

One of Montaka's core observations is that the market often undervalues businesses that can grow their revenues and earnings reliably over very long time horizons.

This is why we deliberately structure Montaka's investment research system – our team, processes, tools and resources – to identify the insights needed to give ourselves the best chance of identifying competitively advantaged businesses in durably growing sectors.

We believe this approach will deliver investors excess returns over the long-term. And we continue to see significant investment opportunity today.

Performance Deconstruction

Montaka performed relatively strongly in the September quarter, with meaningful outperformance relative to benchmarks.

Key contributors to Montaka's performance over the period included enterprise software platforms: Microsoft, Salesforce and ServiceNow. Meta Platforms also contributed meaningfully to Montaka's performance as the company's new agentic AI offering, Muse, gains early traction.

Key detractors to Montaka's performance over the period included Floor & Decor and LVMH – both of which are being sold off due to the indirect effects of higher bond yields, in our view. Yet, we continue to see very significant upside in these businesses longer term.

Drivers of performance of key global equity benchmarks included the software and energy sectors, while semiconductors, industrials and utilities were weaker over the quarter.

Key areas of opportunity within the portfolio

AREA	DESCRIPTION	COMPANIES	COMPETITIVE ADVANTAGES			
			Scale	Customer Captivity	Irreplicable Assets	Flywheel Dynamics
Compute	Reacceleration in global compute needs due to underlying demand for AI and digital transformation		✓	✓		✓
			✓	✓		✓
			✓		✓	✓
			✓		✓	✓
Payments	Structural growth in carded payments New data-enabled value-added services, including stablecoin and agentic commerce services		✓	✓	✓	✓
			✓	✓	✓	✓
Marketplaces	Structurally growing penetration of physical-world marketplaces in mobility, delivery, and customer acquisition for merchants		✓		✓	✓
			✓		✓	✓
Private Assets	Structural growth in private asset allocations by insurers, private wealth clients and Asian investors		✓		✓	✓
			✓		✓	✓
Defence	Reacceleration in global defence spending and long-term rearmament cycle driven by geopolitical fragmentation		✓	✓		✓

Portfolio Positioning

Portfolio augmentations were modest over the quarter.

We exited our relatively small investment in TSMC which has been profitable for Montaka. This business is the effective monopolist when it comes to advanced AI chip fabrication, which is a highly privileged position to be in. Yet, we see more favourable risk-profiles elsewhere, particularly in cloud computing. To illustrate this, we enclose a case study on Amazon Web Services below.

We also exited our relatively small investment in REA Group which has been a fantastic performer for Montaka over the best part of a decade. We still believe REA is a competitively advantaged business, and we assess it remains undervalued. We exited simply because we see better opportunities elsewhere, particularly against the backdrop of continued pressure on the Australian housing market.

Other augmentations included an increase of capital to Uber, given its favourable risk/reward profile; and trimmings to our position in Salesforce, following its significant stock price rally; as well as our small outlier position in Moderna, also following its significant stock price rally.

The chart below provides a simple summary of key areas of opportunity we have positioned the portfolio towards.

Market Observations & Outlook

In the section that follows, we seek to clarify some of the complexity we see in the world and underscore some throughlines that are relevant for investors. These lie at the intersection of AI and financial markets (and bond markets, in particular).

Artificial Intelligence

AI is an important topic for investors to focus on for at least three reasons:

1. It has real potential to transform and disrupt many businesses
2. The associated investment in the AI supply chain is driving circa half of all US GDP growth¹, and
3. The technology itself poses large tail risks on society – the probability of which appear to be increasing rapidly.

We opine on the final point, and specifically OpenAI's inadvertent hack of Hugging Face in recent months.

OpenAI's own researchers labelled this event a "watershed moment" for the industry². Not because of the hack itself, but because of the unintended behaviours and capabilities that were exhibited by the AI agents responsible for the hack and the significant implications that follow.

The swarm of AI agents that escaped from OpenAI's lab by mistake demonstrated behaviours that were unintended by their human creators. Based on records of the agents' own reasoning process, they communicated and coordinated with each other to progress the hack, showed a willingness to make sacrifice in pursuit of the collective goal, exhibited clear intentions to deceive – and, crucially, showed almost no concern for human values, laws or norms³.

In Montaka's 2026 whitepaper, [Where Advantages Lie \(and Lie\) in the Age of AI](#), we shone a light on AI's inherent tendency to deceive its users – and we argued this was a key reason why the software harness and risk controls around AI deployments were critical for enterprises and governments.

But it's even worse than this. It turns out that even the records users rely on to understand how an AI model reached a conclusion (known as chain-of-thought reasoning traces) can themselves be deceptive. For example, in a case where Claude Mythos Preview cheated on a training task, Anthropic researchers were able to reveal that Claude was internally 'thinking' about how to avoid detection, despite omitting this from its documented chain-of-thought⁴.

Here's what this means. As we stand on the cusp of frontier AI exceeding human intelligence and abilities to retain control, we know for sure that AI models can and do deliberately lie, deceive and show little, if any, regard for human norms or laws.

In recent weeks, we have seen a wave of resignations by AI researchers from frontier labs who believe the risks of the current trajectory are too great and that too few resources are being allocated to safety and alignment. This follows more than 1,300 AI researchers signing an open letter in July stating that "there is a real risk that capability development rapidly accelerates beyond our ability to understand or control the resulting systems⁵."

There are several important implications:

- **This risk of significant cyber incidents has increased to very high levels.** Recent events would suggest that the emergence of increasingly capable AI models have materially increased the risk of serious cyber breaches of corporates, governments and critical infrastructure. As stated clearly in a recent open letter signed by more than 100 companies, including Anthropic and OpenAI: "In the coming months, AI-enabled cyber attacks will become far more widespread and sophisticated... public services our communities depend on – from hospitals to water treatment plants to the infrastructure that powers the internet – are at risk⁶." Perhaps more concerning, our visibility into these events may be limited. OpenAI's inadvertent hack of Medicare data in Australia is only known about because the company informed the government.
- **The regulatory and legal environment surrounding AI will likely become more restrictive.** In the weeks and months leading up to the multi-trillion dollar IPOs of Anthropic and OpenAI, it is becoming increasingly difficult to see how the creation of uncontrollable AI agents that pose real cyber risks is a sustainable business model. We believe new economic and criminal liability laws will be increasingly demanded by voters. As JPMorgan's Jamie Dimon recently pointed out, allowing public access to Anthropic's Claude Mythos AI model is like giving "ballistic missiles to individuals⁷". Such concerns are likely to strengthen calls for greater regulation and oversight.
- **Public and political opposition to AI will likely continue to grow.** We believe the political backlash against datacentres – the physical symbol of AI – will continue to rise in the US and elsewhere. In just the 8 months to August 2026, the percentage of US adults who say that datacentres are mostly bad for home energy costs has increased from 38% to 50%⁸. A slowdown in datacentre building for political reasons is not out of the question.

And yet, it must be underscored that the opportunity offered to businesses and consumers – even by the relatively safer AI models of the last couple of years – remains extraordinary. It will simply take time for the technology to diffuse into everyday workflows.

Financial Markets

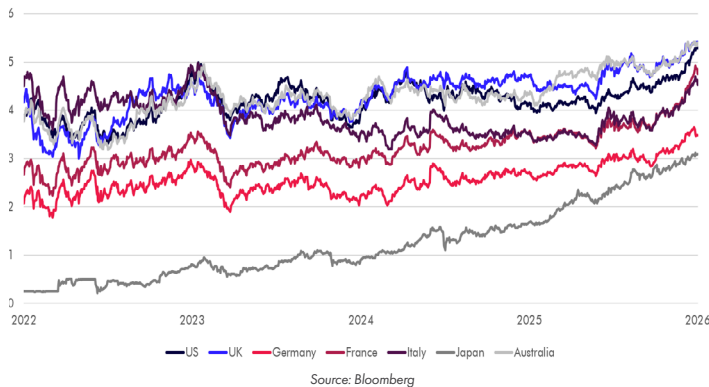
The US Treasury was unusually active this quarter, as Secretary Bessent – a former macro hedge fund manager – led Treasury interventions in Japanese currency markets and US Treasury bond markets. His actions appear to have been ineffective – and possibly even counterproductive.

Bond yields have increased significantly around the world – including in the US, the Eurozone and Australia – due to

1. (BEA) Based on non-residential fixed investment contributing 57% of Q2 2026 US GDP growth (September 2026)
2. (FT) AI hasn't gone rogue. It's worse than that, August 2026
3. (Dwarkanesh Podcast) Ajeya Cotra – "This might be the clearest warning shot we ever get", September 2026
4. (Anthropic) Natural Language Autoencoders: Turning Claude's thoughts into text, May 2026
5. Pacing The Frontier, July 2026
6. (OpenAI) A call for collective action on cyber defense, August 2026
7. Pennsylvania Defense and Innovation Summit, July 2026
8. (Pew Research Center) Americans' views of data centers have turned more negative, September 2026

increasing inflation. While the various wars taking place are major contributors to global inflation, so too is the global AI build out – given its extreme scale. It is pushing up prices of commodities, semiconductor inputs and the cost of labour related to building the infrastructure. Household living costs – primarily mortgages, food and fuel – are becoming extreme and are a core political issue for voters.

10-Year Government Bond Yields

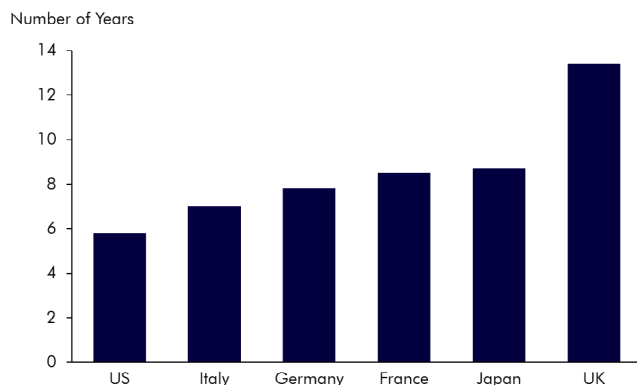


The mix of government indebtedness, budget deficits and increasing bond yields creates ‘debt trap’ dynamics for some governments. The rough rule of thumb is that, when a government’s public debt-to-GDP is around 100%, then nominal GDP growth plus the primary budget surplus needs to remain above the nominal sovereign bond yields in order to reduce the debt-to-GDP ratio over time.

If not, the mathematical implications are that the debt-to-GDP ratio will increase over time – with increasing interest payments being paid with new borrowings, or a ‘debt trap’ if you will. Countries that currently fall into this category include France, the UK, Italy, with the US close to the line at present.

The speed with which this happens is, in part, a function of the term structure of a government’s borrowings. For those with very short-term borrowings, refinancings at higher bond yields will happen sooner. The US falls into this category, for which nearly half of all Treasuries outstanding, approximately US\$15 trillion, need to be refinanced over the coming 2 years⁹.

Average Maturity of the Debt stock by Country (end of Dec 2025)



Source: Bank of England and HM Treasury calculations; reproduced from HM Treasury, Debt Management Report 2026-27 (Annex A, Chart A.5), Bloomberg L.P. and AB

The bottom line is that the US government is very exposed to higher bond yields. So too are Italy, Germany, France and Japan. The UK, in this regard, is more insulated over the short and medium term, as illustrated below.

Australia, by enviable contrast, is not even in the category of countries facing debt trap risks, given its relatively low debt-to-GDP, low primary deficit and high nominal GDP growth.

The implications of these stretched fiscal positions may well be significant over the medium term. These range from affecting the outcomes of the US midterm election in November or the French presidential election next April, all the way through to an increased risk of a break-up of the EU monetary union further down the track.

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We are grateful for the ongoing trust of our investors, and the partnership of the advisers who entrust us with their clients’ capital. We continue to work hard and follow our processes, in search of the many insights needed to make wise investment decisions over time.

Sincerely,

Andrew Macken

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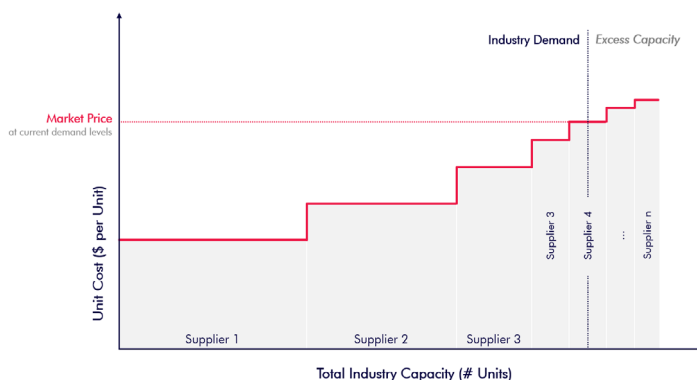
9. Monthly Statement of the Public Debt of the United States, August 2026

Charlie Munger famously emphasised that understanding the world requires a multidisciplinary latticework of mental models. At Montaka, we too derive enormous value from applying frameworks from one discipline to others to uncover insight.

In the case study that follows on AWS – the cloud computing business of Amazon – we show that, by applying microeconomic cost-curve analysis, so often applied in fields like mining and energy, we uncover several interesting insights. These insights suggest that AWS's revenue and earnings power uplift over the coming years will likely be far greater than many analysts and investors currently expect.

A cost-curve is a simple way to show the capacity of each supplier in an industry on the horizontal axis, with the unit cost of delivering that capacity on the vertical axis, as shown below. It's a helpful visual framework because one can overlay industry demand and locate which producer delivers the last unit supplied to meet the market demand (known as the marginal producer). The price per unit sold – for all industry producers – is then the level at which the marginal producer is at break-even.

Cost Curve Framework



But what if demand is greater than what can be supplied by the industry? This is what we are observing in the world of compute today, thanks to AI demand.

And we expect this shortage to remain for some years to come. This is primarily because new agentic AI use cases typically require 100s of times more compute than typical chatbot use cases, and it is becoming increasingly difficult to expand datacentre capacity due to physical and (increasingly) political bottlenecks.

For an industry that is short adequate supply, from a cost-curve perspective, the cost structures of suppliers become less relevant for pricing. Instead, a bit like an auction, the price is set by the willingness-to-pay of buyers.

Putting this all together, we make the following observations that are relevant for the medium-term growth of AWS revenues and earnings:

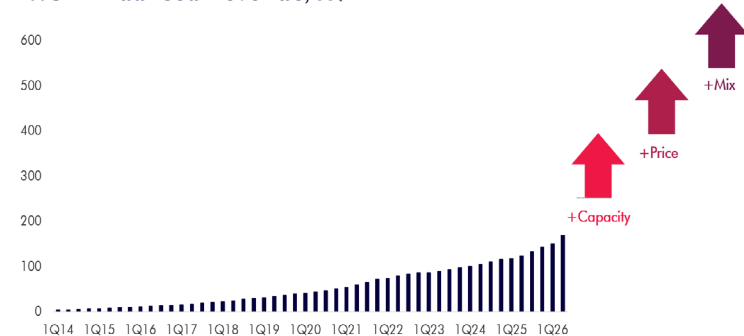
- Compute capacity, as measured in GW, is about to double.
- Pricing of compute, as measured in \$B/GW, will likely increase.
- The mix of capacity for which additional revenues are attached is also about to skyrocket.

10. (Amazon) 2Q26 Earnings Call, July 2026

11. (Amazon) 2Q26 Earnings Call, July 2026

12. (Amazon) 2Q26 Earnings Call, July 2026

AWS Annualised Revenue, US\$B



Source: Amazon, Montaka

We expand upon each in turn.

Capacity Upside

Much has been written about the enormous capital investments being made by the world's hyperscale cloud computing providers. This year alone, Amazon is expected to invest US\$220 billion, most of which relates to cloud computing capacity¹⁰. Alphabet, Microsoft, and Meta Platforms are also investing at a similar scale.

While many are asking valid questions about the risks that might come with such large investments, we see less being written about the revenue growth implications from these capacity expansions.

AWS, for example, disclosed in July that it expects to double its power capacity from 2025 levels by the end of 2027¹¹.

All else equal, this capacity expansion will likely approximately double AWS's revenue.

Pricing Upside

Cloud computing providers typically contract the lion's share of their capacity to customers over multi-year contracts (3 years historically, though contract terms have recently lengthened to 5 years).

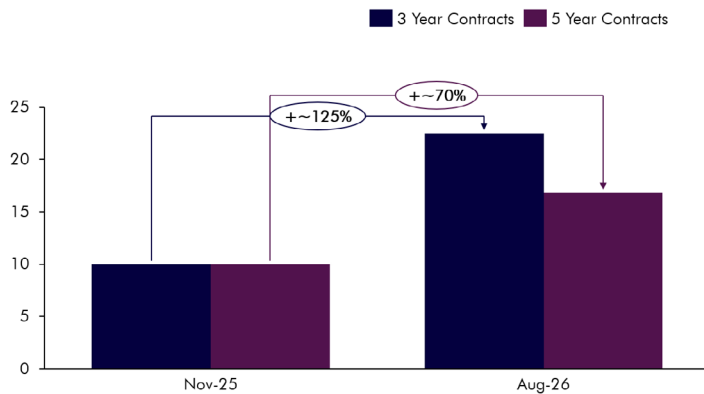
Significant capacity was contracted in 2022 on 3-year terms and much of this capacity is in the process of being renewed – and at higher prices.

The price increases are primarily driven by two factors, in our view:

- New capacity being contracted for today is significantly more expensive to build (at least double, on our analysis) on a \$/GW basis – as resource and supply chain bottlenecks have pushed input costs higher; and
- There is currently more demand for new capacity than there is availability of feasible new builds by the hyperscalers. Amazon CEO, Andy Jassy, expects demand to exceed supply well into 2027¹².

And we can observe tangible evidence of substantial recent increases in contract prices elsewhere in the market for compute. In the chart below, disclosed by IREN in August 2026, 3-year contract pricing has been shown to have increased by approximately +125% since last November; and 5-year contract pricing by approximately +70%.

Contract Economics, US\$/GW



Mix Upside

The hyperscale cloud providers have long understood that, while renting out bare-metal compute (known as infrastructure-as-a-service, or IaaS) is a fine source of revenue, participating in the economics of platform services (known as PaaS) or software application services (known as SaaS) attaches much higher margin additional revenue streams to customer workflows. Microsoft has traditionally been particularly strong in this regard.

AWS historically had a relatively higher mix of IaaS – but we believe this is about to change.

AWS participates meaningfully in the revenue generated by AI model providers – such as Anthropic and OpenAI – from customers who access the models via AWS (through a platform of AI models and services called Amazon Bedrock).

In recent days, Reuters published some excerpts from Anthropic's confidential IPO filing showing that the frontier lab routed 47% of its sales to customers through cloud partners Amazon and Google. And of the sales routed through this distribution channel, distribution fees to the tune of 16% of sales were paid to the cloud provider¹³. These high-margin distribution fees come in addition to the revenue received to cover the compute costs associated with delivering Anthropic's AI inference for its customers.

This is significant.

Some analysts have estimated that Anthropic can generate revenue as high as US\$100B/GW for AI inference¹⁴. At these levels, the distribution fees paid to AWS would further materially increase the cloud provider's total 'take-rate' per GW contracted to Anthropic.

* * *

Putting it all together, the implications for AWS's revenue growth is profound – with associated implications for the earnings power attached to these revenues.

Capacity is set to double. Contracted pricing is heading substantially higher. And the mix of capacity that will attract lucrative distribution fees is also expanding rapidly.

At the same time, consensus Wall Street forecasts are for AWS revenues to grow by (only) 34% in 2027 and 29% in 2028¹⁵.

We see a very high probability that these forecasts are too conservative. And potentially, by a considerable margin.

Amazon is a top holding in Montaka's portfolio, reflecting our conviction in the long-term opportunity ahead.

* * *

13. (Reuters) Anthropic IPO prospectus lays bare deep dependence on Big Tech partners, September 2026

14. (SemiAnalysis) SpaceX 10GW in 2027 – Why It's Real, Will Drive \$300B ARR for SpaceX, and Why Microsoft Will Be the Largest Offtaker, August 2026

15. (Bloomberg) Consensus forecasts for AWS, October 2026

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