

System Capital Long Short Strategy



Monthly Report

November 2025

PLEASE FIND OUR NOVEMBER 2025 NEWSLETTER BELOW. COMMENTS AND SUGGESTIONS ARE HIGHLY WELCOME.

STRATEGY PERFORMANCE OVERVIEW

The fund declined 0.9% in the month, bringing 6-month performance to -3.4% and one year performance to 1.8%.

COMMENTS ON RECENT PERFORMANCE

Given the disappointing performance of the portfolio over the last 6 months we thought it would be helpful to provide some commentary around our performance.

Index returns in the last 6 months have come from AI (Artificial Intelligence) beneficiaries, small caps and resource stocks which are areas we largely do not participate in. The strongest factor exposures for the index have been price momentum and beta, with quality and free cash flow yield factors materially underperforming.

As a reminder we are focused on a 10% absolute return target after fees and are significantly differentiated from the index in terms of positioning. Our net long (75-80%) also means we do not have full exposure when markets are trending strongly upwards.

From a portfolio level our returns can be attributed to the following:

Quality growth names have not participated in the market re-rate. S&P Global, MSCI, Mastercard, Visa and Lottery Corp were all flat or marginally down in the period. These stocks were roughly 36% of the net value of the portfolio.

FOUR MEANINGFUL POSITIONS WERE NEGATIVE IN THE PERIOD.

Cellnex (6% position): Cellnex is a Spanish cell tower business which fell 23%. We believe the de-rate relates to market concerns about M&A between telco operators which would impact the demand for some of Cellnex's towers. We believe that revenues are strongly protected by the contract terms, very high switching costs of moving telecom equipment and the all or nothing nature of the contracts. We covered Cellnex in our October monthly. We remain highly convicted that Cellnex will turn out to be an excellent investment based on the very strong free cash yield in outer years and have used the opportunity to increase our position.

Flutter (5% position): Flutter is the world's leading sports betting and iGaming business which fell 16%. The fall was largely due to the entry of "prediction market" companies into the US gaming space. These companies operate under a different set of legislation to the traditional gaming companies, allowing them to pay minimal tax and enter US states even where gaming is not allowed under state legislation. Flutter has countered by launching its own prediction product in key states that do not yet have a sports or iGaming license and has so far lost minimal market share to these new participants. We have spoken to Flutter, Entain and DraftKings and have done extensive work on the economics of the prediction market and remain comfortable with our position.

Equifax (6% position): Equifax is a dominant information services business with the #1 database of US employment and income information as well as being a leading credit bureau. Equifax fell 19% largely because of a significantly weaker refinancing and new home market in the US, which resulted in less credit and work verification enquiries than expected. Margin guidance was also slightly worse than expected. We believe structurally the business is in a very good position heading into 2026, however we clearly did not predict short term mortgage application volumes correctly during the period and overestimated management's ability to control costs in the short term.

Hemnet (3% position): This is a smaller weight for the portfolio but meaningful for performance given the size of the drawdown (down 42%). Hemnet is Sweden's #1 real estate platform, but performance has been challenged by a very weak housing market (listings down 20%) and intense competition from a free challenger site (Booli) which aggressively scrapes real estate listings and has attracted more web traffic of late. We were incorrect both in our judgement of earnings and the structural strength of the business. We recently met with the management team of the business as well as that of the competitor and are reassessing our valuation from a bottom-up basis (see monthly commentary below).

These negative positions were offset by strong performances in Ferrovial (+27%), Enel (+13%), Navigator (+80%), Safran (+11%), Basic Fit (+23%) and Amazon (+14%).

Importantly despite the strongly rising market, shorts also contributed to performance.

RECENT POSITIONING

We have been adding to some of our strongest ideas (Cellnex, Flutter as well as several smaller weights) while keeping net exposure in the same range. Short positions which were initiated in October significantly helped in November with over 100 bps of positive attribution from our short book in the month. This has helped to drive the performance of our portfolio despite our long book continuing to be hit by the issues outlined above.

What are we doing to fix it

The team is working hard to re-underwrite every position from both a structural perspective (making sure the business will be stronger in 5 years' time) and a cyclical perspective (getting in front of any earnings revisions for CY2026). Michael Aynbund and Lev Margolin have recently spent 10 days in Europe and had the opportunity to meet many of our portfolio companies (20+ CEO/CFO meetings) which should enable us to form a reasonable view of management expectations going into 2026. We are also reassessing whether we could have more strategically sized our largest positions to align more closely with catalysts.

Position Type	Nov 25
Short Positions	32
Long Positions	38
Total Positions	70
Of which Index Positions	4

Region	Gross Long (%)	Gross Short (%)	Net Long (%)
Europe	55	-26	29
North America	54	-17	37
Asia	3	0	3
Australia/NZ	14	-3	11
Total	126	-46	80

	Month (%)	3M (%)	6 Months (%)	1 Year (%)	2 Year p.a.	3 Year p.a.	Cumulative Since Inception	Since Inception p.a.
System Capital L/S	-0.9	-6.3	-3.4	1.8	15.2	17.1	65.7	17.7
MSCI World AUD Hedged	0.3	6.1	14.7	15.5	21.6	17.9	74.1	19.6
Stoxx 600	1.0	5.1	5.8	16.0	14.8	12.4	53.4	14.8
ASX 200	-2.7	-3.0	3.8	5.5	14.1	9.7	42.1	12.0

Performance is in AUD (Hedged) and is before fees. Cumulative Returns and Annualised Returns from 26th Oct 2022 to 30th Nov 2025. Returns in AUD. Gross returns before management and performance fees. MSCI World 100% Hedged to AUD Index. ASX200 Accumulation Index Stoxx 600 Net Total Return.

SIGNIFICANT CONTRIBUTORS FOR THE MONTH INCLUDED:

- Alphabet (Digital Advertising):** Shares increased 14% during the month, driven by increasing confidence that Alphabet's AI products would accelerate its cloud revenue growth. During the month, Google officially launched its advanced AI model, Gemini 3, making it available in its search engine and other products, with Gemini 3 representing a significant leap in reasoning and multimodal understanding (over prior model Gemini 2.5). Google was also reportedly in talks to help power Meta's AI efforts with its Tensor Processing Units (TPUs), potentially shifting Meta's sole reliance on NVIDIA GPUs. With discussions involving both cloud rental and installation in Meta's own data centres by 2027, this signals a potential challenge to NVIDIA's AI chip dominance via specialized hardware alternatives for large-scale AI model training and inference.
- Short Book:** Our short book contributed 100 basis points to performance in the month with a number of positions down 5%-30%. Short attribution is positive for the year and strongly positive since the inception of the fund.

DETRACTORS FOR THE MONTH INCLUDED:

- **Vend (Classifieds):** Shares declined 19% during the month. In late October, Vend reported a strong set of financial results beating EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) expectations at the group level by 10% (demonstrating strong cost control). This was despite ongoing weakness in advertising trends and a softening listings environment, particularly in Vend's jobs and real estate verticals.

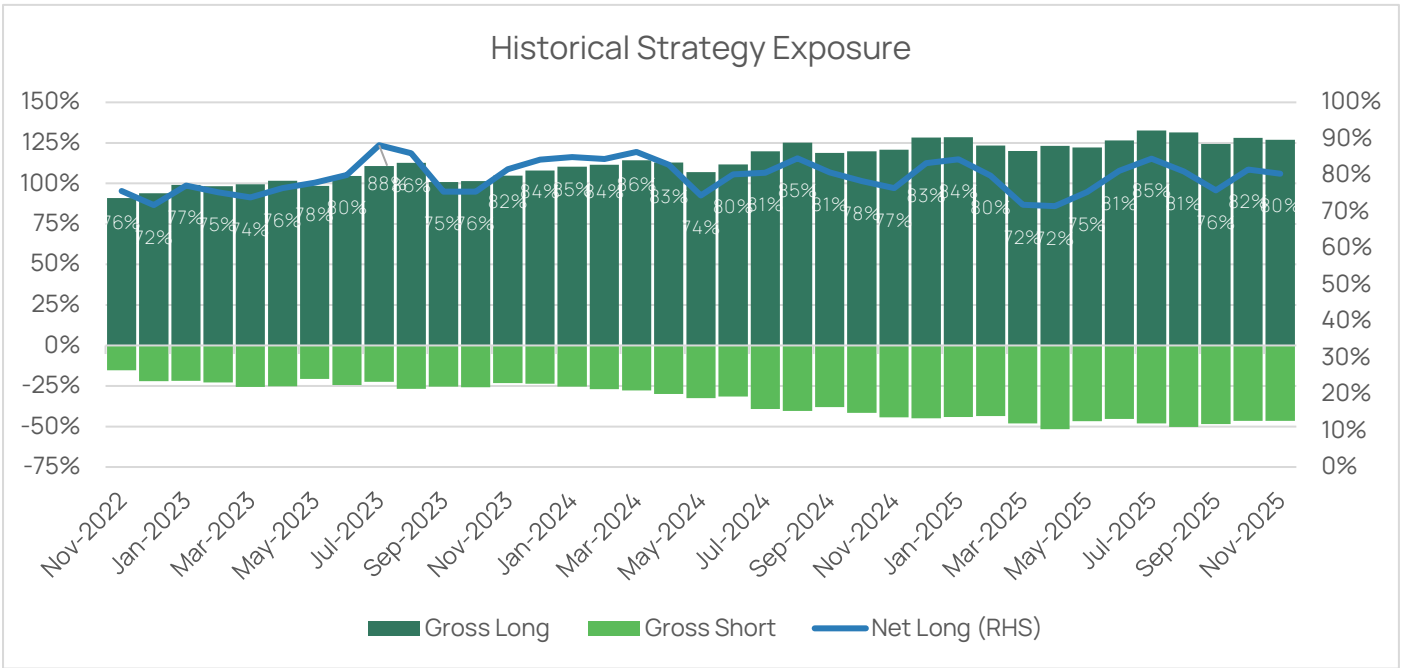
In early November, Rightmove gave a trading update that committed to a step-change in AI investment to make AI central to product and operations (£18m extra opex in 2026), lowering 2026 EBITDA margin guidance from 70% to 67% and resulting in 3-5% profit growth (vs 9% previously expected). The stock dropped ~12% on the day and triggered a broader de-rating of online classifieds as investors extrapolated similar AI capex/opex needs (and lower medium-term margins) to peers like Auto Trader, Hemnet, Scout24, REA and Vend.

We believe Vend is in a comparatively stronger position because it has treated AI as a core operating model rather than a new incremental investment. It has a dedicated Department of AI (with a team of 35 people) and a clear "1000 Days of AI" strategy, focused on applying AI to productivity, product enhancement and new revenue streams. Over 1,000 employees have already completed its internal "AI as an Assistant" programme, giving the organisation broad AI capability and the ability to deploy features efficiently. Combined with its unified Nordic platform project spanning FINN, Blocket, DBA, Bilbasen and Oikotie, Vend can amortise AI investment across multiple large marketplaces, reducing the per market impact relative to single-country peers. While we continue to monitor developments closely, Vend management have reiterated that margin (and capex) guidance outlined at the 2024 CMD (Capital Markets Day) already includes investment in new products including AI driven search enhancements.

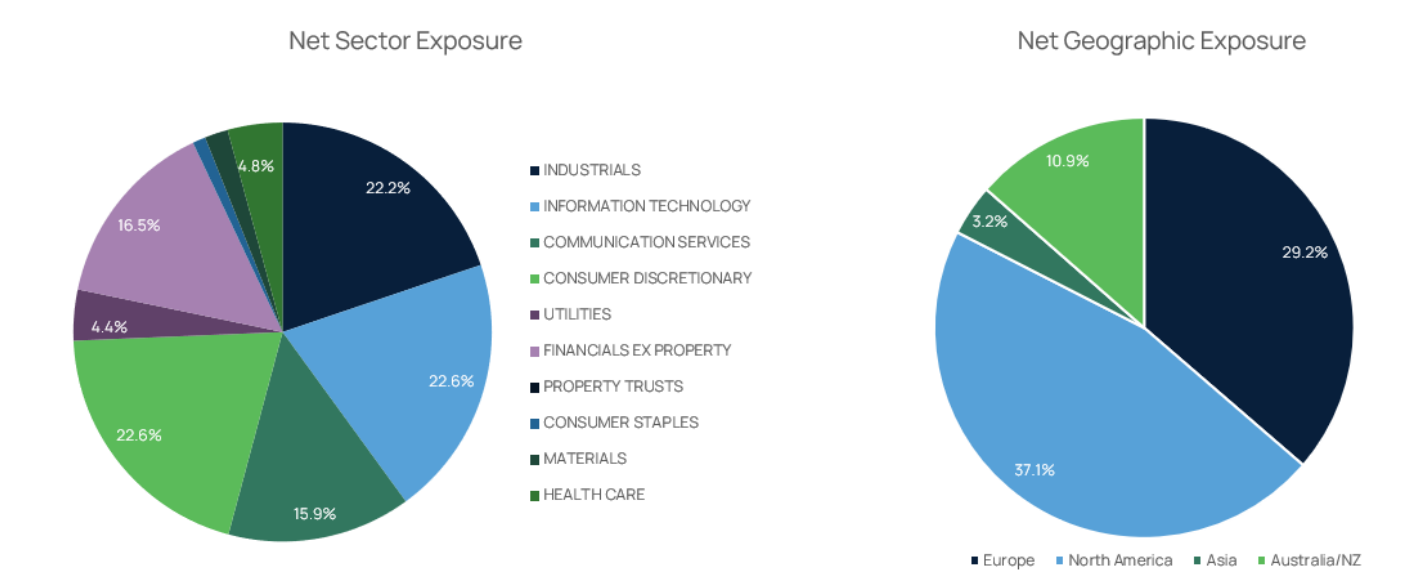
- **Hemnet (Classifieds):** Shares declined 15% during the month due to a significant reduction in new property listings (down 32%), and the aforementioned sector derating. Global classified multiples have compressed on perceived AI disruption risks. As an example, J.P. Morgan downgraded HEM to sell, citing capital intensity risks.

Hemnet has attempted to address the issue of declining new listings by introducing Sell First, Pay Later (SFPL) (commencing in stages in early 2026). They also announced a strategic partnership with Svensk Fastighetsformedling (the #2 agency in Sweden) as well as two other agencies (not disclosed) – in total these three agencies represent ~20% market share of listings. The strategic partnerships grant access to SFPL with the promise that agents will list on Hemnet within two days of the listing first appearing on their own website – a move designed to combat the major "pre-listing" proposition of competitor website Booli. We await the impact of these changes but have reduced our exposure, seeing more attractive opportunities elsewhere.

STRATEGY EXPOSURE



SECTOR AND GEOGRAPHIC EXPOSURE



As at 30th Nov 2025

PORTFOLIO TOP 10 ACTIVE STOCKS (ALPHABETICAL)

Issuer	Issuer Name
ADYEN NL	Adyen NV
CLNX ES	Cellnex Telecom SA
EFX US	Equifax Inc
FER ES	Ferrovial SE
FICO US	Fair Isaac Corp
FLTR GB	Flutter Entertainment PLC
LSEG GB	London Stock Exchange Group PLC
MA US	Mastercard Inc
MSCI US	MSCI Inc
VEND	Vend

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