

Another year is complete, and as you no doubt witnessed, 2025 was a year of dramatic change, much of it driven by a single long-term transformation: AI.

Along with a rapidly evolving geopolitical landscape, AI propelled a small handful of stock prices significantly higher.

Many investors may have been tempted to jump in and chase these stocks, but as we enter 2026, it's important to remember that not all these recent winners will stand the test of time.

At Montaka, our goal is deliver sustainable excess returns from long-duration market inefficiencies. While this approach won't generate outperformance every year – 2025 being an example – we remain confident in the long-term success of Montaka's investment philosophy, which has not changed.

Equity markets routinely undervalue businesses with the potential to grow their earnings power sustainably over extended time horizons.

On this basis, Montaka's strategy continues to focus on identifying and owning global opportunities which are beneficiaries of long-term structural change and are highly-advantaged. It is this rare combination – which increases the probability of long-duration growth – that the market struggles to value, time and time again.

In 2026 and beyond, Montaka will continue to focus on identifying and owning these long-term winners wherever possible. And as you will read below, we continue to see significant opportunity right now. Many of the transformations we are invested in remain early in their trajectories and many of the businesses that we believe will be beneficiaries have become cheaper over recent months.

In the spirit of this mission, this letter will cover the following four topics:

1. 2025 Performance Review, including significant dispersion of returns in markets and Montaka's portfolio.
2. A State of the Union summary of 2025's important structural shifts in the global environment.
3. Portfolio Augmentations & Positioning in Montaka's portfolio during Q4 2025, with a close look at portfolio additions and reductions.
4. A preview of our new whitepaper: 'The AI Bubble Debate: Why Investors Should Re-Examine the Evidence'.

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.

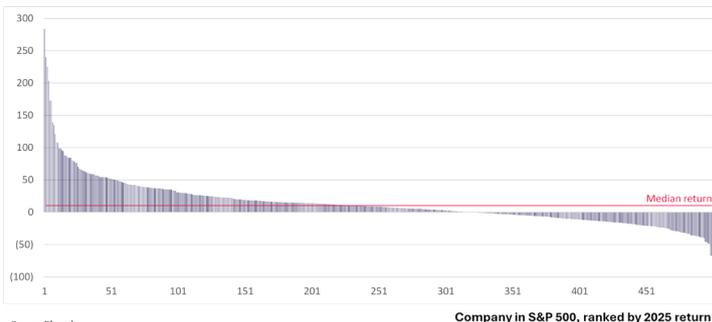
2025 Performance Review

2025 was characterised by outsized returns from a relatively small group of stocks.

The median stock in the S&P 500 (i.e. the 250th stock, when ranked by returns) returned only 8.7% in USD terms (or approximately flat in AUD terms), while the aggregate Index delivered a total return of 17.9% in USD terms.

S&P 500 Company Returns — Last 1 Year (CY 2025)

Total shareholder return, percent



Source: Bloomberg

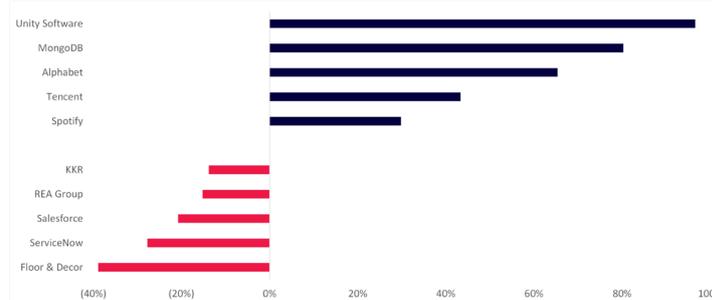
Company in S&P 500, ranked by 2025 return

If you look at the total returns of all 500 stocks on a single chart (above), it's remarkable that, in such a strong year for the market as a whole, more than one-third of all stocks in the S&P 500 delivered a negative absolute return.

Montaka's key investee companies had similarly significant dispersion in their 2025 returns, as shown below.

Key Montaka Stock Returns — Last 1 Year (CY 2025)

Percent Return



Source: Montaka; Bloomberg

Unity Software, MongoDB, Alphabet, Tencent and Spotify all had big one-year gains. But they were offset by declines in businesses like Floor & Decor, ServiceNow, Salesforce, REA Group and KKR.

We believe these declines will prove temporary:

- As we've discussed in prior letters, we view **Floor & Decor** like a coiled spring – an advantaged specialty retailer waiting patiently for a rebound in US residential property sales, which remain near GFC lows. Based on our assessment, the company's undervaluation is extreme.
- Enterprise software leaders like **ServiceNow** and **Salesforce** have been sold off as part of a broad-brushed negative narrative on software disruption by AI. We remain cognisant of these risks and follow them closely. On balance, however, we continue to see low probabilities that enterprise customers will be successful at, or even try to recreate such large, embedded, mission-critical software systems as ServiceNow and Salesforce. And while critics point to slower-than-expected adoption of new agentic features as evidence of the decline of these businesses, we suspect these trends highlight the complexity involved in trying to extract corporate value out of AI, at scale. If so, this arguably favours those players with scale advantages in R&D, customer distribution, and customer data, such as ServiceNow and Salesforce. And following their 2025 stock price declines, we see these businesses as significantly undervalued.

- The world's leading alternative asset managers, such as **Blackstone** and **KKR**, also declined in 2025 – likely driven by a myriad of negative headlines around private credit. In November, KKR CEO, Scott Nuttall, remarked that “the noise is bad, and the facts are good”¹. We agree and assess that many investors are underappreciating the cyclical upswing potential for alternative assets. M&A is starting to come back strongly, and asset realisations will follow, which will drive further growth in asset recycling and capital raising. Meanwhile, depressed asset classes – like commercial real estate – have started to recover; and we remain in the infancy of substantial growth in the private wealth channel for alternative assets distribution. We assess that the future looks bright for these businesses.

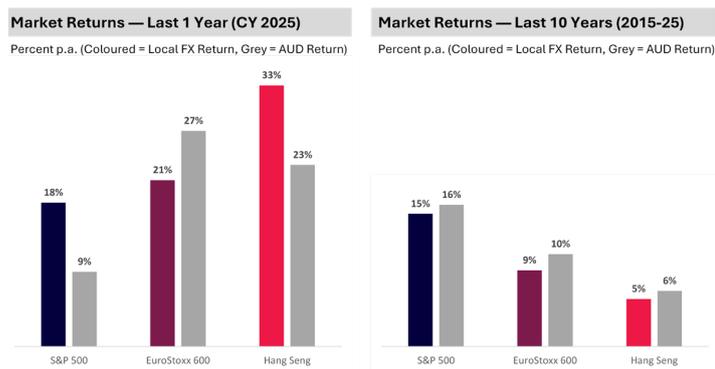
In 2025, even advantaged cloud computing hyperscalers, **Microsoft** and **Amazon**, underperformed the broader equity index. This might seem counterintuitive, given the extreme advantages of these businesses, including their favourable positioning within the AI revolution and countless meaningful growth options on the horizon.

But remember: temporary underperformance relative to the market index is a feature, not a bug, of the stock price trajectories of even the most attractive investments.

Over the last decade, 115 US-listed stocks delivered shareholders an extraordinary 10x (or more) total return. And yet, more than one-third of the time, each of these stocks was underperforming the S&P 500 market index over the trailing 12 months by 24% on average².

And 2025 wasn't just unusual for the distribution of individual stock returns; it was also an unusual year from a geographical perspective.

Many global equities outside of the US were stronger than those inside the US in 2025, as illustrated below.



Many currencies also appreciated, while the USD depreciated. The AUD appreciated 7.5% against the USD during 2025, for example. (Montaka was deliberately overweight the AUD in 2025, which enabled us to participate in this strengthening AUD).

It is important to note, however, that from a historical perspective, such strength outside of the US is quite atypical. Over a longer-term period, US equities far outperformed those of their European or Asian counterparts, as shown on the chart above.

1: KKR Q3 2025 Earnings Call, November 2025

2: Based on Montaka/Bloomberg analysis of US-listed stocks with at least US\$5M/d in liquidity, relative returns measured monthly against the S&P 500.

3: Alphabet Q3 2025 Earnings Call, October 2025

There are strong fundamental reasons for this US outperformance, in our view. The US economy is characterised by superior productivity growth, economic returns on capital, and demographics – not to mention technology and geopolitical advantages.

We believe that over the long term, the odds will continue to favour superior returns in the US, and we continue to position Montaka's portfolio accordingly.

More than 80% of the stocks currently owned by Montaka are listed in the US, and we estimate that approximately 50% of the collective look-through revenues generated by the businesses we own originate in the US economy.

State of the Union: AI, resource competition and inequality increase geopolitical instability

In 2025, several developments led many to begin to question some of the most established underlying assumptions of the global political economy.

2025 confirmed that we have entered a new era of great power competition for scarce resources, the destruction of old technology models, rising uncertainty around employment, and political upheavals linked to inequality and an uncertain future, particularly for younger cohorts.

At the heart of most of these developments, of course, is AI.

Daily users of Gemini, ChatGPT or Claude will know just how useful these large language models (LLMs) can be in daily life – and this is driving growth in LLM tokens (i.e. the smallest unit of LLM output) north of 200% per annum³.

This, in turn, is driving enormous capital investments in new data centres in the US and around the world.

While investment in capital infrastructure is wonderful for current and future economic growth, the sheer scale and growth of new demand is creating bottlenecks and competition for scarce resources – including between world powers who view AI dominance as a national security imperative.

Two of the most critical inputs for data centres are advanced semiconductor chips and power generation capacity. (In the case of embodied AI – where artificial intelligence is integrated into physical systems like electric vehicles, drones and robots – special commodities like lithium and rare earth elements are also critical).

The rising compute-intensity of AI software is driving enormous demand for specialised, high-performance semiconductor chips. The world's most advanced chips are overwhelmingly produced by TSMC in Taiwan – a potential geopolitical flashpoint. Meanwhile, the US has restricted the most advanced chips from being exported to China on national security grounds.

Power generation is equally critical. As the global data centre buildout continues, electricity is no longer an insignificant operating cost – it directly limits how much capacity can be built and how profitable that capacity can be. Regarding power generation, the positioning of the US and China is very different:

- In the US, there are long delays in building out new generation capacity; grid modernisation efforts remain in their early stages; and the marginal price of electricity will continue to be set by the economics of (rapidly inflating) gas-fired capacity for the foreseeable future.
- In China, on the other hand, capacity is abundant, and the marginal cost of electricity is tied to the deflating cost curves of domestic renewable energy sources.

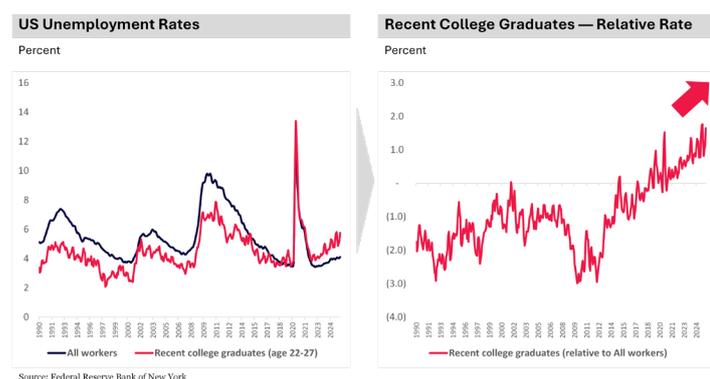
What an irony that there are ample resources for the world's AI build out – it's just that they're split between two competing hegemon, so they cannot be easily 'shared'.

Energy mixes are evolving all around the world to include more remote, intermittent sources, such as solar and wind, and this is driving substantial demand for commodities that help transmit and store electricity – such as copper and lithium. Medium-term supply growth of these commodities will unlikely keep up with demand growth, in our view, pushing their prices higher.

The fast-rising physical costs of delivering AI at scale have also led many to ask if the age of zero-marginal-cost traditional software is over, to be replaced by higher-marginal-cost AI software.

The marginal costs of software are indeed increasing. But the key question is: to what extent can the marginal revenues of associated software also increase? The promise of AI, of course, is that the software itself will become exponentially more powerful and valuable – replacing the need for relatively higher-cost humans.

Already, we have AI technology that is so effective that a \$20/month subscription can replace scores of young graduate employees in certain roles. Is this why the unemployment rate of recent college graduates in the US has ticked up above the national average in recent years, after decades of remaining below it?



Perhaps this is why young people are three times more likely to believe that AI will take away more opportunities than it creates. And likely related, support for capitalism continues to erode amongst young people. Just 39% of young Americans support capitalism, down from 45% in 2020⁴. These trends represent significant long-term risks for societies and economies.

4: Harvard Youth Poll of 2,040 18-to-29-year-olds, Fall 2025
 5: (The Economist) Europe's generals are warning people to prepare for war, December 2025
 6: Speech by Blaise Metreweli, Chief of SIS (MI6), December 2025
 7: (BBC) Why more young men in Germany are turning to the far right, February 2025
 8: (Bloomberg) Gen-Z Revolts Against Dystopian Future as Protests Sweep the Globe, December 2025

And just as we are on the cusp of replacing more human labour with AI labour, militaries across the world are racing to replace more human soldiers with autonomous systems.

The race to do so is creating competition for scarce resources. Maps of the world are increasingly viewed through eyes hungry for natural resources and strategic locations.

We now know (at least partially) why 15,000 US troops and a dozen naval ships were relocated to the Caribbean eyeing Venezuela. Greenland appears to be the next focus of the Trump Administration, while ambitions for Panama and Canada have been aired previously.

This intensifying global competition perhaps helps explain why China is increasingly eyeing the Arctic (and Antarctic for that matter).

Compounding this instability is the swift pace of political change worldwide.

The US has become accepting of Russia's landgrab in Ukraine. As a result, the Europeans are scrambling to prepare for war⁵. The Brits believe they are already in the 'grey zone' just below the threshold of war⁶.

Meanwhile, their democracies are fragmenting, with far-right parties, particularly, increasing in popularity – especially with young men⁷.

Inequality is also growing more extreme in many countries. And at the same time, unaffordability – especially for the young (whose employment is arguably at greatest risk near-term) – has become the defining political issue in many countries. Several leaders have already been ousted by Gen Z protests around the world⁸.

Portfolio Augmentations & Positioning – Q4 2025

We were a little more active during the quarter because we were presented with opportunities to add to positions with more favourable upside-downside ratios, which we funded by trimming positions with less favourable ratios.

We added to:

- **Meta Platforms** after its significant pullback in November.
- **S&P Global, Visa** and **Mastercard** – all of which have been growing their earnings power while their stock prices lag.
- **ServiceNow, Salesforce** and **REA Group** – which have significantly underperformed on AI disruption narratives.

These additions were funded primarily by reductions in **Alphabet, MongoDB** and **Tencent** following their terrific rallies in 2025.

We also right-sized our positions in **KKR** and **Blackstone** – both of which remain in Montaka's top 10.

Finally, we added one new investment to Montaka's portfolio during the quarter: lithium producer **Albemarle** (NYSE: ALB). Internally, we classify Albemarle as an 'asymmetric value' investment (rather than a 'compounder', or an 'outlier', as we have described in the [past](#)).

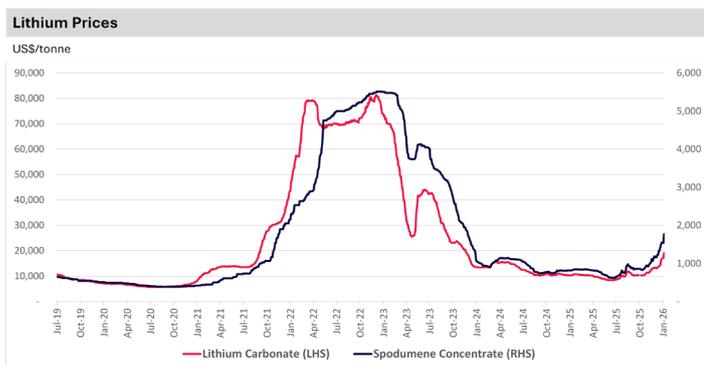
Our interest in Albemarle stems from our analysis of the global lithium market and the high probability we see for an impending supply shortage.

Over the last two years, lithium prices have been far too low to incentivise new production capacity onto the market – capacity that would be needed to make the world’s batteries over the coming years.

The situation was unsustainable and now appears to be changing rapidly as lithium prices start to move higher.

While electric vehicle batteries remain the primary driver of lithium consumption, the market has been blindsided by rapid demand for industrial-scale Battery Energy Storage Systems (BESS).

This shift is fuelled by the transition to renewable energy sources and the growing demand for reliable power within data centres. We see a strong likelihood of a price squeeze. And remember, the last lithium price fly-up was significant, as shown below.



Albemarle is positively exposed to lithium prices – including prices of spodumene concentrate, which is a primary input for refined lithium carbonate. Among other interests, Albemarle owns 49% of Western Australia’s Greenbushes mine – one of the world’s premier spodumene concentrate mines.

As we commence 2026, based on current portfolio positioning, the ratio between Montaka’s expected portfolio upside and permanent capital impairment risk has improved to levels we have not seen for quite some time.

We therefore see substantial risk-adjusted upside in Montaka’s portfolio today.

* * *

In the appendix to this letter, we share a sneak peek of Montaka’s new whitepaper that examines the current AI bubble debate.

In this report, we critically evaluate five core premises that underpin prominent arguments that an AI bubble has formed.

While one could logically conclude from these premises that we are in the midst of an AI bubble, our analysis suggests that many of the underlying assumptions are overstated or unsupported by evidence.

The complete whitepaper, titled The AI Bubble Debate: Why Investors Should Re-Examine the Evidence, can be found [here](#).

* * *

In closing, after strong advances over recent years, and amidst an increasingly contentious and complex geopolitical backdrop, we understand many investors are nervous about share prices.

But at Montaka, we are optimistic about the opportunities that lie ahead, and the strength of our investment approach in identifying long-term winners that offer outsized return potential.

Under MFF Group’s ownership, the Montaka team has continued to expand, and our internal capabilities continue to strengthen. Our alignment with investor outcomes remains strong through our personal holdings in Montaka’s strategies. This alignment was further reinforced in Q4, with MFF Group investing \$25 million into the Montaka Global Long Only Equities Fund (ASX:MOGL).

We thank you for your ongoing patience and partnership in our investing journey.

Sincerely,

Andrew Macken

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Top 10 Holdings	Key Themes	Market Position	Portfolio Exposure	Years in Portfolio
Amazon	Cloud Computing, Digital Marketplaces	#1 / #1	10.5%	7
Microsoft	Cloud Computing, Enterprise Software	#2 / #1	10.4%	7
Meta	Discovery Engines	#2	8.3%	7
KKR	Private Assets	#3	7.3%	5
Alphabet	Discovery Engines, Cloud Computing	#1 / #3	7.0%	7
ServiceNow	Enterprise Software	#1	5.7%	5
Blackstone	Private Assets	#1	5.2%	5
Tencent	Discovery Engines	#1	5.0%	6
Salesforce	Enterprise Software	#1	4.9%	5
Floor & Decor	Specialty Retail	#1	4.2%	2
Total/weighted average			68.4%	>5
Cash weighting			2.7%	

Source: Apex, Montaka
Note: Based on Montaka Global Fund – Active ETF (ASX: MOGL). Exposures as on 31 December 2025 and shown as % of NAV.

Many persuasive voices – including Michael Burry of The Big Short fame – are arguing we are in the midst of a giant AI bubble that will lead to an inevitable bust.

At the heart of their argument is that the current valuations of tech companies – including hyperscalers like Alphabet, Meta, Microsoft and Amazon – reflect overly aggressive growth assumptions while understating true costs.

But does the bubble hypothesis really reflect reality?

Not if we closely examine five core premises that underpin prominent arguments that an AI bubble has formed.

Premise #1 – Hyperscaler cloud revenue growth expectations are too high and will likely decelerate to single-digits within five years.

The first claim bubble proponents make is that revenue growth of hyperscale cloud computing businesses – like Amazon Web Services, Microsoft Azure and Google Cloud Platform – is about to decelerate rapidly.

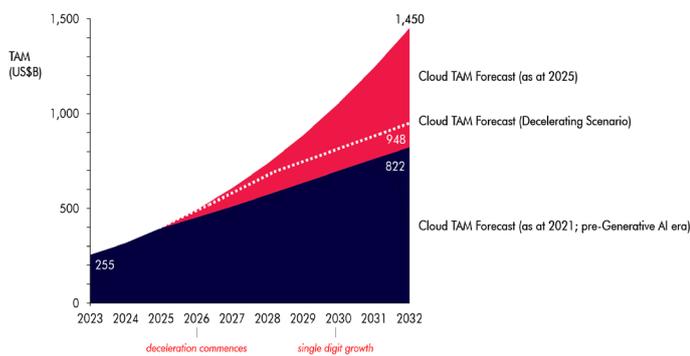
Yet such an extreme deceleration in revenue growth implies that AI will contribute minimal demand beyond the traditional digital transformation.

That AI adds little aggregate demand for cloud computing services beyond what was already coming seems excessively conservative.

According to IDC’s forecasts, by contrast, AI will increase the cloud total addressable market (TAM) over the next 10 years to ~\$2 trillion per annum – up from less than \$0.5 trillion per annum today.

This suggests that, rather than decelerating rapidly, hyperscaler cloud revenue annual growth rates will in fact be sustained in the teens (at least).

Cloud TAM Forecasts (Various Scenarios)



Source: Montaka analysis, IDC

Premise #2 – Barriers to entry in the cloud market are weakening because new players are rapidly entering the space and competing on price.

The second argument for bubble trouble is that hyperscalers are overvalued because a new generation of cloud providers – such as CoreWeave and Oracle – are entering the market, leading to a deteriorating competitive landscape.

But these new cloud providers are not comparable to the hyperscalers in several important ways.

First, businesses like CoreWeave only offer specialised AI model-training infrastructure – a low margin, less differentiated and commoditised offering.

In contrast, hyperscalers offer a wider range of products and services across the cloud stack:

Hyperscaler Revenue Across the Cloud Stack

Cloud Stack	Cloud Workload Types		
	Traditional Cloud	AI Training	AI Inference
Application Layer	✓		✓
Platform Layer	✓		✓
Infrastructure Layer	✓	✓	✓

Source: Montaka analysis

And while AI model training currently represents a significant share of AI workloads today, the much larger long-term opportunity is inference – the phase after training that represents the models being used to solve problems. This is where AI actually creates end-user value.

Importantly, there is clear evidence of positive ‘flywheel’ dynamics between traditional cloud and AI inference, from which incumbent hyperscalers benefit.

Based on Montaka’s recent analysis of interviews with industry experts, for every \$1 spent on third-party AI models, an additional \$1-4 is typically spent with the hyperscaler on broader cloud services to make the workload functional, reliable, secure and compliant.

Premise #3 – The profitability of new data centre capacity is materially impaired by the rapid depreciation of AI chips.

The third argument of bubble proponents is that the unprecedented capital investment in data centres will fail to generate acceptable returns and ultimately lead to enormous value destruction.

Many prominent figures in the investment management industry have raised concerns about the assumed depreciation schedules employed by hyperscalers for compute infrastructure.

The hyperscalers have lengthened depreciation for compute infrastructure to approximately 5-6 years, up from 3-4 years several years ago.

At the heart of this concern is the fact that a large share of hyperscale data centre capex is concentrated in specialised AI chips that power training and inference.

And since customers insist on using leading-edge chips for AI training workloads, then the effective economic life of each chip could be far shorter than 5-6 years, since new generations of chips are released annually.

If data centres depreciate much faster than reported, the true profitability of these investments is reduced which calls into question the returns on the entire build-out cycle.

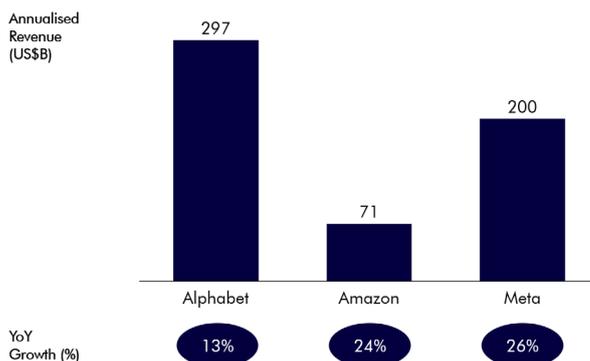
But data centres are not just about AI model training. As AI diffuses more broadly into the economy, it is likely that AI inference workloads will significantly outnumber training workloads.

And unlike training, a much wider range of chips can be (and are) used for AI inference. For example, eight-year-old Google TPUs are still operating at 100% utilisation in the Google Cloud Platform (GCP)⁹.

Premise #4 — The large-scale capital investments being made in new data centre capacity are funded by lower quality, mature and cyclical advertising businesses.

The next argument of those espousing a belief that we are in the midst of a bubble is a concern around the funding sustainability of the large advertising businesses attached to hyperscalers like Alphabet, Amazon and Meta.

The critics note that digital advertising is cyclical, maturing, and becoming more competitive, creating headwinds in these businesses that will erode the cash flow of the ad-centric hyperscalers in the near term.



Yet when the world's most advantaged digital advertising platforms – including Google, Meta, Amazon and even Tencent – have deployed large AI models internally, they have substantially and tangibly improved content-recommendation, ad-targeting, and conversion metrics.

Such improvements matter. They directly reduce advertising waste and increase return on ad spend (ROAS).

As these platforms increase their mix of high-efficacy performance marketing (and move away from lower performing and cyclical brand advertising), growth in their ad businesses becomes much more structural (and less cyclical), and more tied to improvements in AI – which continue at a rapid pace.

Finally, far from seeing hyperscaler non-cloud businesses as a liability, we view them as important sources of competitive advantage.

Amazon, Microsoft, Alphabet, (as well as Meta and Tencent) have large, valuable core businesses that are clear beneficiaries of larger and more powerful AI models.

Therefore, any 'excess' capacity that might materialise from the data centre buildout over the coming years will more rapidly be absorbed by their internal needs.

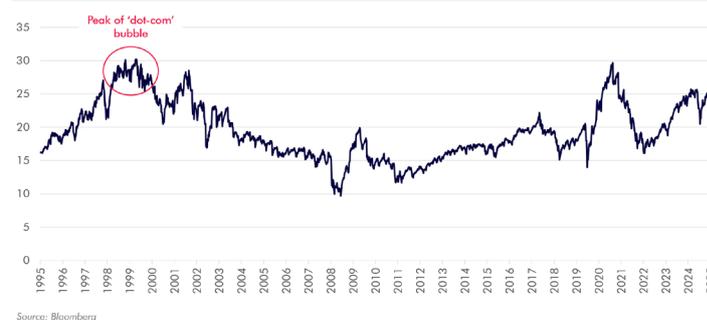
So overall, we see the existence of large, tech/AI-enabled non-cloud businesses attached to the hyperscalers, not as a risk, but as a major strategic advantage.

Premise #5 — Valuations of today's tech companies are already excessive and equity markets are nearing 2000 dot-com levels.

Perhaps the bubble proponents' biggest argument is that the market is wildly overvalued.

There is no question that the price-to-earnings (PE) ratio of the S&P 500 index is elevated by historical standards. But one important difference between now and then is the interest rate environment: if today's conditions were applied to 1999, that dot-com PE ratio would have been significantly higher!

S&P500 Index: Price-to-Earnings (PE) Ratio



Like many others, we also share concerns about the 'circular' financing arrangements (where one company extends credit to, or invests in, another company, and the recipient company then turns around and buys the creditor's products and services) that have made headlines recently, with OpenAI and Nvidia at the heart of many of these.

Undoubtedly, vendor-financed sources of revenue are of a lower quality and potentially less persistent.

But despite these concerns, we believe that many tech businesses – including the hyperscalers – remain undervalued.

9: (DC Dynamics) Google says TPU demand is outstripping supply, claims 8yr old hardware iterations have "100% utilization", October 2025

Relative to our expectations about the longer-term cloud computing TAM, as well as the durability of growth we see in their non-cloud businesses, today's market-implied expectations embedded in today's stock prices seem conservative. And this represents significant investment opportunity, in our view.

The conclusion from our AI Bubble Audit: No bubble trouble

If each of the five premises were true, it would be valid to conclude that we are in fact in a bubble.

However, we currently believe that the premises are unlikely to hold true.

Instead, we see a high probability that cloud computing growth will be sustained over a long period, driven by demand for both traditional digital transformation and AI (with these two driving each other under a positive flywheel effect).

Finally, as a result of the above assessments, we believe the market-implied expectations that are embedded into the stocks of select companies (such as the hyperscalers) as undemanding. Therefore, we continue to view them as undervalued investment opportunities.

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)), 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/mcgl/>. 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.