

Q4 2025 Investor Letter

Published: January 2nd, 2026

The Night Watch Team:



Roderick van Zuylen
Chief Investment Officer



Eileen Ke
Chief Operating Officer



Martijn Kleinbussink
Research Consultant

Performance

Note: This document contains excerpts from the Investor Letter that was published to current and prospective LPs. In order to comply with all applicable regulation, certain performance data and portfolio data has been omitted. Please sign up for our quarterly letter on our [website](#) to receive complete updates inclusive of performance data.

Despite high single stock volatility in Q4, we ended the quarter roughly flat. Overall, we are very happy with how 2025 transpired. Similar to 2024, our performance was broad-based and not dependent on one or two securities.

Top Contributors	Contribution*	Top Detractors	Contribution*
Haypp	7.78%	Endava	-3.48%
Allfunds	4.69%	Distribution Solutions Group	-1.51%
Marex	3.15%		
Western Digital Corp	2.93%		
AAR Corp	2.29%		
Dream International	2.23%		
Brookdale	2.17%		
X-Fab	1.90%		
St Joe	1.88%		
Mr Cooper	1.56%		
Draftkings	1.05%		
MGM China	1.02%		

* Contribution is gross of fees



Notable Positions

Haypp (HAYPP) was our top performer of the year. Haypp is the largest ecommerce platform for Nicotine Pouches. The company faced some regulatory setbacks in 2024, but those issues were largely resolved during 2025. They continued to execute strongly. In September they also reintroduced Zyn on their websites, which they can now source at a lower cost than they did historically. This sets them up for an acceleration of growth at high margins in 2026.

Allfunds (ALLFG), a European fund distribution platform, benefited from inflow into European securities, followed by a non-binding bid to acquire the company by Deutsche Boerse. We sold most of our position following this bid.

Marex (MRX) is a Futures Commission Merchant which we have owned since its IPO in 2024. During Q4, the market briefly panicked about their perceived exposure to lower interest rates and lower exchange volumes. However, they continue to surprise the market with their resilience and their growth potential. We used the selloff buy more and Marex is now our largest position. We believe the company trades around 9x P/E which is low for a company with an increasing moat, a long runway for growth and an ROE close to 30%.

Western Digital Corp (WDC), a manufacturer of hard-disk drives, benefited from a large memory shortage driven by investments in AI data centers. The shares are up >200% since our purchase and we have been scaling down our position, given that memory cycles have historically been very short and very violent.

The list of losers was short, with only Endava and Distribution Solution Group costing us more than 1%.

Endava (DAVA) is an IT services provider, which the market perceives as an AI loser. Since this industry bills by the hour, the amount of billable work goes down if programming becomes more efficient. The alternative view is that this lower cost enables different kinds of IT projects for DAVA's customers and the lower price per project will be compensated for by higher volumes.

When AI just came onto the scene, large corporates delayed their IT investment decisions to figure out how to apply AI to their business. Earlier in 2025, we started seeing the first signs of companies beginning to commit to large AI-related IT spending. Unfortunately, the business uncertainty following the Liberation Day tariffs postponed this recovery. We think 2026 will be the year when Endava returns to growth. Unfortunately, DAVA has also underperformed its peers because of less-than-stellar execution. The company now trades at 0.3x sales, versus 1-2x for peers. We think that normalized Net Income margins are around 10%, putting the company around 3x P/E once the business stabilizes and rationalizes its headcount. It's even cheaper if they manage to return to growth.

Distribution Solutions Group (DSGR), a specialty distribution company, performed largely in line with our expectations despite the slight move down in share price. US industrial activity remains in contraction, but DSGR has seen their organic growth accelerate to 6%. Over the last two years their management team has undertaken various business optimization steps, which should come to light when US industrial activity normalizes.



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.

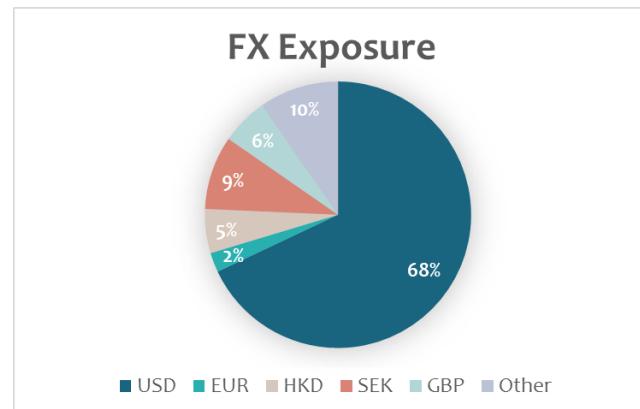
Unique Names – To differentiate from a long list of other value strategies, we seek unique portfolio holdings that have little overlap with a typical wealth management portfolio. We aim to provide our LPs with diversification from their other investments in addition to strong performance.

The portfolio as of December 31st 2025 is as follows:

Theme	Weight	Positions	Insider Ownership	Catalyst
Housing	11.8%	3	1/3	2/3
Aerospace	9.0%	2	1/2	2/2
Semis / Tech	12.6%	4	3/4	4/4
US Cyclical	11.3%	2	2/2	2/2
Counter-cyclical	14.4%	2	1/2	2/2
Defensive	23.0%	9	4/9	8/9
Europe	16.0%	4	3/4	4/4
Hong Kong	5.4%	2	1/2	2/2
Japan	9.1%	2	2/2	2/2
Brazil	2.5%	2	1/2	2/2
Funding Shorts	-13.4%			
Cash	-0.6%			
Total	100%	32	19/32	30/32

Largest positions:

- Marex (13.1%)
- Distribution Solutions Group (9.4%)
- Haypp (9.0%)
- AAR Corp (8.6%)
- St Joe (6.4%)





Outlook

As indicated in our last letter, most US companies with exposure to the broader US economy have struggled to show earnings growth for the last 4 years. This has been overshadowed by the rapid growth in AI-related spending.

After 4 years of economic difficulty, there are some interesting opportunities in industrials and consumer discretionary. However, in the current market, being too early in calling a bottom can be a very expensive mistake. We continue to wait patiently while we build our watchlist. For early next year we expect further rate cuts as well as tax refunds which could support the US consumer. We are ready to increase our exposure once we see the first signs of a pickup in consumer spending.

Meanwhile, we have invested more time in ideas outside of the US. We own 2 Japanese stocks, 2 Hong Kong listed stocks, and now 2 Brazilian stocks. Brazil's equity market has suffered from high real interest rates. Their overnight SELIC rate is currently at 15%, versus an inflation rate of only 4.5%. Why would anyone invest in equity if you can make real returns of 10% through fixed income? We believe this will normalize over time, which should benefit stockbrokers as well as the Brazilian stock exchange. We are positioned accordingly.

We have also moved into more defensive, or idiosyncratic sectors. Producers of bananas, chicken and beef are unlikely to be influenced much by economic growth. We also bought various health care stocks. While some of those stocks might be a bit boring, we are happy owning boring stocks if we can buy them cheap enough. In a world where stock indices go up 20% each year, earning a boring 15% FCF yield seems mundane. But buying a 15% FCF yield with an event driven catalyst should lead to good results over time.

There are various themes that we are still enthusiastic about. We have kept our large exposure to the aerospace after market, given that the global fleet of airplanes is aging and demand for maintenance will continue to grow. Our housing basket has shifted to niche sectors, such as senior living facilities, or companies that benefit from a rebound in existing home sales.

Finally, the number of positions in our portfolio is currently larger than usual. We tend to have large weights of 8-12% in our core book, followed by a long tail of smaller investments. Some of those small positions will grow into core positions as we gain more conviction in our thesis. Others will be sold over time if management fails to deliver. And some of our smaller positions have only been retained to defer capital gains taxes into 2026 and will be sold shortly. We continue to see ourselves as a concentrated strategy that invests a handful of well-researched companies with lots of potential.



Company Update

During the quarter, Roderick acquired a controlling stake in an established financial research business called KEDM Inc. KEDM publishes a weekly event-driven monitor that tracks events such as CEO changes, bankruptcy emergence, spin-offs, or companies that announced strategic alternatives. It also includes big picture investment themes where it aims to identify industries that are about to see a positive earnings inflection.

The Synergies

KEDM scans through a universe of thousands of stocks and identifies the companies where something potentially exciting is about to happen. It doesn't make investment recommendations, but is the first step in a stock selection process. KEDM does the initial screening, then Night Watch does the deep dive, fundamental research and the engagement with management teams to ultimately reach specific investment theses.

KEDM has always been a vital input to Night Watch. Not surprisingly, KEDM is the embodiment of the Night Watch investment strategy, which focuses on Value + Catalyst. By owning a controlling stake, we now have direct access to the team of 5 analysts and former PMs that are collecting the data and putting the publication together every weekend.

We believe that this ownership provides a unique differentiation to Night Watch. We are still young and small enough to be nimble, but at the same time we now have access to institutional grade resources. It gives us a systematic approach to scan for unique ideas.

If you are not yet a subscriber, we encourage you to get a free trial at kedm.com.

Conclusion

We finished our second year in which we continued to deliver strong returns to our investors. We have had no material drawdowns since the fund's inception. Thanks to our deep research and risk averse attitude, we have had very few large losers in both 2024 and 2025. We are large investors in the fund ourselves and we are grateful for all the LPs who are joining us along the way.

On behalf of the Night Watch team,

Roderick van Zuylen
Chief Investment Officer

KEDM | EVENT DRIVEN MONITOR

[@](#) [Twitter](#) [YouTube](#) [LinkedIn](#)

Dear Reader,

We realize that the size of KEDM may be intimidating—it *shouldn't be*. We have broken it down in 3 chapters: **Thematics**, **Kliff Notes**, and **Event-Driven Monitors**.

Don't be intimidated. KEDM works whether you've got 2 minutes or a weekend. We hope you find it as valuable as we do!



Start here: KEDM Thematics

Our weekly deep dive into a big picture theme or macro event.



Then: KEDM Kliff Note

Here, we flag what we consider to be the most interesting events of the week.



Go deep: Event-Driven Monitors

And finally, +25 monitors with direct links to sources: press releases, SEC filings, and investor decks.



Important Disclosures

This document was prepared by Night Watch Investment Management, LLC (“NWIM”) on January 2nd, 2026, based on information available as of January 2nd, 2026, 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 2026 Night Watch Investment Management, LLC. All rights reserved.