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2025 Fourth Quarter Investor Letter

January 22nd, 2026

Welcome to our new investors and thank you to our existing clients and partners for your continued support. We are pleased to present our results for the most recent quarter in the following pages.

After reading this letter, please do not hesitate to contact us if you have any questions, want to discuss any topics in greater detail, or would like to learn more about our Concentrated Value portfolio. We can be easily reached via e-mail at info@pelicanbaycap.com. We welcome your feedback and look forward to your correspondence. Additionally, we encourage you to share this letter with your friends and colleagues.

	Q4 2025	1 Year	2 Year	3 Year	5 Year	Inception
PBCM Concentrated Value	8.5%	20.6%	13.4%	18.2%	16.3%	10.6%
Russell 1000 Value Index	3.8%	15.9%	15.1%	13.8%	11.3%	10.3%
Excess Returns (Alpha)	4.7%	4.7%	-1.7%	4.4%	5.0%	0.3%

Inception date is 11/30/2018

Returns are net of fees; Data source is Bloomberg; 2, 3, & 5 year and Inception returns are annualized

The Concentrated Value strategy had an excellent fourth quarter on both an absolute and relative basis. The portfolio gained 8.5% net a fees, delivered 4.7% of alpha relative to our benchmark, the Russell 1000 Value Index. We benefited from strong performance from our companies with AI-related business and commodities exposure. For the full year, the portfolio gained 20.6% compared to a 15.9% return for the benchmark.

While quarterly and annual results are important, we believe a strategy's true effectiveness is measured over a full investment cycle. The past five years—marked by two bull markets, a sharp

bear market, interest rates ranging from 0% to 6%, and 9% peak inflation—certainly constitute such a cycle.

During this period, the Concentrated Value strategy delivered a 16.3% annualized net return, producing 5.0% in annualized alpha relative to the Russell 1000 Value Index. This outperformance has been consistent over the period, with the portfolio generating alpha in four of the last five calendar years.

As portfolio manager, I would love to credit these results to "impeccable investment prowess." In reality, they stem from adhering to our core philosophy: investing in high-quality companies with sound balance sheets and shareholder-friendly management when they trade at a discount to their intrinsic value. We believe the market eventually recognizes these superior business characteristics, closing the valuation gap and providing positive returns. Furthermore, we remain convinced that a concentrated portfolio is essential for delivering alpha against a broad index.

Our current portfolio remains a stable of high-quality companies that, by our estimates, trade below the bottom end of their intrinsic value ranges. Over the last two quarters, we identified several high-quality companies trading at wide discounts—sowing the seeds for future returns.

Analyzing our performance this quarter, most of our outperformance was due to continued strong gains at Micron Technology (MU) and Barrick Mining (B). Micron was up an astounding 95% in the period and is nearing the top end of fair value. Combined these investments contributed to a 5.8% gain for the portfolio. These two stocks were also our top performers in the last quarter.

Alphabet (GOOG) also landed on the list of top 5 contributors for a second consecutive quarter. The company appears to be one of the biggest beneficiaries of the AI transition, and their Gemini Large Language Model (LLM) has established itself as a leading LLM along with Claude and ChatGPT. Perception has come a long way from when we first purchased GOOG in March 2023 when the prevailing consensus was that GOOG missed the AI boom and its monopoly on search would deteriorate rapidly.

Unfortunately, in our view investors may have become too enthusiastic about Alphabet's prospects, pushing the share price well ahead of our most optimistic view of its intrinsic value. As a result, we made the decision to exit our position this quarter and redeployed the funds into a new position. It is always difficult to sell our compounders, and GOOG certainly qualifies as one; but when a stock price moves 10% or more above the top end of our estimated range of intrinsic values, we would no longer be investing but rather speculating.

Cisco Systems (CSCO) and Old Dominion Freight Line (ODFL) rounded out our list of top 5 contributions to the portfolio's return this quarter. You can find a list of the portfolio's top contributors and detractors in the table below.

Top 5 Contributors

Name	Absolute Return	Contribution to Portfolio
Micron Technology	95.2%	3.72%
Barrick Mining	35.0%	2.09%
Cisco Systems	15.5%	0.82%
Alphabet	21.3%	0.74%
Old Dominion Freight	12.7%	0.66%

Bottom 5 Detractors

Name	Absolute Return	Contribution to Portfolio
Builders FirstSource	-18.0%	-0.93%
Generac	-13.4%	-0.65%
EOG Resources	-10.3%	-0.53%
Brown-Forman	-6.0%	-0.15%
Toll Brothers	-4.8%	-0.12%

Our homebuilding companies were the weakest performers this quarter with Builders FirstSource (BLDR) and Toll Brothers (TOL), both landing on our list of bottom 5 detractors. Elevated mortgage rates and slowdown in new homes sales have soured investor sentiment on the sector and drove down their stock prices. We remain bullish on the long-term prospects for the homebuilding sector as we believe there is a shortage of housing and these companies trade for large discounts to their intrinsic values. We added to our position in both companies this quarter.

Generac (GNRC) and Brown-Forman (BF.B) were also weak in the fourth quarter as both companies gave back some recent gains from Q3. We were especially happy to see GNRC shares reverse course as the stock had reached the top end of our fair value estimate and we had already trimmed our position to a minimum position sizing. Should shares continue to fall this quarter, we would welcome the opportunity to add to our position.

In addition to the trading activity we discussed above, we also made the decision to exit our positions in CME Group (CME) and On Semiconductor (ON). We have held a position in On Semiconductor (ON) for nearly two years. Shares have languished because the downturn in Electric Vehicle (EV) demand has persisted for far longer than anticipated. In our view, recent changes to the U.S. EV Tax Credit Regime and faltering economic growth have delayed the expected recovery in EV sales for several more years. This view is confirmed by recent announcements from General Motors, Ford, and Volkswagen that they are curtailing EV production capacity.

Consequently, we believe ON's normal earnings power will be closer to \$3.00 per share over the next three years, substantially below our initial outlook of \$5.00–\$7.50. This revised forecast lowers our price target to \$50, which matches today's share price. Additionally, while Chinese auto manufacturers represent a growing market for ON's chips, the recent U.S.-China trade spat presents a significant risk to future business. We moved to the sidelines to make room for a new investment opportunity.

Additionally, while CME is a great company and has been an excellent investment for our portfolio, it was at the high end of fair value, and we needed to make room for a new position as the portfolio was at our 20 stock holdings limit. We initiated new positions in three great companies including AECOM (ACM), FactSet Research (FDS), and Zoetis (ZTS).

AECOM is the world's largest engineering, design, and construction management firm. Over the past six years, the company has undergone a structural transformation, divesting its construction operations and exiting lower-return emerging markets to focus exclusively on Design

Engineering and Project Management. This shift mitigates the risks associated with multibillion dollar "turnkey" project deadlines and budget overruns.

This transition has significantly reduced capital requirements and expanded operating margins. By removing the need to fund working capital for mega-projects or tie up cash in construction bonds, the balance sheet has strengthened considerably, as net debt-to-EBITDA has declined from 2.7x to 0.6x. The company's financial return metrics have notably improved as Return on Invested Capital (ROIC) has risen to 14%, while Return on Equity (ROE) has reached 24%. With the higher capital burden of the legacy construction business, these metrics had been in the mid-single digits before the transition.

The sale of its government and construction units have also yielded more consistent earnings. Since exiting the construction business, AECOM's EPS has grown at a 20% CAGR (2020–2025). Operating margins have more than doubled from 3% to nearly 7%, with further expansion expected as higher-margin design and advisory segments represent a larger share of revenue.

Despite their new emphasis on design work, AECOM still has ample exposure to growth in total infrastructure spending, particularly in the Americas, which accounts for over 75% of revenue. The company is set to exit 2025 with record backlog of \$23 billion and they see a strong pipeline of new mega-projects that could be awarded in 2026. Their project bidding "win-rate" in 2025 was the highest in their corporate history at approximately 50%. We project that AECOM can increase revenue by 5-8% over the medium term as the underlying market grows 3% and the company continues to gain market share and expand their advisory services business into more verticals.

We believe AECOM warrants a valuation multiple of 18x–20x, consistent with other high-quality professional service companies, rather than the 10x–14x typical of construction firms. On this basis, we estimate intrinsic value at \$120–\$180 per share, representing significant upside from the current price of \$97.

We initiated a position in AECOM following its November 18th Investor Day, where shares fell 26% due to investor confusion regarding the potential sale of the Construction Management business. This unit accounted for 9% of the company's fiscal 2026 adjusted EPS guidance. However, its reclassification as "discontinued operations" required its removal from guidance, causing AECOM's revised outlook to fall below analyst estimates. We view this volatility as a compelling entry point.

FactSet Research Systems is a leading financial data provider serving buy-side, sell-side, and wealth management clients. The company boasts over 45 years of consecutive top-line growth, reaching \$2.3 billion in revenue for fiscal year 2025. As a classic "compounder," FDS maintains a sticky business model with retention rates exceeding 95%. Its operations consistently deliver high-teens returns on invested capital (ROIC) and stable cash flows, bolstered by a market-leading performance reporting suite.

FDS holds a number two position in the industry behind Bloomberg and operates a monopoly over the CUSIP system for U.S. financial markets. While banking and hedge funds remain core

markets, FDS is making meaningful expansions in their customer base by delivering data solutions through APIs and an irreplaceable dataset. Management has also proven to be adept allocators of capital with recent strategic acquisitions such as Portware, LiquidityBook, and CUSIP have strengthened its competitive moat.

FDS shares came under pressure last year as revenue growth slowed from banks curtailing hiring and margins temporarily declined as FDS increased investments in GenAI and cloud infrastructure. The stock currently trades at its lowest valuation multiple in the last decade.

We believe these are both short-term headwinds that will dissipate over the next 24 months. In fact, these investments are essential in order to strengthen their competitive position and make the client experience more well-rounded and efficient. Management sees strong demand ahead across wealth, hedge funds, and private markets. Q4 results showed that growth is reaccelerating, with higher renewal rates, and announcement for major new contracts with top players in banking.

We believe margins can recover to their long-term average and sales should expand by upper single digits. We estimate that normal earnings power is \$16-\$18.50 per share and we believe a 22-25x multiple is appropriate for a business of this quality, resulting in a valuation range of \$350-\$460 for FDS. We initiated out position at \$286 per share.

Zoetis is the leading Pharmaceutical and Vaccine Developer in the Animal Health market. The global animal health market was approximately \$50 billion last year and is anticipated to growth 5-6% per year for the next decade fueled by secular tailwinds in companion animal growth. This growth is driven by pets living longer and an increasing acceptance of medicines and vaccines by pet owners.

Zoetis has a multi-decade history of delivering a steady stream of new pharmaceuticals through organic research and development and targeted acquisitions. Since their spin-out from Pfizer in 2013, ZTS has delivered organic revenue growth of 8% annually compared to the 5% industry average. ZTS currently has a deep pipeline of new drugs that are expected to receive approval over the next 5 years that should sustain their above industry growth levels. They are anticipating to launch at least one major blockbuster every year for the next four years, and there are 12 potential blockbuster products in that pipeline. ZTS defines a blockbuster as a product that should do at least \$100 million in revenues per year.

ZTS financial performance has been consistently outstanding over the last decade. The company's operating margin is roughly 35-39% and return on invested capital or ROIC has been 17% or more. There are clear signs that ZTS has developed a sustainable competitive advantage, led by a successful R&D culture and veterinary sales force that is the best in the industry. We believe these advantages should persist in the medium term.

Over the next 3 years we believe revenues can grow to \$10.5-\$12 billion with operating margins of 35-39%. This will result in a normalized earnings power of \$6.50-\$7.75 per share. With their dominant position in the animal health business, high returns on capital, high single digit EPS

growth potential, and excellent balance sheet, we believe a 19-21x multiple is appropriate for ZTS. This would result in an estimated intrinsic value of \$125-\$165 per share.

The company has typically been a favorite of Investors given their incredible financial results over the last decade and the stock has typically sold for much higher multiples that have average 31x over the last 5 years. The stock sold off in 2025 over worries about the sales from some of their newer drugs trailed lofty expectations. We believe these near-term concerns have created an opportunity to own a true compounder at the bottom of its intrinsic value range. As we have done in the past, when we have an opportunity to invest in a business of this quality we will forgo our usual need for a healthy discount on our valuation range. We initiated our position at \$124 per share.

Lastly, we wanted to revisit the Investment Philosophy of the Concentrated Value portfolio. We utilize a value investment strategy that seeks out companies for investment which the Portfolio Manager deems to be high quality companies. Quality is defined by possessing business operations with durable competitive advantages, allowing for high returns and growing cash flows streams. We want these high-quality companies to also have solid balance sheets, preferably with a net cash position. We also prefer that their management teams make decisions with an emphasis on maximizing shareholder returns.

Once we find these high-quality companies, we generally only invest in their stock if they trade at a steep discount to our estimate of their intrinsic value. This is necessary to provide our investors with the opportunity to generate an above-market return and protect capital. This discipline creates a wide margin of safety if an undesirable scenario plays out in the future. Pelican Bay Capital Management believes that identifying a significant difference between the daily market value of a security and the intrinsic value of that security is what defines an investment opportunity.

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I would like to give a special thank you to our analyst Isabella Arias. She contributed to this quarter's Investor letter by providing the writeup for FactSet Research.

In closing, we would like to thank our investors for your continued support. We are looking forward to the future and achieving your investing goals with a high level of integrity and discipline.

Warm regards,

A handwritten signature in dark ink, appearing to read 'Tyler Hardt', with a stylized, cursive script.

Tyler Hardt, CFA

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