

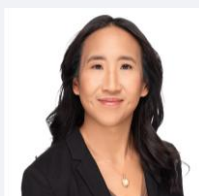
Q3 2025 Investor Letter

Published: October 1st 2025

The Night Watch Team:



Roderick van Zuylen
Chief Investment Officer



Eileen Ke
Chief Operating Officer



Martijn Kleinbussink
Research Consultant

Performance

During the third quarter of 2025, Night Watch Investment Management LP appreciated by 4.28% net of fees. YTD performance stands at 25.88%.

Night Watch Investment Partners LP – Net Performance (in USD)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2024	-0.82%	0.58%	7.09%	-0.24%	5.14%	-5.20%	9.11%	-0.23%	-1.34%	-2.40%	2.10%	-2.92%	10.30%
2025	2.56%	-0.45%	-4.12%	1.03%	8.94%	12.04%	0.14%	3.06%	1.04%				25.88%
Since Inception, Total:													38.84%
Since Inception, CAGR:													20.63%

In Q3 we continued to build on our strong performance of the first half of the year. Our largest contributors included **Haypp**, **Western Digital Corp**, **Distribution Solutions Group** and **AAR**. Our largest detractors included **GOGO**, **Marex** and **Endava**. Marex and GOGO were strong performers in H1 but unfortunately, they gave up most of their gains during Q3. We believe business fundamentals remain strong for both companies.



Portfolio

Night Watch manages a global value strategy that differentiates on the following points:

Catalyst – We predominantly buy value companies with an identifiable catalyst for a rerating. Catalysts can include industry tailwinds or company-specific events (e.g., earnings inflection, CEO changes, refinancing).

Inside Ownership – We aim to find companies where management has considerable ownership in the company. We consider this alignment of interest to be an important determinant of share price performance.

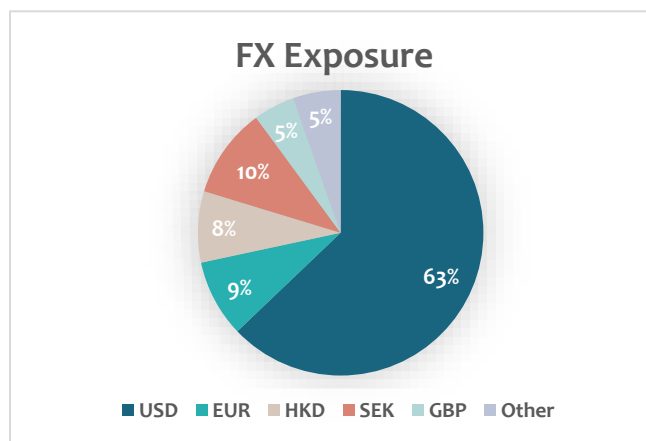
Unique Names – To differentiate from a long list of other value strategies, we seek unique portfolio holdings that have little overlap with a typical wealth management portfolio. We thus aim to provide our LPs with diversification from their other investments in addition to strong performance.

The portfolio as of September 30th, 2025 is as follows:

Theme	Weight	Positions	Insider Ownership	Catalyst
Housing	10.7%	3	2/3	2/3
Consumer	8.1%	2	1/2	2/2
Aerospace	12.3%	2	1/2	2/2
Counter-cyclicals	9.5%	1	1/1	1/1
Semis / Tech	12.1%	3	2/3	3/3
US Onshoring/ Fiscal Stimulus	9.1%	1	1/1	1/1
Chinese Consumer	7.9%	2	2/2	2/2
Japan Governance Reforms	4.6%	1	1/1	1/1
Europe – Quality names for value price	25.7%	6	4/6	4/6
Event Driven/ Other	9.3%	3	2/3	3/3
Funding Shorts	-12.9%			
Cash	3.6%			
Total	100%	24	17/24	21/24

Largest positions:

- Haypp (10.0%)
- Marex (9.4%)
- Distribution Solutions Group (9.1%)
- AAR Corp (9.1%)
- X-FAB Silicon Foundries (5.9%)





Strategy Update

The US stock market saw a strong recovery after a very volatile start to the year. Small caps performed especially well in the third quarter as US jobs data came in weaker than expected, opening the door for the Federal Reserve to resume their interest rate cutting cycle which they had started in 2024. We have seen similar moments of euphoria in 2023 and 2024, both caused by falling interest rate expectations. In both cases, those market rallies were short lived as eventually the market's attention shifts back to corporate earnings. Corporate earnings outside of a few pockets of growth such as AI, continue to disappoint.

Meanwhile, as free market proponents, we are not impressed by the increased government involvement in corporate America. In August, the US government decided to nationalize 10% of Intel and to apply a 15% export tax on Nvidia's sales to China. Furthermore, protectionist measures such as tariffs or visa restrictions on skilled migration pressure corporate profit margins and lower business confidence in the near term. In the long run, they hamper innovation and create an uncompetitive workforce. We are increasingly negative on the US economy, and we do not believe this is reflected in valuations yet.

Fortunately, the US is just one of many countries where you can generate investment returns and we are increasingly looking outside the US for opportunities.

We have been vocal about the great number of stock specific opportunities in Europe. However, we have recently become more cautious here as well. After 5 years of economic difficulty, Europe is slowly recovering with wage growth finally exceeding inflation. However, a rapid 15% appreciation in the EURUSD will provide a near-term headwind for a fragile economy that is largely dependent on international trade.

In other words, we do not want to be overly exposed to either a fragile European economy or an unpredictable regulatory environment in the US. Therefore, we continue to look at less cyclical industries such as healthcare, where we added 3 new positions, or even food production. We also continue to add to some of our existing portfolio holdings that benefit from multi-year tailwinds, such as airplane maintenance (**AAR**).

Meanwhile, our allocation to Asia remains steady and we have initiated our first ever position in a Japanese company.

Position Updates

Brookdale Senior Living

We have reinitiated a position in **Brookdale Senior Living (BKD)**. The bull case for senior living facilities (SLF) is strong: baby boomers are about to turn 80+ starting next year, increasing the demand for SLF. In anticipation of this uptick in demand, the industry overbuilt in 2017. The industry was then hit by Covid which shrunk the target population, followed by a nursing shortage which squeezed margins. Operating SLFs has been a very poor business model in the last decade. Over the last 8 years, the construction of new facilities has come to a halt and the orderbook is at a multi-decade low, right at the moment demand is about to tick up.

We have owned Brookdale during 2024, but grew impatient with a management team that could not manage to increase the occupancy of their facilities. In 2025, an activist shareholder was successful in the replacement of the management team, after which Brookdale has been rapidly closing the gap with peers. This gave us the confidence to buy back into the name

Hard disk drives

We initiated 2 positions in tech that benefit from AI-related spending. **Western Digital Corp (WDC)** became a pure play on hard disk drives after it spun off its subsidiary Sandisk. The HDD industry has transformed into a



duopoly where WDC and Seagate seem eager to control supply, while demand for storage capacity is growing rapidly on the back of data center investments.

We believe that AI infrastructure spending will prove to be cyclical, and will settle at a level well below current levels. Our involvement in this trend will be limited to a handful of outliers such as WDC where the market was late to recognize the positive impact on their earnings.

Energy

We have fully exited our energy positions (**VAL, TDW, NE**). We had a view on the business cycle of offshore energy infrastructure, which bottomed in 2021. Given that there is no new infrastructure under construction, we believed the cycle could keep going for many years to come. However, we did not foresee the pause in offshore spending that started in 2024. We do not expect a resumption of spending until 2027 at the earliest. In the meantime, companies like Noble Energy trade at ~10x Free cash flow, which is simply not as cheap if your cost of debt is 8% and your assets have a limited life span. In total, we lost a very modest 2.67% on our VAL, NE and TDW position. Since inception, energy has been our only significant detractor from performance.

Integral KK

For many years we have tried to find an investment in Japan that matches our investment criteria. Japan is home to many high-quality companies, but the hurdle to investing has always been to find a management team that is fully incentivized to make money for its shareholders. In recent years, the Tokyo Stock Exchange has effectuated massive changes in Japanese corporate governance. Any company that did not comply with their requirements on setting financial targets or the elimination of financial cross holdings was 'named and shamed' until they reformed. In other words, things in Japan are changing and we want to benefit from this change.

In Q3 we initiated a position in a company called **Integral KK (5842 JP)** that we are very excited about. Integral is a manager of private equity funds. This business model is similar to that of Blackstone or KKR. Integral raises money with which they acquire Japanese companies. They subsequently improve the acquired companies before eventually exiting. They charge the classic 2%/20% in fees, which after paying for personnel expenses, accrues to Integral's shareholders. Historically it's been a lot more lucrative to own PE managers, as opposed to investing in PE funds directly.

In early 2025, Integral launched their 5th flagship fund for which they raised roughly twice as much capital as for their previous fund. Overnight, their Assets under Management grew by 135%! This level of growth is unprecedented and had a material impact on profitability. Integral President Mr. Yamamoto believes they can raise a 6th flagship fund at double the size of fund 5 in 2 years. In addition, once a PE firm has built a solid track record, this can often be leveraged to launch a real estate, private credit, infrastructure or VC fund, providing further growth opportunities.

Japanese Private Equity has many advantages over the US and Europe. Acquisition multiples are lower. The ability to improve operations by introducing a proper incentive structure for management, or by selling unproductive assets such as real estate, is larger. Debt is cheap. Integral is the only Japanese Private Equity managers with a track record that allows them to raise \$250b JPY at a time. Foreign PE funds might have easier access to capital, but a traditional, family-owned Japanese company is less likely to sell out to a foreign company with a reputation for cutting headcount. Despite this, Japanese pension funds only allocate 1% of their capital to PE, versus 10-30% in the US.

Integral generally coinvests in every fund as well as in some portfolio holdings. Roughly half of Integral's current market cap is covered by the value of those investments. Based on the IPO prospectus, we have the impression that Integral is very conservative in the valuation of those investments, with an average EBITDA



multiple in the 5-6x range. However, the exact multiple is not disclosed and we believe Integral would do the market a favor by clearly showing how conservative this valuation really is. Management of Integral is accessible and is clearly trying to set a new standard in their transparency to investors. They are also large shareholders themselves and at the time of the IPO they have given themselves a 5-year lockup – a move that we consider unusually shareholder friendly. We believe that if this management team gets a little push in the right direction, and increases the disclosure around the valuation of their investment, Integral would trade at a much higher multiple.

While we are positive about Integral's long-term growth, we also see a near-term catalyst. A company called Tekscend Photomask is currently rumored to pursue an IPO in Q4 2025 at a \$300b valuation. Integral is a 50% shareholder of Tekscend Photomask through its Fund IV. Our estimate is that they acquired their stake which is potentially worth \$150b, at a cost of 10-20b JPY in 2022. If correct, this IPO creates a windfall for Integral's LPs and generates a significant performance fee for Integral. Customers are also quite likely to reinvest in a future fund if they get large sums of money returned from previous deals.

Over the years, we have invested in many private equity managers in the US, as well as in Europe (EQT, Partners Group) and have done quite well as more money was allocated to this asset class. As explained, there are reasons to be even more excited about the growth opportunities at Integral.

Conclusion

We have become more cautious on US stocks given a deteriorating US economy combined with an increased level of speculation in the US stock market. We remain disciplined in our investment process and refuse to invest in any company where we cannot underwrite the current valuation based on near-term free cash flow generation.

While we target to be fully invested, we are currently holding ~3.5% in cash after taking profits on some positions.

We are increasingly shifting our research to opportunities outside the US. We are planning an investment trip to Hong Kong in November in order to source new investment ideas.

We look forward to updating you after the next quarter.

On behalf of the Night Watch team,

Roderick van Zuylen
Chief Investment Officer

Eileen Ke
Chief Operating Officer



Important Disclosures

This document was prepared by Night Watch Investment Management, LLC (“NWIM”) on October 1st, 2025, based on information available as of October 1st, 2025, and is subject to amendment. The information and opinions contained in this document (including information obtained from third-party sources) are for background purposes only and do not purport to be full or complete, and do not in any way constitute personalized investment advice or an investment recommendation on the part of NWIM. No representation, warranty, or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this document, and no liability is accepted as to the accuracy or completeness of any such information or opinions.

All investments involve the risk of a loss of capital. NWIM believes that its proprietary investment program, research and risk-management techniques moderate this risk through the careful selection of portfolio investments. However, no guarantee or representation is made that NWIM’s investment program will be successful, and investment results may vary substantially over time. Past performance is not a guide to future performance. This publication makes no recommendations whatsoever regarding buying, selling, or holding any specific security, class of securities, or securities of a class of issuers. You are required to conduct your own due diligence, analyses, draw your own conclusions, and make your own investment decisions. Commentary is provided without reference to any investment strategy or product offered by NWIM. NWIM or entities managed by NWIM may be invested in any of the industries or securities mentioned. They may trade in and out of those positions without providing any updates.

Certain information contained in this document constitute “forward- looking statements,” which can be identified by the use of certain terminology, such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or the negatives thereof, or other variations thereon or comparable terminology. Any projections or other estimates in this document, including estimates of returns or performance, are “forward- looking statements” and are based upon certain assumptions that may change. Due to various risks and uncertainties, actual events or results, or the actual performance of any investment vehicle, portfolio or product described herein may differ materially from those reflected or contemplated in the forward-looking statements. Actual events are difficult to project and often depend upon factors that are beyond the control of NWIM.

TO THE FULL EXTENT PERMITTED BY LAW NEITHER, NWIM NOR ANY OF ITS AFFILIATES, NOR ANY OTHER PERSON OR COMPANY, ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT, OR CONSEQUENTIAL LOSS ARISING FROM, OR IN CONNECTION WITH, ANY USE OF THIS PUBLICATION OR THE INFORMATION CONTAINED HEREIN. NWIM AND ITS AFFILIATES EXPRESSLY DISCLAIM ANY GUARANTEES, INCLUDING, BUT NOT LIMITED TO, FUTURE PERFORMANCE OR RETURNS.

Copyright 2025 Night Watch Investment Management, LLC. All rights reserved.