System Capital Long Short Strategy

Quarterly Report September 2026

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STRATEGY PERFORMANCE OVERVIEW

The fund increased 4.4% for the quarter, bringing one year performance to -13.8%. As we approach the end of the year, the investing environment is becoming more uncertain.

Interest rates are pressuring equity valuations.

Both short-term and long-term interest rates rose sharply in the quarter. At the short end, a hawkish new Fed chair, sticky inflation (core PCE above 3%), strong data (August payrolls, retail sales, multi-year-high PMIs) and an oil shock from Iran and Hormuz led to a 25bp Fed hike in September with similar hikes from other major central banks. Larger deficits, increased government spending and increased future inflation expectations also led to increases in long term yields globally.

The biggest business impacts from these increases are in rate-sensitive sectors such as homebuilders, building materials, consumer discretionary and increasingly in the more speculative parts of the market including the large number of unprofitable companies who rely heavily on capital markets to fund growth.

AI economics are being challenged by high interest rates and open models.

The AI trade has reached a more difficult period. High interest rates are driving the cost of debt and equity up for AI infrastructure builders. More importantly, open models are taking a larger economic share of total sales, pressuring the profitability of leading AI labs including Anthropic and Open AI. The economic health of these leading AI labs underwrites a significant portion of the profitability of new data centre businesses including Coreweave, Nebius, Firmus, Nscale and many others, which have collectively raised hundreds of billions of dollars in debt and equity to fund their infrastructure buildouts. Open AI and Anthropic also make up a significant backlog of the revenue of some of the major hyperscalers (Amazon, Microsoft and Google), although these companies have significant cashflows from their core advertising and retail businesses.

To the extent growth slows at the leading AI labs, it will put pressure on both the economics of data centres and hyperscalers. Even more significantly, it would mean that new orders for AI equipment potentially disappoint into FY28/FY29, impacting a large number of stocks that have benefited enormously from rising AI capex spending.

Additionally, the upcoming US midterm elections could see Democrats assume control of the Senate and House of Representatives, which may lead to new restrictions on AI buildouts, further exacerbating these trends (see below).

Both US and Europe are entering a period of political uncertainty.

The US midterm elections will take place on November 3, and their results could have major repercussions in equity markets, with the effect varying widely by sector. For example, MCOs and pharma companies face headline risk from a potential Democratic push on Medicare and drug pricing. A Democratic House could shift spending from Defence to Healthcare and add oversight of Tech and Financials. AI regulation is likely to be more restrictive under a Democratic legislative than the current Republican regime.

In Europe, elections in several of the major economies (France, Italy, and Spain) will take place in late 2026 and 2027. Given the high levels of indebtedness of these economies, and the global rate environment, the results of these elections have the potential to cause an outsized impact to the credit environment. In particular, favourable results for parties with tendencies towards large fiscal stimuli could cause increased credit stress.

PORTFOLIO POSITIONING GIVEN THE ENVIRONMENT

We believe the combination of higher rates, a slowing AI trade and the uncertain political election cycle leave global stock markets vulnerable to a correction. As such we have been reducing our net position.

At the same time, portfolio valuation continues to be highly attractive, and we have added to several key infrastructure and industrial businesses at very favourable prices during the quarter. In addition, we have been selectively adding exposure to companies that, while sensitive to higher interest rates, have structural self-help stories and generate strong free cash flow through the cycle. Several of these companies contain a “free call option” on higher levels of earnings if longer term interest rates normalise. Moreover, many of the companies that fit these criteria are leaders in their field, who benefit from weaker players exiting their market during down cycles.

On the short side, we have been adding to structural shorts in autos, telecoms and transport that we believe will be impacted by a combination of AI, robotic automation and new technologically advantaged entrants. We have also shorted some AI stocks that we believe are particularly vulnerable to a slowdown in AI capex and higher funding costs.

Position Type	Sep 26
Short Positions	19
Long Positions	40
Total Positions	**59**
Of which Index Positions	5

Region	Gross Long (%)	Gross Short (%)	Net Long (%)
Europe	45	-37	7
North America	78	-33	45
Asia	24	0	24
Australia/NZ	13	-5	8
Total	**160**	**-75**	**85**

	3M (%)	6M (%)	1 Year (%)	2 Year p.a.	3 Year p.a.	Cumulative Since Inception	Since Inception p.a.
System Capital L/S	**4.4**	**5.5**	**-13.8**	**-3.3**	**8.**	**47.0**	**10.3**
MSCI World AUD Hedged	2.0	16.1	16.1	16.4	20.5	96.6	18.8
Stoxx 600	-0.7	10.6	16.6	13.0	15.1	72.7	14.9
ASX 200	1.3	5.4	2.7	6.6	11.4	49.3	10.7

Performance is in AUD (Hedged) and is before fees. Cumulative Returns and Annualised Returns from 26 Oct 2022 to 30 Sep 2026. Returns in AUD. Gross returns before management and performance fees. MSCI World 100% Hedged to AUD Index, ASX 200 Accumulation Index, Stoxx 600 Net Total Return.

QUARTERLY MACRO REVIEW

UNITED STATES

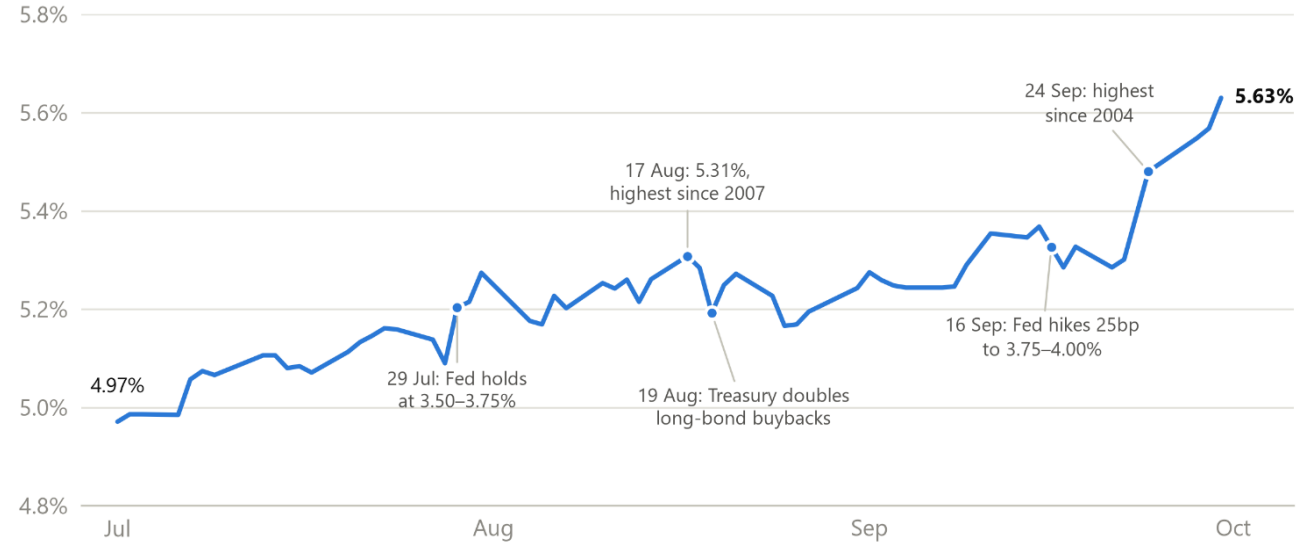
Oil, inflation and the bond market

Headline numbers for the US economy held up through the third quarter, with GDP growth tracking close to 3% annualised on strong business investment and firm consumer spending, however other key macro drivers began to deteriorate. Houthi attacks on Saudi tankers in late July took Brent above US$100 a barrel, and disruption to Saudi Arabia's East-West pipeline pushed it close to US$109 in mid-September. Combined with tariffs, this lifted headline CPI to 3.7% year-on-year in September, and the Federal Reserve raised interest rates by 25bps to 3.75 - 4.00%, its first hike since 2023, while signalling one more rise before year end.

Long-dated yields moved 66bps in the quarter. With federal debt outstanding larger than US$40 trillion and the deficit near US$2 trillion a year, heavy Treasury issuance competed with record AI-related corporate borrowing resulted in the 30-year Treasury reaching 5.31% in August, its highest level since 2007.

US 30-year Treasury yield, third quarter 2026

Daily close, 1 July to 30 September 2026



Source: Bloomberg (generic 30-year US Treasury yield, mid).

Politics

US politics remained volatile through 3Q26; after the Supreme Court struck down the original tariffs in February, the administration rebuilt the programme on other legal authorities during the quarter, extending the 10% baseline and adding sectoral duties. Petrol prices above US$4 a gallon, some 40% higher than a year earlier, have taken Presidential approval rating to the low 30s, and with the midterm elections on 3 November, Democrats lead the generic ballot by around eight points and are expected to win the House, with the Senate now leaning their way as well. A Democrat controlled Congress could lead to further gridlock in the legislative process over the next two years.

EURO AREA

Growth, inflation and the ECB

Euro Area activity was more resilient than expected, with second quarter GDP growth of 0.4% and the September composite PMI at its strongest since April 2023, but the energy shock arrived with a lag. European gas prices nearly doubled over the quarter as Red Sea disruption spread to LNG flows, and headline HICP rose from 2.8% in June to 3.3% in August, with President Lagarde noting that energy costs for European industry are now more than twice those in the US. The ECB raised rates a further 25bps in September to 2.65%, its second hike of the year, and signalled it expects to go further, with markets pricing another move by December. Long-dated yields rose across the region: German 30-year yields reached levels last seen in 2011, and French borrowing costs were at their highest since 2008.

Elections

Elections now sit at the centre of European risk. In Spain, Prime Minister Sánchez called a snap general election for 29 November after Congress rejected his housing decrees, with the opposition Partido Popular leading the polls. France votes for a new president in April and May 2027, and the far-right National Rally, the party of Marine Le Pen, leads first-round polling. The current government has conceded there will be no reduction in France's budget deficit this year or next, and investors have

responded by demanding a higher premium to hold French government bonds over German ones. Italy must hold an election by late 2027 under a new voting law that hands a majority of seats to any coalition winning 42% of the vote, and both main blocs are polling close to that line.

MARKET PERFORMANCE DURING THE QUARTER

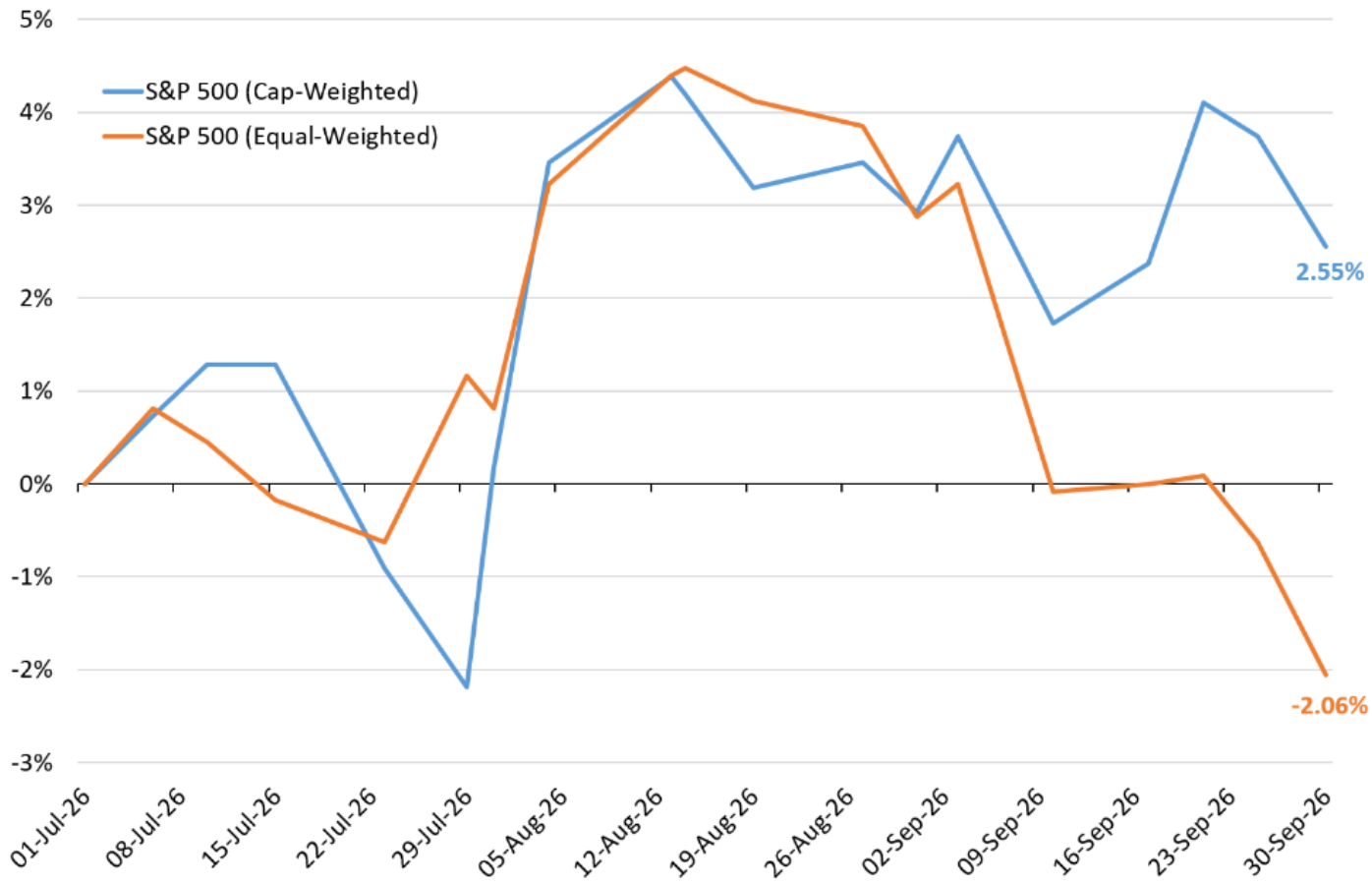
Market performance in the third quarter was characterised by high volatility and narrow leadership in the major indices. Rates, oil prices, geopolitics, AI funding and increased attention on agentic commerce were important themes throughout the quarter.

The launch of Meta's Muse AI assistant on 8 September pressured the stock prices of "agent-disrupted" sectors such as online travel agencies, telcos, comparison sites, and information aggregators. Anthropic's call to "pace the frontier" and OpenAI shelving its IPO hit AI stocks later in the quarter.

Major US indices ended higher, with the S&P 500 up 2.3% and the Russell 3000 up 1.1%. At the stock level, however, the results look very different. Market performance was defined by three features: narrow leadership and negative breadth, a large percentage of falling stocks despite rising indices, and stock-level volatility rising despite declining market-level volatility. Combined, we see this as an attractive setup for active investors, which presents opportunities to gain exposure to structural winners and create alpha over the medium to long term.

Performance in the quarter differed considerably between the cap-weighted and equal-weighted S&P 500 indices, with the cap-weighted index outperforming equal-weighted by ~450bps. Outperformance of the larger-cap stocks in the index was especially pronounced in September, which saw a large drawdown in the equal-weighted index. The index concentration of the S&P 500 is near all-time highs, with the top 10 companies accounting for around 40% of the index weight. This means that the performance of the cap-weighted index is largely dictated by the performance of the largest stocks in the index: almost all part of the AI trade. The performance of the equal-weighted index, on the other hand, is more representative of returns across a range of sectors and company sizes.

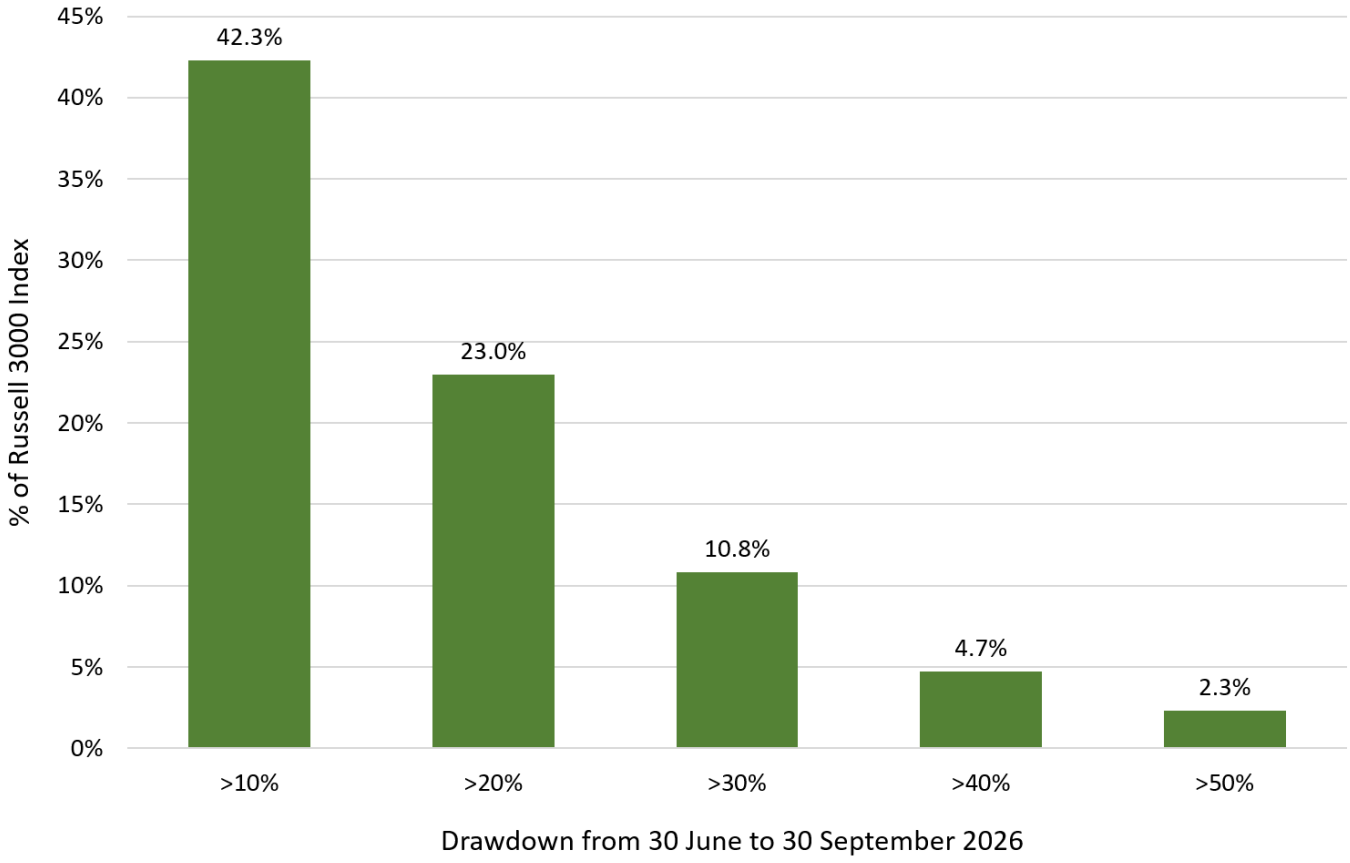
The cap-weighted S&P 500 outperformed equal-weighted over 3Q26



Source: Bloomberg.

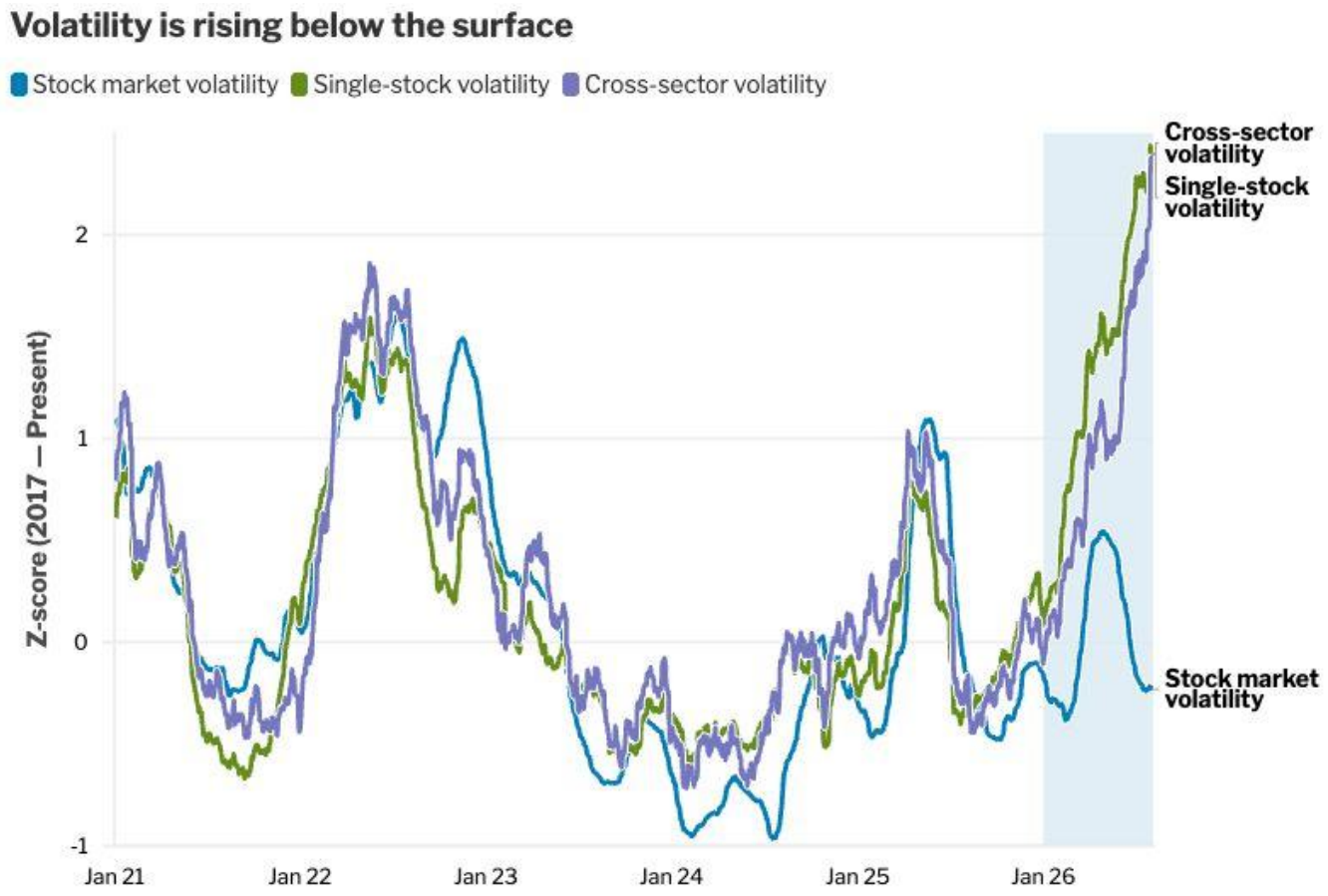
Secondly, a considerable number of companies lost ground during 3Q, with 32% of the S&P 500 and 42% of the Russell 3000 in a >10% drawdown since the start of the third quarter. In general, lower market cap stocks underperformed their large cap counterparts. In other words, almost half of the Russell 3000 declined more than 10%, but the weight of the index is so concentrated on a few large names that the index still ended the quarter in positive territory.

% of Russell 3000 stocks in large drawdowns during 3Q26



Source: Bloomberg. Data as of 30 September 2026.

Finally, while volatility of the market index as a whole has decreased, single-stock volatility has increased considerably since April. Historically, market and single-stock volatility have moved together, but that relationship has recently inverted. This means that individual stocks have become increasingly more volatile, but their returns often offset eachother, causing less volatile index performance.



Sources: Wellington Management, Refinitiv, FactSet | Data from 1 January 2017 to 3 August 2026 | Z-score of rolling 60-day metrics over full sample since 2017. Metrics: Stock market volatility defined using CBOE Volatility Index (VIX). Single-stock volatility defined as cross-sectional absolute difference between 95th and 5th percentile of single-stock total returns in the MSCI USA Index. Cross-sector volatility defined as cross-sectional absolute difference between 95th and 5th percentile of sector total returns in the MSCI USA Index.

This is consistent with the 3Q picture of wide dispersion: AI winners against losers, and a handful of mega-caps carrying an index that is rich overall but unusually narrow beneath the surface.

For those investors that can weather the storm in the short-term, the medium-to-long-term opportunity is that high stock-level volatility and low correlation between stocks rewards genuine stock selection, with more oppurtunities to pick structural winners and losers.

AGENTIC COMMERCE

As AI technology continues to rapidly evolve, a key innovation we have been watching closely is the development of agentic commerce. While still in its infancy, there are early building blocks being worked through that could have long term ramifications for the development of the technology.

What is agentic commerce?

Agentic commerce is a broad description of a product in its infancy; however, its fundamental property is the use of an agent following explicit or implicit instructions to initiate or execute commerce on behalf of a customer. In its most basic form, it is as simple as asking your agent to go looking for a blue jumper, the agent searching the web for blue jumpers and then showing you links to a range of websites that you can use to purchase products.

In its most cutting-edge form, an agent will look at your implied needs based on information provided to it (e.g. you usually buy nappies every Monday), look for products that best fit your needs (e.g. brand, functionality, and/or price) and then use payment credentials provided to it to complete a purchase directly through a web browser or protocol. In this case, a box of nappies would arrive at your door without any input from you.

Why has it had limited take up so far?

Up until recently, AI chatbot-based commerce had limited traction due to search friction, inventory, and payment issues. Firstly, there are a multitude of agentic protocols (e.g. Google's Universal Commerce Protocol (UCP), the Agent Payments Protocol (AP2) and OpenAI's Agentic Commerce Protocol (ACP)) that make it difficult for merchants to keep up with integration requirements. As a result, many products are surfaced to the chatbot via simple web searches and links to websites where payments need to be completed by the users, creating additional friction in a process that otherwise could be as simple as going onto the Amazon app and pressing a button.

Secondly, because most merchants have not loaded real-time inventory feeds into each protocol, the inventory surfaced to the AI agent can often be stale product information also lacking the personalised information about the customer that lives with each merchant. This creates further friction and the feeling that the agent is not sourcing the best and most up-to-date information a consumer could otherwise find themselves.

Thirdly, loading payment credentials directly to the agent has proven to be a high barrier for consumers as the infrastructure and protections for agentic payments are being rolled out, with consumer apprehension heightened around agents going rogue and/or purchasing the wrong products. For example, JP Morgan has explicitly blocked agents accessing banking credentials.

Therefore, with the rollout of more capable agents such as Meta's Muse (with more, sure to follow), we believe it is a key requirement to not only improve the agent interface but the protocol, inventory and payment infrastructure that sits beneath it.

Who can win and who can lose?

If agentic commerce continues to gain traction, we believe it will follow two form factors: horizontal and vertical.

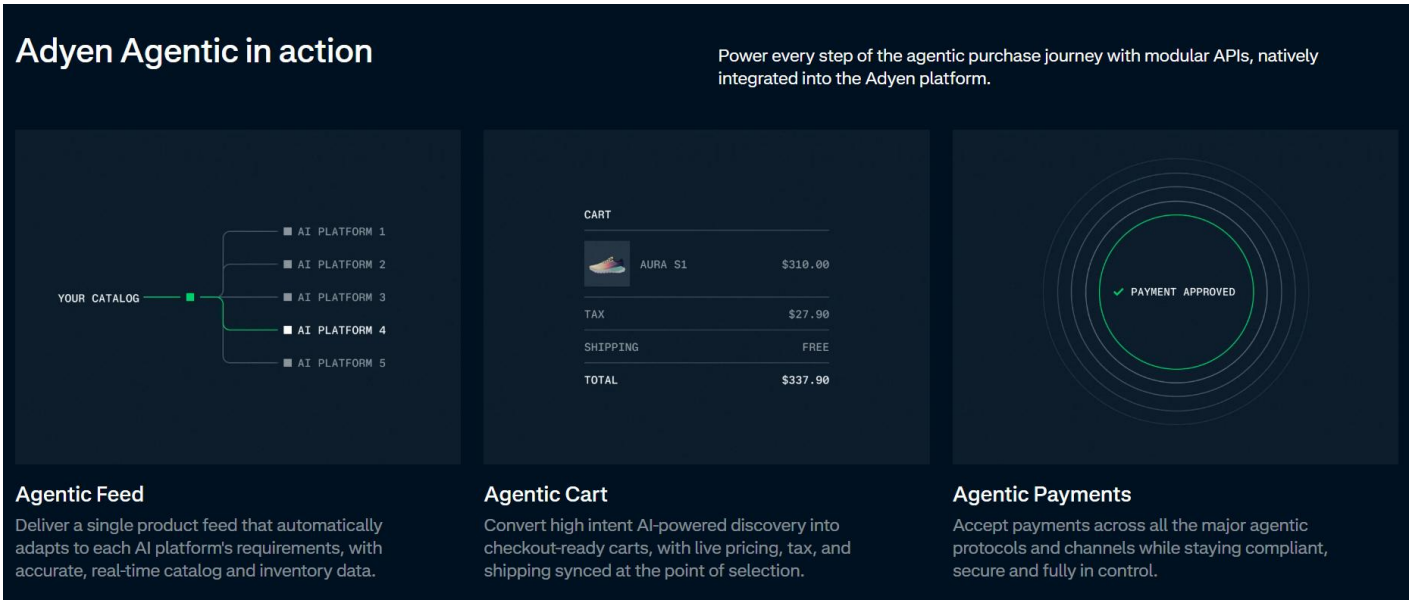
Vertical agents are an extension of existing merchant functionality and provide an agent that lives with the merchant's own properties (e.g. apps and websites) and improves the existing search and payment experience. These are being rolled out aggressively and we believe they will act as a differentiator for merchants that we watch closely.

Horizontal agents are agents such as Meta Muse that are given broad instructions to find the best product to satisfy the customer. Besides the agent developer creating the most useful agent, we believe the agent will need the previously mentioned infrastructure to provide the best product – thus creating a substantial opportunity for the back-end infrastructure providers.

Payment processors

Merchant service providers could use their existing positions in the workflow to embed themselves into agentic commerce. Innovative payment processors such as Adyen and Stripe have seen this opportunity and are already working on and rolling out agentic commerce products for merchants.

Adyen is using its existing position as the payment processor for merchants to extend its product set through Adyen Agentic, opening new revenue pools for the business. This new product set, rolled out in July this year, manages inventory feeds through major AI protocols and then creates an agentic payments flow that functions as an extension of the merchant's existing payments flow – minimising the friction of accepting agentic commerce. Adyen's leading technology and single unified stack allows it aggressively to pursue new solutions for merchants, while its payment method neutrality naturally aligns it with its merchant customer's best interests.



Payment networks

Visa and Mastercard are building the payment infrastructure, security controls, and agent-facing capabilities that make large scale agentic transactions possible. Their offerings span agent identity, payment credentials, tokenisation, authentication, transaction authorisation and machine to machine payments.

For example, the networks are using their existing tokenisation technology to protect customer card information and lock card credentials for specific use cases and instructions, helping to manage the risk of agents "going rogue".

These services live under the Mastercard Agent Pay and Visa Intelligent Commerce umbrella and use the networks dominant position to both extend the payments TAM and help them continue to take share from competing payment methods, whilst also creating a large potential new business line with multiple monetisation opportunities.

Merchants

Firstly, merchants whose business is supported by friction and search costs will face incremental headwinds, as agents are able to reduce search costs and optimise for specific customer instructions (e.g. price or delivery speed). These can include merchants with opaque pricing structures, punitive subscription business models, and limited differentiated product supply.

Secondly, merchants who cannot keep up with any customer shift to agentic commerce may struggle with changes in customer purchasing behaviour. This includes merchants who do not have real time inventory feeds that can be fed efficiently to AI protocols and agents, as well as payment mechanisms that introduce real friction into the agentic payment process. This could put them at risk of incremental purchases moving to competing merchants who have more sophisticated back-end infrastructure that can take advantage of agentic commerce flows.

PORTFOLIO VALUATION

We believe the portfolio is very attractively priced at this point. Our long positions continue to show strong sales and cash flow growth along with structural strengthening, while trading at multiples considerably lower than their historical average. Our short book is also priced attractively, with weak and structurally declining stocks trading at relatively high multiples despite low sales and negative cash flow growth.

Portfolio Book	FY27 P/E	FY27 EV/EBITDA	FY27 Sales Growth	FY27 EBITDA Growth	ROA
Long	20x	13x	16%	32%	14%
Short	18x	11x	3%	9%	6%

All FY27 forecasts based on Bloomberg consensus forecasts. Stocks with negative earnings or EBITDA excluded from analysis. Short book excludes index positions.

SIGNIFICANT CONTRIBUTORS FOR THE QUARTER INCLUDED:

PAYCOM & PAYLOCITY

Paycom and Paylocity's shares rose 73% and 36%, respectively, in 3Q2026. We covered both positions in our July and August newsletters. Paycom and Paylocity had de-rated to 6.5x and 9x EV/EBITDA respectively by the end of June on concerns that AI would disrupt HCM (Human Capital Management) software, despite double-digit revenue growth and faster EBITDA growth, and we significantly increased both positions into that weakness.

Both companies reported strong results for the period. Paycom's second-quarter revenue grew 10%, and management raised full-year guidance, having retired 20% of the shares outstanding in the first half, the most aggressive buyback in the company's history. Paylocity's FY26 result (June year-end) delivered recurring revenue growth of 12% and lifted full year guidance.

Both companies are using AI to lift margins and speed up product launches. Paycom moved its AI models onto its own infrastructure after spending more than $100m on data centres last year and expects this to save around $100m in R&D and a further $30m or more in third-party fees for IWant, its command-driven AI engine, this year. These savings supported the 320bp expansion in second-quarter adjusted EBITDA margin and a lift in full year margin guidance to a record 46%. In July, Paycom also launched Asset Management, its 45th product, and completed Project Arc, the largest system-wide release in its history. Paylocity launched Ignite AI in July, a suite of agents that answer plain-language questions on company data, flag payroll anomalies against each client's history before submission, resolve timesheet errors before payroll deadlines, close gaps in employee records, and rank and summarise job applicants. Paylocity also acquired Grayscale (AI recruiting for high-volume employers) and Aidora (AI leave-management compliance), both to be sold as premium modules.

Even after the re-rating, Paycom trades on around 10x and Paylocity on around 11x FY26 EV/EBITDA, well below their historical multiples of 21x and 30x, for businesses growing EBITDA at 12-13% per year and returning most of their free cash flow through buybacks. Both remain significant positions in the fund.

NINTENDO

Nintendo's shares rose 17% in 3Q2026 and largely due to a strong 1Q FY27 result (March year-end), in which the company delivered operating profit of ¥143bn versus consensus expectations of ¥86bn. The key drivers of the beat were very strong software unit sales (43mn units vs. consensus of 36mn), led by "Tomodachi Life: Living the Dream", which sold over 8mn units, and a higher proportion of digital and first-party titles, both of which carry higher gross margins. The positive operating trajectory bodes well for our thesis, and we continue to expect that higher software unit sales per console across a growing Switch 2 installed base will drive S-curve economics over the medium to long term.

MICROSOFT

Microsoft's share price increased by 38% in 3Q2026. The fourth-quarter result in late July was well ahead of expectations: revenue grew 18% to $90.0bn, Azure grew 43% (its fastest rate in four years, with annual Azure revenue passing $100bn along with a guide of 45% growth for the September quarter as demand still exceeds capacity), Microsoft 365 commercial cloud grew 16% on an adjusted basis with expectations for continued strength next year. Paid Microsoft 365 Copilot seats passed 30m with net additions more than doubling quarter-on-quarter, and commercial remaining performance obligations companywide rose 84% to $678bn (25% excluding OpenAI).

During the quarter, Microsoft also improved the quality and cadence of its product releases after an initial Copilot rollout that struggled to gain broad adoption. In September it launched a redesigned Copilot application spanning chat, Office, coding and persistent agents. We see Microsoft's embedded enterprise distribution, cloud infrastructure and economic/IP interest in OpenAI as one of the more durable ways to participate in enterprise AI adoption, although we are mindful that OpenAI-related arrangements contributed $24bn of FY26 revenue and a large share of the backlog.

DETRACTORS FOR THE QUARTER INCLUDED:

FLUTTER

Thesis: Flutter is a global leader in online sports betting and iGaming. Our investment is based on its strong international positions and its capacity to respond to the pressures on the US sports betting business (handle volatility, higher promotional spend and prediction-market competition).

Why it underperformed: Shares fell 27% in 3Q2026, closing the quarter at their lowest level since March 2020. The fall was largely due to:

- The second-quarter result on 5 August, which brought the fourth guidance cut of 2026. Group adjusted EBITDA guidance was lowered by $210m to $2.66bn and US EBITDA guidance by 22% to $760m, with promotional spend guided to around 6% of handle in the second half. US sportsbook revenue fell 15% in the quarter on customer-friendly results (an approximately $110m year-on-year swing) and management conceded it had under-invested in customer retention during the 2025 NFL season and would reinvest aggressively in marketing in 2026.
- Management change. Peter Jackson stepped down as CEO on 30 September, succeeded by Dan Taylor, following the departure of FanDuel's CEO in May.

- A bettor-friendly start to the NFL season. Across the eight states reporting September data, hold fell to 7.1% from 8.3% a year earlier and gross gaming revenue declined 7% despite handle growth of 7%, putting further pressure on a second-half-weighted guide.
- Brazil's ban on gaming. On 25 September, nine days before the first round of the presidential election, President Lula signed a provisional measure banning online betting and casino with immediate effect. Flutter ceased its Betnacional and Betfair operations in Brazil, flagging a $70m revenue and $20m EBITDA impact for the remainder of 2026.

What we did to re-underwrite (case / valuation): Strong handle growth coming out of the World Cup and an increase in active players highlights that Flutter has re-engaged the US customer base, albeit at cost of significantly higher promotions. At Flutter's current valuation, growth in the international business and iGaming will be sufficient to drive attractive returns for the fund, even without any value for US sports betting, where it maintains the #1 position. If Flutter can stabilise its sports betting business or prediction markets are ultimately found to be illegal by the Supreme Court, the IRR will be higher again. We are closely watching the September-quarter result and the new CEO's first guidance for evidence that promotional investment is translating into handle and share during the NFL season.

FERROVIAL

Thesis: Ferrovial is a developer and operator of long-term toll roads and airport assets focused on North America. Its key assets, the 407 ETR in Ontario and its US managed lanes, have long-dated concessions, attractive contractual terms and highly strategic locations, with strong pricing power that we believe will be very valuable in a period of higher inflation. We expect high single-digit to low double-digit free cash flow growth, and Ferrovial has a long record of creating value from US managed lanes.

Why it underperformed: Shares fell 21% in 3Q2026 despite a strong set of half-year results in late July. Revenue grew 11.3% and adjusted EBITDA 21.6% like-for-like; 407 ETR revenue rose 18.7% and EBITDA 24.4% on the 2026 toll increase; the Texas managed lanes grew revenue 15-18% on revenue per transaction up 12-19%; and the construction order book reached a record €18.0bn at a 3.5% EBIT margin. The fall was largely due to:

- Rising long-dated yields. The Fed and the ECB both raised rates in September and the 30-year US Treasury yield reached its highest level since 2004, de-rating long-duration infrastructure assets across the market.
- The I-24 award. On 19 August Ferrovial was selected to lead the $9.2bn I-24 Southeast Choice Lanes project in Nashville, a 50-year concession over 26 miles with dynamic, uncapped pricing. Press reports put the consortium's offer at roughly three times the next bid, and there is scepticism around the future IRR of the concession.

What we did to re-underwrite (case / valuation): We have reviewed the initial I-24 terms. The concession appears to be highly favourable relative to existing concessions. For example, there is no ceiling on tolls; toll multipliers of up to 8x apply to heavy-vehicles on a corridor where trucks are 12-16% of traffic; and there is interest-rate protection from bid to financial close in July 2027. Ferrovial is targeting a double-digit equity IRR and has stated it does not need to raise equity. Its existing US

managed lanes have earned project IRRs in the mid-teens to high-twenties and the market has consistently underestimated their pricing power.

On valuation, at the quarter-end price of €46 the free cashflow of the 407 ETR, the five operating US lanes and construction business support a 15% IRR+, excluding the I-24. The company stepped up its buyback through September and extended the programme to March 2027, with €383m of the €800m authorisation used.

CELLNEX

Thesis: Cellnex is Europe's largest independent owner of telecom towers and one of the largest positions in the fund. Its revenue is contracted under very long agreements with all-or-nothing renewal clauses and inflation-linked escalators, its tower overlap with competitors gives operators very limited ability to switch, and 2026 is the first year in which declining build-to-suit capex allows the company to convert an 85% EBITDA margin into free cash flow and meaningful shareholder returns. We set out our work on the contracts and on European operator consolidation in our October and November 2025 newsletters.

Why it underperformed: Shares fell 14% in 3Q2026. The half-year result on 30 July was strong: organic revenue grew 5.0% and short term and medium term guidance was reiterated. The board added a €200m buyback, taking 2026 shareholder returns to €1bn (around 6.5% of the market capitalisation), and Vodafone Spain renewed its master agreement to 2038 on unchanged financial terms, with additional sites from 2028 as Zegona reduces its Vantage Towers footprint. The shares rose into the result, helped by a July Bloomberg report that the company was weighing strategic options including a take-private, but fell steadily from mid-August and lost 10% in the final six sessions of September with no company-specific news. We believe the fall was largely due to the sharp rise in European long-dated yields in September and the ECB's second hike of the year, which de-rated levered, bond-like infrastructure assets across the region. Cellnex carries around 6x net debt to EBITDA, although at an average cost of 2.1% with 80% fixed and maturities to 2028 largely funded. We would note that Cellnex contracts have an explicit linkage to European CPI and the increase in European inflation, if it persists, will meaningfully add to cashflows. This will be somewhat offset by higher net debt costs as Cellnex, although 80% of debt is fixed terms and maturities to 2028 are largely funded.

What we did to re-underwrite (case / valuation): Nothing in the quarter has changed our view of the asset quality. At €25.5 the shares trade on a recurring levered free cash flow yield of around 11% FY26 with circa 7% growth into FY27. We have added to our holding.

ASIC Periodic Reporting Requirements

The System Capital Long Short Fund (Fund) is classified as a hedge fund in accordance with the Australian Securities and Investments Commission Regulatory Guide 240 *Hedge funds: Improving disclosure.* We are required to provide this additional information to you on a quarterly basis.

Asset Allocation (as at 30 September 2026)

Exposure analysis	
Position	**% of net invested capital**
Long securities (including derivatives)	168.50
Short	-78.91
Cash	10.40
Gross equity exposure	247.41
Net equity exposure	89.60

Maturity profile

As at 30 September 2026, the Fund does not have any material liabilities.

Derivative counterparties engaged

The derivative counterparties engaged for the period 1 July 2026 to 30 September 2026 are provided in the table below.

Derivatives counterparty
Morgan Stanley & Co. Prime Broker International plc

Liquidity profile

The table below demonstrates the liquidity profile of the Fund as at 30 September 2026.

In summary, 100% of the Fund's assets can be liquidated within 10 days.

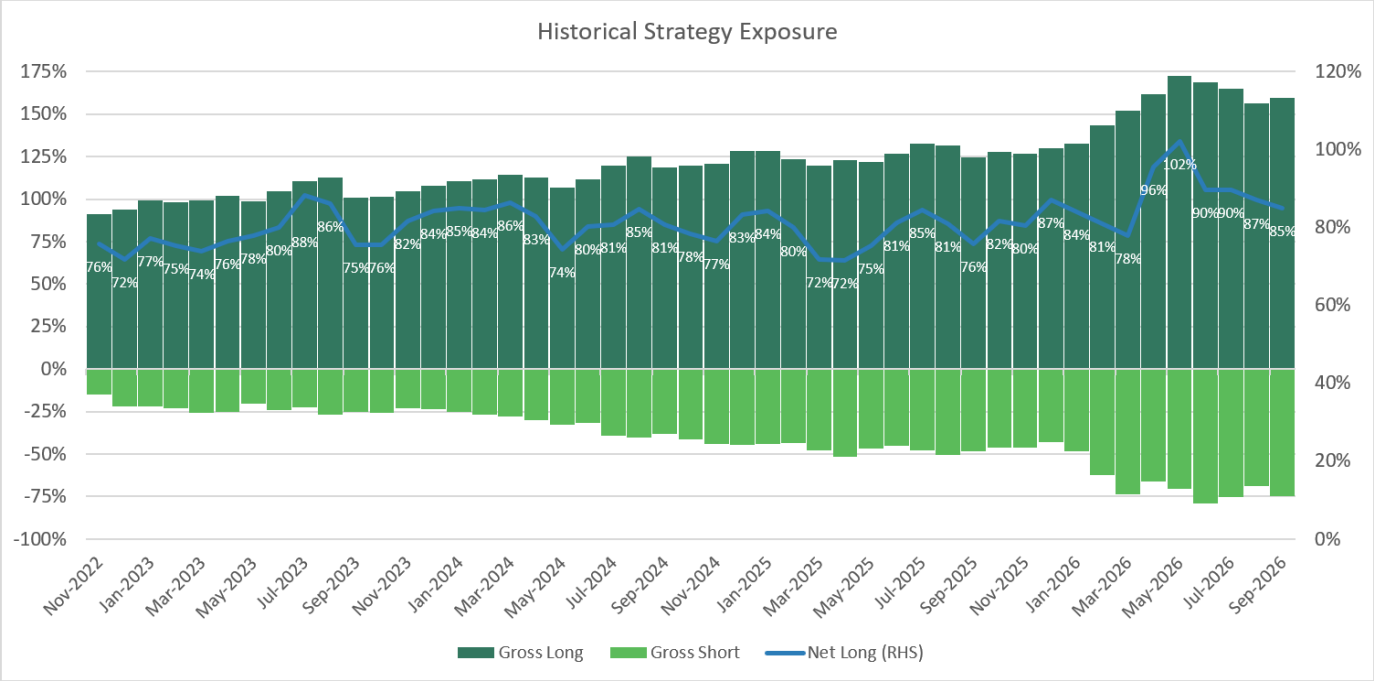
Time to liquidate	% of assets
Within 1-10 days	100%
>10 to 21 days	100%
> 21 days	100%

Leverage

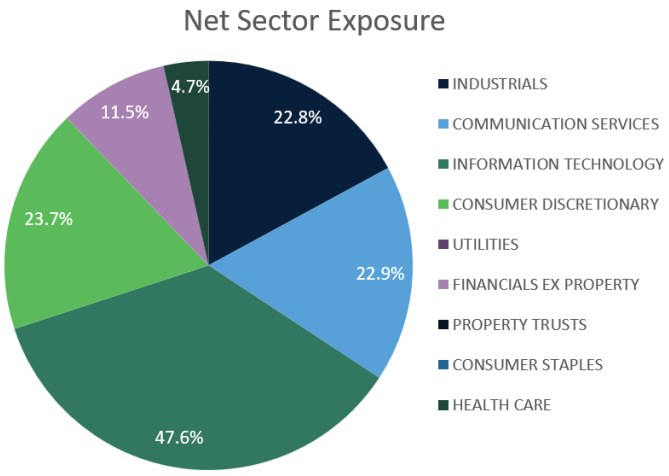
System Capital may use leverage to increase the exposure of the Fund to investment markets. Leverage will generally be obtained through the use of derivative instruments. Although the maximum allowable leverage permitted in the Fund is 150% of the Fund's NAV, the Fund's positions in long securities and derivatives and overall net equity exposure will generally not exceed 150% of the Fund's NAV. The Fund must provide collateral to secure its obligations under the relevant agreements.

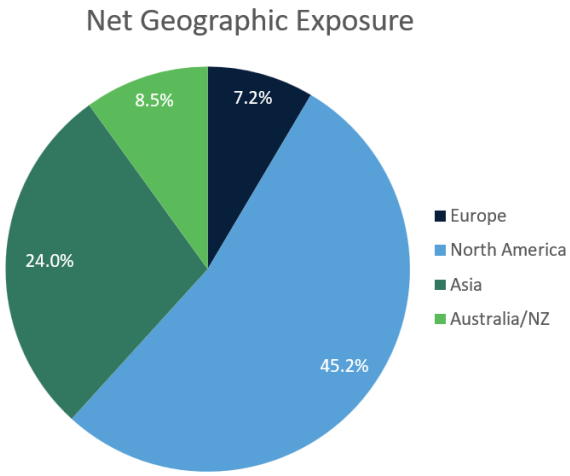
As at 30 September 2026, the Fund is long exposure of 168.50% and short exposure of -78.91%. The gross equity exposure of the Fund is 247.41% and net equity exposure of the Fund is 89.60%.

STRATEGY EXPOSURE



SECTOR AND GEOGRAPHIC EXPOSURE





PORTFOLIO TOP 10 ACTIVE STOCKS (ALPHABETICAL)

Issuer	Issuer Name
ADYEN NL	Adyen NV
AMZN US	Amazon.com Inc
CLNX ES	Cellnex Telecom SA
MA US	Mastercard Inc
MSCI US	MSCI Inc
PCTY US	Paylocity Holding Corp
SAF FR	Safran SA
2330 TW	Taiwan Semiconductor Manufacturing Co Ltd
VEND NO	Vend Marketplaces ASA
V US	Visa Inc

Important Information

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