Montaka Quarterly Letter
SEPTEMBER 2025

Montaka Global Investments

The past quarter has been an eventful time, particularly across the political and macro spectrum, most notably in the world's largest economy, the US.

This has no doubt created some uncertainty for investors.

But at Montaka, we remained firmly focused during the quarter on the long-term potential of the highly attractive and exciting opportunities in our portfolio.

While we regularly discuss our core investments at length (e.g. Microsoft, Amazon, Alphabet, Blackstone and KKR), we are also seeing significant upside potential in other holdings, including:

- **Floor & Decor** – An advantaged hard-surface-flooring specialty retailer set to benefit substantially when the US housing sales cycle turns.
- **LVMH** – Despite its irreplicable brands, the global luxury giant can be acquired today on a depressed multiple of temporarily depressed earnings.
- **MongoDB** – With arguably the most flexible, enterprise-grade database for unstructured data[1], investors are underappreciating the strength of the company's position in the context of AI.
- **DoorDash** – The market leader in US online food ordering, delivery and merchant marketing services – with numerous vectors for long-term growth (which we expand on further below).

In all these cases, we expect future earnings power (and their respective stock prices) to be much higher than today's.

In the letter that follows, we examine:

1. Montaka's focus on companies building competitive advantages amidst long-term structural change.
2. Why, in this environment, price-to-earnings (PE) ratios can deceive, and why investors should employ careful 'first principles' analysis.
3. How AI is accelerating change and leading to risky capital allocations.
4. The complexity of today's economic and geopolitical backdrop.
5. Montaka's portfolio construction, including an investment in DoorDash, and
6. A case study on Tencent – and why the market is undervaluing its long-duration growth.

Despite global concerns, we are seeing lots of opportunities withing large structural transformations that have many years to run.

For newer readers, we invite you to explore our latest insights and thematic analysis at montaka.com/blogs, where you'll also find clear information on how to invest with us. Our most popular investment vehicle is quoted on the ASX under "MOGL" – which can be purchased simply through your standard brokerage account, just as you would any other ASX listing.

Montaka's 'long duration' edge

As always, we remain intent on identifying a select group of advantaged businesses that are winning from long-term structural changes (themes).

Not all themes are created equal. Some themes – typically with low entry barriers for new competitors – provide few opportunities for businesses to build competitive advantages. These are not our focus.

Instead, we have built a repeatable process that uncovers the long-term transformations where high barriers to entry allow select companies to strengthen their advantages over time.

Opportunities like these are rare, and we find that the market routinely undervalues them. This persistent inefficiency stems from the equity market's myopic focus, which often fails to appreciate the extended time horizons over which highly advantaged businesses operating within major structural transformations can compound, growing their earnings power at solid rates.

Investing legend, Howard Marks, co-founder of Oaktree Capital Management, explained why a long-term perspective is so critical for investors in his recent memo:

— Howard Marks, Oaktree
The Calculus of Value
The Memo by Howard Marks
August 2025

> Value should be thought of as exerting a "magnetic" influence on price...
>
> However, in the short run, price can move in just about any direction relative to value. This is so because an asset's price at any given point in time is mostly determined by investor psychology, which can be irrational and unpredictable.
>
> Thus, while the current relationship of price to underlying value should move in the expected direction, it can only be counted on to do so in the long run at best.

This short-termism creates a persistent, long-duration market inefficiency that Montaka can exploit.

Of course, seizing these opportunities takes a lot of time and patience, and along the way, there are a lot of short-term ups and downs. (It helps, like Montaka, to be 'index unaware'.)

But in the long run, as history shows, it is these kinds of opportunities that deliver substantial excess returns.

First principles thinking 1: The limits of the PE ratio

There is no doubt that global equity markets at the moment are complex. It means that, more so than ever, investors must carefully apply 'first principles' thinking when making assessments.

This is particularly the case when using PE ratios to assess both the overall market and individual opportunities.

The PE ratio of the S&P 500 is high by historical standards and many investors are therefore feeling cautious about equities.

1: Unstructured data is information that does not have a predefined data model or organizational structure (schema). Approximately 80%+ of the world's data is unstructured, and AI is increasing this share.

S&P 500 - Price to Earnings (P/E) ratio

Source: Bloomberg

Yet, without a broader picture of corresponding interest rates and credit spreads, comparisons with historical PE ratios are incomplete.

Investing great, John Neff, portfolio manager of the Windsor mutual fund – one of the largest in the US during his 31-year career from 1964 to 1995 – used to talk about routinely buying stocks at PE ratios of less than 7x in the late 1970s and early 1980s.

Neff acquired shares in NCR (National Cash Register), for example, at 5.7x 1981 earnings[2].

Such low multiples seem unfathomable in today's market. But, back then, government bonds yielded approximately 15.5% per annum. In today's lower interest rate environment, the equivalent PE ratio would be almost three times higher.

This concept is relevant when comparing the current market's PE ratio to that of the 'dotcom' bubble of 2000, as many are doing today.

At the time of the dotcom bubble, both interest rates and credit spreads were higher than today. So relative to bonds, the extent of overvaluation during the dotcom bubble was even more extreme than it appears, if we were to normalize it for today's interest rate environment.

To be clear, we are not arguing that equities are generally cheap today. We are instead seeking to use first principles analysis to clarify historical comparisons.

The usefulness of PE ratios also erodes quickly when there are significant changes in a company's earnings power (up or down).

This is increasingly relevant in today's dynamic environment of rapid and accelerating change.

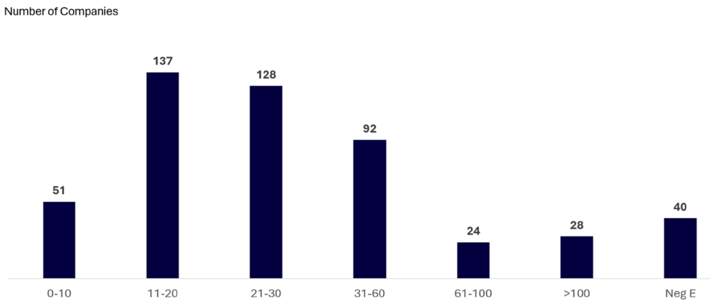
Spotify, for example, is the undisputed global leader in audio streaming. And yet after nearly two decades of building out its platform, the company has only recently turned profitable. We predict that future earnings will be reliably and materially higher than current earnings.

Spotify has been one of Montaka's top holdings over the last three years, during which its stock price increased 10x! And its PE ratio was greater than 75x for much of this period. It looked optically expensive to many investors, yet our detailed first-principles analysis showed it was very cheap.

There are also businesses out there for which earnings may be significantly impaired in the near future. Cable companies are increasingly seeing their cables being cut by their consumers; beer companies are dealing with the reality that Gen Z consumes less alcohol, compared to previous generations; and numerous other business services companies are at risk from AI disruption.

These kinds of companies may have PE ratios which, despite appearing low already today, turn out not to be low enough.

Price to Earnings (P/E) Ratio - Top 500 US-Listed Companies



Source: Bloomberg; Montaka Analysis

When one examines the distribution of PE ratios within the largest 500 companies in the US, there is a wide dispersion. Yet, as the above analysis alludes to, and as Spotify shows, it is not always obvious that the high PE ratio companies are overvalued and the low PE ratio companies undervalued. In certain cases, the reverse could be true.

First principles thinking 2: Assessing the riskiness of massive AI capital spend

The world is changing rapidly today, driven by technological advancement and global connectedness. As AI proliferates through nearly every part of the economy, the pace of change is only accelerating. In this environment, first principles thinking becomes essential. Traditional heuristics and 'rules of thumb' often fall short in the face of growing complexity and disruption.

We are seeing cases of both prudent and 'blind-faith' capital allocations in the rapidly evolving AI supply chain, and this means investors need to make careful, case-by-case assessments.

Starting with the prudent, some companies are investing enormous sums of money into AI and earning significant returns already. Given the strong complementarity AI has on their existing core businesses, Meta Platforms, Alphabet, and Tencent (which we examine in detail below) come to mind.

On the other hand, some capital allocation decisions and forecasts are stretching credulity.

In the quarter just passed, OpenAI committed to US$300 billion of additional future spend with Oracle (often referred to as new 'backlog'). That was followed up less than two weeks later with an additional US$100 billion commitment from Nvidia to fund additional data center capacity for OpenAI. And two weeks later, yet another deal with AMD worth many tens of billions of dollars.

These sums dwarf the rest of the industry. To put OpenAI's new announcements into perspective, Amazon – the world's largest hyperscaler – typically sees its backlog tick up by around US$10 billion each quarter.

2: *(Wiley) John Neff on Investing, 1999*

But where will OpenAI generate the revenue to fund these enormous investments? Who are the customers? How much are they paying? For what services? And who else can provide these services and at what price?

One wonders if OpenAI's private market valuation, now at US$500 billion – despite only approximately US$12 billion in annual revenue – is driving its long-term revenue forecasts. (Logically, the direction of causality should point in the opposite direction).

OpenAI's forecasts may well turn out to be right, but the lack of verification or questioning of these claims is baffling.

Economic and Political Complexity

The economic and geopolitical backdrop against which this is playing out is also complex, which again limits the usefulness of simple heuristics to develop an understanding.

Not only is the world's largest economy, the US, in the midst of extreme and abrupt changes to its trade policies, its medium-term domestic policies are seeing the Government reallocate spending away from the poor to the wealthy.

The Fed, which has started to cut US interest rates, seems perplexed. While new tariff policies are a negative for global growth (disinflationary), the Fed remains concerned that tariffs on imports will drive up inflation expectations.

At the same time, the US central bank is contending with a whole range of new issues – from the increasing influence of stablecoin on US treasury markets; to Trump seeking more explicit control over monetary policy, including directly threatening the position of the current Fed Chair.

Trump has also decided to intervene directly in Corporate America, mandating US government participation in the economics of US Steel, Intel, Nvidia, AMD, and Lithium Americas. Treasury Secretary Bessent says we should expect to see this kind of intervention in even more industries over time.

Geopolitically, the recent quarter was on a different level: India has grown closer to China; Israel directly struck US ally, Qatar; and the French PM was ousted, as was the UK deputy PM.

We've had a political assassination in the US; Russian incursions into NATO countries; and in the background, US armed forces are building in the Caribbean in preparation for potential operations in and around Venezuela.

The market is complex. In a world shaped by political complexity and geopolitical and technological shifts, navigating uncertainty requires a return to first principles thinking and a willingness to challenge conventional assumptions.

Portfolio Observations: Adding DoorDash and other changes

During the quarter, Montaka's performance benefited from strong contributions from Alphabet, Tencent, Blackstone, Unity Software, and LVMH. Key detractors over the period were ServiceNow and Salesforce.

Montaka made one new investment early in the quarter: DoorDash (DASH).

DoorDash is the overwhelming US leader in online food ordering and delivery. And, increasingly, DoorDash is evolving into a critical marketing and commerce platform for merchants of all kinds.

If we look at DoorDash through the lens that Montaka uses to evaluate opportunities, the company is the undisputed winner in a very large 'winner-take-most' US market. The company has numerous adjacencies and exhibits several flywheel dynamics, that over time, will likely strengthen the company's advantages, including:

- With the most users on the platform, merchants are attracted to it. With the most merchants on the platform, users are attracted to it, as are food delivery drivers.
- With the highest driver density, delivery services are the most timely and reliable – creating the best user experience, further aiding retention.
- With DoorDash's loyalty program, users receive substantial rewards that encourage repeat usage.
- With the most users and best driver density, new verticals are being successfully layered on, including grocery and packages.
- And, importantly, with all the first-party user preference data, high ROI marketing services can be offered to merchants to drive incremental customer acquisition.

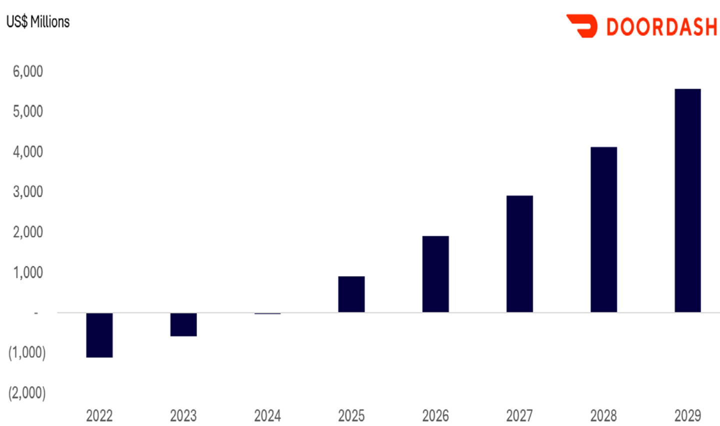
Like Spotify, DoorDash has spent more than a decade incurring losses as they build the platform, their leading market position, and momentum in these flywheels.

While the business turned profitable last year, we believe its current earnings power is but a fraction of what it will be in the future.

The company's incremental revenues are coming in at profit margins substantially higher than the profit margin on its existing revenue base.

While DoorDash's PE ratio appears high, it offers limited insight when viewed through a first principles lens – especially given the high probability uplift in future earnings power from current levels.

DoorDash — Current & Future Expected Operating Profit



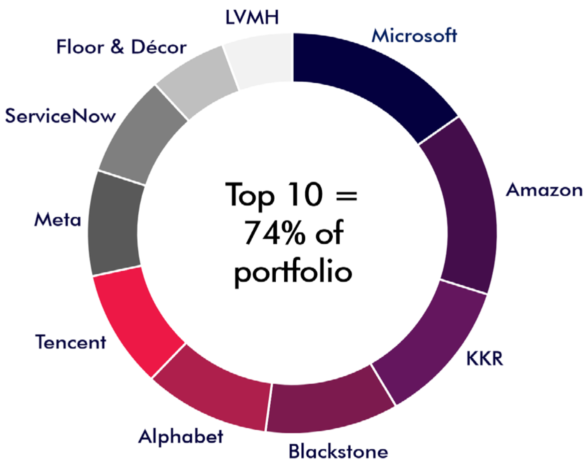
Note: operating profit based on earnings before interest and tax; future earnings expectations based on consensus as of September 2025.
Source: Company Filings; Tegus

After assessing the ongoing trade-offs between expected upside versus permanent capital impairment risks, we made several other modest augmentations to Montaka's portfolio position sizes during the quarter:

- We substantially reduced Montaka's investments in Flutter (just prior to its recent material stock price decline) and Reliance Industries.
- We modestly trimmed Spotify, Blackstone and KKR, given their ongoing stock price appreciation, and
- In addition to Montaka's new investment in DoorDash, we primarily added to Montaka's investment in LVMH, given its assessed significant undervaluation.

Montaka's top 10 investee companies at quarter-end are shown below.

Montaka's Top 10 Investee Companies



Source: Based on 'Montaka Global Fund – Active ETF' (ASX: MOGL) as at September 30, 2025

We remain highly concentrated, with our 10 largest holdings accounting for 74% of Montaka's total portfolio.

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Fantastic new additions to the team

In some exciting news, Montaka's investment team is delighted to welcome two outstanding new members: Timothy Le and Jessica Dharmasiri.

Both bring excellent academic and professional track records to the firm.

We are excited about the opportunities that lie ahead for Timothy and Jessica as they work with the broader Montaka/MFF team to unlock value for our investors.

Thank you for your ongoing patience and the trust you place in us to make thoughtful investments on your behalf.

With our team expanding, and our organization broadening its reach, we are excited and prepared to capture the numerous opportunities that lie ahead in this dynamic global landscape.

Andrew Macken

Chris Demasi

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Important Information

This document was prepared by Montaka Global Pty Ltd, (ACN 604 878 533, AFSL 516 942) (a subsidiary of MFF Capital Investments Limited ("MFF") (A.B.N 32 121 977 884)), is the investment manager of the Montaka Global Fund - Active ETF (previously known as Montaka Global Long Only Equities Fund (Managed Fund)) (ARSN: 621 941 508) and is authorised for release by the responsible entity Perpetual Trust Services Limited (ACN 000 142 049, AFSL 236648), the issuer of units of the Montaka Global Fund - Active ETF. Copies of the Product Disclosure Statement (PDS) and Target Market Determination are available on this webpage: https://montaka.com/mogl/ . Before making any decision to make or hold any investment in the Fund you should consider the PDS in full and any ASX announcements. The information provided is general information only and does not take into account your investment objectives, financial situation or particular needs. You should consider your own investment objectives, financial situation and particular needs before acting upon any information provided and consider seeking advice from a financial advisor or stockbroker. You should not base an investment decision simply on past performance. Past performance is not an indicator of future performance. Returns are not guaranteed and so the value of an investment may rise or fall. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

Montaka loves flywheel business models.

These business models have symbiotic relationships with customers (or users). When one party gets more value, the other gets more value. This causes a powerful, self-fulfilling feedback loop that drives continued expansion.

Flywheel business models are so valuable because they tend to grow annual earnings at solid rates over extended periods. And when a company compounds earnings on a sustained basis, it generates supernormal returns.

Flywheel business models, however, are routinely underestimated by markets and therefore throw up attractive investment opportunities for patient capital.

So it was music to our ears back in May this year when Tencent President, Martin Lau, told investors that he sees a very long runway of growth ahead for his company – and that all Tencent tries to do is "extend the runway".

These comments demonstrate that Tencent understands why flywheels are so valuable.

Below, we explore Tencent's many flywheels and how they are driving growth and earnings power.

The conclusion from our analysis is clear: Despite its share price rallying over the past few years, the market is still underestimating Tencent's intrinsic value.

Tencent's Flywheels

Tencent is almost like a mix of Meta and Microsoft.

It owns a wide range of complementary and highly privileged consumer and business-facing platforms.

Tencent's consumer-facing crown jewel is its Weixin (or WeChat) mobile app, which boasts more than 1.4 billion monthly active users (covering almost the entire Chinese population).

Chinese people live their personal and professional lives through the app.

Unlike Western apps, WeChat has millions of internal 'mini programs' (sub-applications) developed by third parties. These mini programs provide users with services ranging from e-commerce, gaming, entertainment, to public services, transportation and payments.

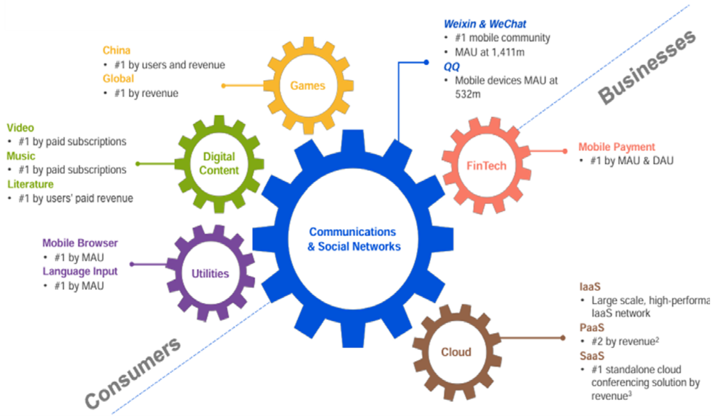
The flywheel dynamic here is fairly obvious: the more users that engage with the platform, the greater the opportunity for third-party mini programs to monetize services to WeChat's huge audience.

Tencent provides marketing, advertising, commerce – and increasingly AI services – to these mini-programs, so the symbiotic relationship between opportunity and growth is clear.

On the business-facing side, Tencent – as owner of some of the most privileged datasets in China – is a leader in Chinese AI and a major player in cloud computing.

This, too, has a flywheel dynamic. Like the western hyperscalers, the more businesses use Tencent's cloud computing, the greater Tencent's scale and the lower its fixed costs – including in R&D – become as a percentage of revenue.

Tencent's Portfolio of Flywheels



Source: Company Presentation

AI strengthens flywheels

Over recent years, Tencent has started to strengthen its flywheels by deploying AI within its core businesses.

Like Meta, Tencent has used AI to successfully improve several areas:

- Content recommendations and search capabilities – both of which increase user engagement and ad inventory;
- Its ad targeting and closed-loop measurement within the Weixin ecosystem, which drives fantastic returns for marketers;
- Ad creation, placement, and performance analysis, which boosts click-through conversion rates; and
- Tencent's gaming businesses is also benefiting from AI through improved coaching of new players as well as accelerating game-creation productivity.

Perhaps the most underappreciated aspect of Tencent's strengthening flywheel is Weixin's privileged ecosystem data and the extreme value this has in the age of AI.

For example, Tencent will soon launch a new agentic AI that has unique access to WeChat's 1.4 billion users. It can communicate across the entire ecosystem and can transact within the millions of mini programs on the platform.

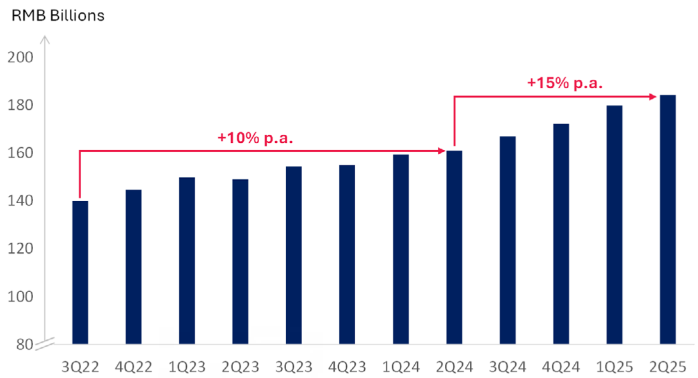
Without access to the internal data (which Tencent keeps private), a competitor simply could not replicate anything like it.

Sustainable revenue growth

Tencent's flywheels strengthen its competitive advantages over time and enable it to sustainably grow into (and expand) several large markets in China, including digital marketing, e-commerce, search, gaming, cloud computing, AI, and even financial services.

While these markets are at different stages of development, revenue growth in each contributes to an aggregate annual revenue growth in the double digits.

Tencent - Quarterly Revenue



Source: Company Filings; Montaka Analysis

And, as you can see from the chart above, over the last year, growth has accelerated.

New and emerging revenue streams are growing much faster than the company average:

- International gaming is growing at +35% per annum;
- Video accounts marketing revenue is growing at +50% per annum; and
- Cloud computing revenue is growing in the teens percentage per annum, despite being capacity constrained on AI chips.

Tencent remains in the early days of chasing some very large markets in China and has a long runway ahead.

Tencent also has other levers to pull to drive greater revenue growth. For example, its ad load within short videos is a mere fraction of competitors and can be gradually ratcheted up over time.

Overall, this gives us confidence that Tencent will generate solid growth over a much longer time horizon than many expect.

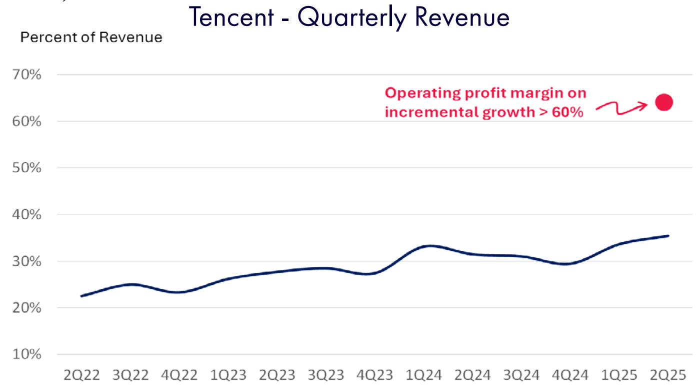
Turbocharged earnings growth

In addition to revenue growth, Tencent's future earnings power is also materially underestimated.

Over the last three years, Tencent's operating profits have more than doubled.

This was partially driven by revenues (which increased by approximately 40%), but mostly by profit margin expansion (which increased from 22.5% to 35.5%, as shown in the chart below).

Tencent - Quarterly Revenue



* Based on Montaka-adjusted earnings before interest, tax, and amortization
Source: Company Filings; Montaka Analysis

Hidden in these numbers is a vital insight: the operating profit margin on the incremental revenue growth over the last three years has been more than 60%!

That's because most of the incremental revenues have been built on top of the existing (mostly fixed cost) technology platform. So the incremental variable costs required to earn these new revenues are much lower.

To the extent this incremental profit margin holds, the overall company operating profit margin will gradually approach this level. The incremental margin works like a 'magnet' that slowly attracts the average margin towards it over time.

The combination of strong revenue growth and expanding margins gives rise to turbocharged earnings growth for Tencent.

Still undervalued

But the equity market is failing to appreciate this earnings power.

Despite Tencent's stock price increasing by 3x over the last three years, Montaka estimates the ratio of Tencent's operating enterprise to operating earnings to be just 17x[3].

Source: Bloomberg

For readers in Australia, this makes Tencent cheaper than Telstra – a mature business that is expected to only grow its revenue by approximately 1-2% per annum and operating earnings by less than 5% per annum over the coming years.

It's also worth noting that Tencent owns a portfolio of direct equity investments in third-party businesses – Spotify, Tencent Music, Universal Music, Epic Games and many others – which are worth nearly US$150 billion (representing approximately 20% of the company's market capitalization).

Tencent's perceived undervaluation is perhaps due, in part, to the geopolitical risks of investing in China.

These are not trivial and deserve careful attention.

But Montaka has managed this risk by deliberately limiting the size of our aggregated portfolio allocation to the country. (Tencent is Montaka's only Chinese investment).

* * *

3: Based on Montaka's adjusted enterprise value (excluding net investments) and adjusted earnings before interest, tax and amortization as of 2Q25.