, clearing and data solutions. Those opportunities have contributed to substantial earnings growth, and the market now assigns the business a higher valuation.

Measure	Progress
Cash earnings growth since our purchase	Approximately 50%
Earnings valuation	Historically ~15x; now ~20x forward earnings
Return on our investment	Nearly 2x invested capital; ~25% IRR
June-quarter revenue growth	17% reported, including 10% organic growth
Revenue vs. our expectations	In line
Operating profit vs. expectations	8% above our underwriting; 12% above consensus
Free cash flow yield on our 2027 estimates	6%

The latest results illustrate the appeal of Euronext's economics: revenue can grow without a proportionate increase in costs, allowing more of that growth to reach shareholders. Revenue met our expectations, but operating profit exceeded them.

We also see opportunity in how management puts the resulting cash to work. Its discipline in passing on expensive acquisitions has preserved balance sheet capacity. With some competing buyers still occupied with previous acquisitions, we believe Euronext has room to pursue meaningful deals and build on its record of creating value.

Our original thesis centred on underappreciated organic growth. Today, we believe the market gives too little credit to Euronext's acquisition capabilities and the capital available to deploy them. Combined with its valuation, that is why it remains a large holding in the portfolio.

L1 Group: Backing the Builders

L1 Group, an Australian-listed investment manager, illustrates why we put a lot of work into very few opportunities. Time spent with its founders gave us conviction in their plans to grow the business. We participated in the company's equity raising as its second-largest cornerstone investor, buying shares with a long-term view of the earnings and cash flows those plans could generate.

The appeal was straightforward: proven investors, meaningful amounts of their own money at risk and a credible plan to build. L1 backs talented investors using its balance sheet and the founders' capital, retaining a stake in the businesses they create. As those teams deliver and attract clients, they can build recurring fee income for years.

Twelve months on that plan is taking shape.



Source: L1 Group ASX announcements; Langdon. Amounts in A$. A$311m = A$286m placement + A$25m share purchase plan. GLS raise of up to A$483m announced October 6, 2026; the retail offer closes October 23, 2026.

Investment performance has been strong, and they have already raised nearly half the capital we expected by June 2027. We expect free cash flow per share to double over the next three years. At 16 times our FY2027 estimate, we think L1 is one of the best opportunities in the portfolio.

Freee: Examining an Investment we No Longer Own

We sold Freee, the Japanese cloud-accounting software business, because we concluded that its cash profits did not yet offer the resilience we require.

The business continued to grow. Our May review described a largely uneventful quarter, with expenses tracking within guidance and the company reinvesting productivity gains into hiring and AI. Our forecasts still anticipated a substantial improvement in profitability by fiscal 2028.

That improvement depended on revenue continuing to grow while the pace of investment slowed. We became less comfortable with how much of our investment case rested on that combination. If product development and customer acquisition required more spending for longer, Freee had relatively little cash profit left after investment to absorb the difference.

Freee's growth opportunity remained significant. Reinvestment is central to our philosophy, but we also need confidence in what that spending will earn. The lesson for us is to put greater weight on the cash a business can generate under more demanding assumptions. A forecast of substantial future profits must withstand a harder question: what happens if achieving that growth costs more than we expect?

THE RETURN CASE AT TODAY'S PRICES

The sources of growth differ. YETI's case does not require margin expansion; Volex's includes operating improvement. Euronext has delivered organic growth above our expectations, while L1 is adding potential fee income and diversifying its sources of cash generation.

At below 19 times forward cash earnings, our 20% annual cash-earnings-growth assumption, if delivered, implies 20% annual capital appreciation over three years at an unchanged multiple.



Illustrative: return ≈ (1 + earnings growth)³ × (exit multiple ÷ 18.5x), annualized. Cash-earnings growth and 18.5x from Langdon portfolio estimates (current holdings). Excludes dividends, net cash, fees, taxes and currency. Forecasts are not guarantees of future performance. If growth is lower, every bar is lower.

Illustrative capital appreciation, not a forecast of net portfolio returns. The calculation holds annual per-share cash-earnings growth at 20% and varies the terminal multiple; it excludes dividends, net cash, fees, taxes and currency. Lower earnings growth reduces every result.

The chart tests different valuations against the same earnings assumption; it does not establish that the earnings will be delivered. That is why the company-level evidence and the capital required to reach those earnings matter. Approximately 80% of the portfolio is below one times debt to EBITDA. We want businesses able to finance their progress without needing a share-price recovery first.

WHY I WOULD COMMIT CAPITAL TODAY

Our research continues to reinforce the importance of patience, discipline and a willingness to challenge our assumptions. At Watches of Switzerland, two years of patience are beginning to pay off. Our global perspective and ecosystem approach to research led us to a new investment in Volex. At YETI and L1, further evidence strengthened our conviction in the earnings and cash flows we believe these businesses can generate. The same discipline led us to exit Freee when our investment thesis no longer held. At Euronext, Diploma and Baycurrent, we saw how skilled capital allocation and reinvestment decisions made over several years can deliver results ahead of even our own expectations. We believe similar opportunities exist across the portfolio today, where the benefits of decisions being made by the management teams we have partnered with are not yet fully reflected in earnings or share prices.

While the outcomes differ, the approach remains the same: understand the business, continually test our assumptions, and remain disciplined about the price we pay.

With three additions since June, the team has more capacity to develop and challenge these judgments. For partners considering additional exposure to global smaller companies, we believe today's portfolio warrants an increased allocation. We would welcome the opportunity to work through the cash-earnings assumptions, valuations and downside cases with you.

Our objective remains to earn attractive returns ahead of the benchmark over the period you entrust us with your capital. That responsibility extends equally to partners who joined near the summer 2025 peak. An attractive opportunity from here must ultimately translate into a worthwhile result on the capital you invested.

Thank you for your trust and the opportunity to manage your capital.



Written by

Greg Dean

Founder and Lead Investor

DISCLAIMER

This article is prepared by Langdon Equity Partners. Content in respect of the Langdon Smaller Companies Fund (ARSN 657 901 614 (the Fund) is issued by Pinnacle Fund Services Limited ABN 29 082 494 362 AFSL 238 371 ('PFSL') as responsible entity of the Fund. PFSL is not licensed to provide financial product advice. It contains general information only, including any companies identified by name and/or their respective trademarks. It is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice before doing so.

All statistical figures (exact and/or approximate) referenced throughout this article including all tables, charts and graphs, have been derived from publicly available sources, our own internal research/analysis, or a combination of both, unless described otherwise. Underlying data can be provided upon written request.

Past performance is for illustrative purposes only and is not indicative of future performance.

While Langdon Equity Partners Limited ('Langdon') and PFSL believe the information contained in this communication is reliable, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Langdon and PFSL disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. This disclaimer extends to any entity that may distribute this communication.

FOR AUSTRALIAN CLIENTS:

The Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') of the Fund are available via the links below. Any potential investor should consider the PDS and TMD before deciding whether to acquire, or continue to hold units in, the Fund.

Link to the Product Disclosure Statement: **here**

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

For historic TMD's please contact Pinnacle Client Service Phone 1300 010 311 or Email service@pinnacleinvestment.com

FOR CANADIAN CLIENTS:

Important information about each Langdon mutual fund is contained in its prospectus, fund facts document and in its management report on fund performance. Any potential investor should review these documents prior to making any investment decision relating to such fund. You can view copies of these documents by following the links below.

This document may contain forward-looking statements which reflect our current expectations or forecasts regarding future events. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof.

Forward-looking statements are subject to predictive risks and uncertainties, and actual results could differ materially from those expressed or implied in these statements. Forward-looking statements are not guarantees of future performance, and investors are cautioned not to place undue reliance on these forecasts. Unless required by applicable Canadian law, we assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances.

Link to the Langdon Global Smaller Companies Portfolio Disclosure Documents: **here**

Link to the Langdon Canadian Smaller Companies Portfolio Disclosure Documents: **here**