January 2026

Dear Partners,

The Fund[1] delivered a **net return of +17.4%** in 2025. Individual results will vary depending on the investment class and date of investment, so please refer to your statements for specific details. Additional information and important disclosures can be found in the endnotes.[i]

As in prior years, we've divided the writing to reflect perspectives from both of us. Historically, the structure has been fairly prescriptive: one of us would begin with high-level commentary, followed by the other with a portfolio-level discussion of contributors, detractors, and position changes.

This year, the structure is largely the same, with one subtle but intentional difference. Rather than walking mechanically through performance attribution, the second part of the letter will focus on a small number of portfolio businesses that stood out to us in 2025. These are companies we believe are especially worthy of discussion—either because there is something particularly interesting or instructive to say, or because of a noteworthy development during the year.

With that in mind, I (Dan) will begin by reflecting on what has become an unavoidable—indeed, inescapable—through-line since Alex and I joined forces just over four years ago: **the impact of AI**. It is not a subject I revisit out of novelty or enthusiasm (though both remain), but because it continues to assert itself across markets and the "real" economy in ways that I believe demand to be addressed.

For readers less inclined toward big-picture musings, you may wish to skip ahead to Alex's section. There, he shares our current thinking on several long-tenured portfolio holdings, including **Alphabet Inc.**, **Berkshire Hathaway Inc.**, and **Holcim AG**, as well as newer additions such as **Taiwan Semiconductor Manufacturing Company, Ltd.**, **On Holding AG**, and **Amrize Ltd.**—all initiated in 2025—along with **Nu Holdings Ltd.**, which entered the portfolio in 2022.

Dan's contribution to the letter:

AI and the Meta-Story

Whenever we write investment memos at Unison, we tend to shape them into stories—not for stylistic purposes, but because stories are useful to how we think. They have closure, which distinguishes them from "information," which by its nature is partial, incomplete, and fragmentary. When you first begin to study a business, it can feel as though you need to learn countless disparate facts. In practice, you don't. What matters is identifying the core drivers—often no more than a handful—that govern a business's earnings power and long-term value. Stories help us retain what is essential, narrow those factors over time, and track them for relevance and change.

Alex and I also each carry a broader meta-story: an evolving view of how the broader world works, and how that shapes the company-level narratives we follow. That meta-story is constantly being refined and augmented, and each annual letter we write is an opportunity to capture how it is changing. 2025 certainly provided that opportunity.

Here is what it felt like to me.

Nearly every conversation collapsed into AI. At a dinner party, we were discussing the future of tariffs when someone remarked that the U.S. no longer needs to worry about the future of manufacturing. Why not? *Because AI will solve it for us*. I heard a similar claim made about energy scarcity. A peer whose daughter will be graduating college next year—presumably keeping her parents informed of job prospects—predicted unemployment will rise into double digits over the next five years, as AI imminently "hollows out" the junior analyst role before eventually eviscerating much of the white-collar workforce once we finish teaching it how to do our jobs.

[1] Unison Equity Select Fund, Unison Opportunities Fund LP, and the separately managed accounts (SMA) are referred to herein as the "Fund" or the "Partnership". For this letter, all returns refer to Class IA of the Unison Equity Select Fund.

By year-end, nuance had largely fallen away and the conversations resolved into one of two dominant registers: salvational or existential.

The salvational appeared as polished echoes of the more optimistic anecdotes above—Elon Musk's vision for Tesla as a conduit for creating sustainable abundance for all, or the increasingly mainstream idea that AI-driven productivity gains will underwrite some form of universal basic income. The existential veered into darker territory, including references to comments from Google's DeepMind Chief Scientist, Shane Legg, who has suggested a 50% chance of human extinction within a year of achieving artificial general intelligence (AGI)—a claim made all the more unsettling by his accompanying view that there is also a 50% chance of reaching AGI within the next three years.

Consider this: according to technology writer Dan Wang, the most-read essay in Silicon Valley this year was ***AI 2027***, a piece authored by researchers from the AI-safety community. The essay outlines a scenario in which superintelligence "wakes up" in 2027 and, roughly a decade later, decides to annihilate humanity using biological weapons. Humans are permitted to persist, the authors theorize, only in a genetically modified form, after the AI reconstructs new beings that are described as being "to humans what corgis are to wolves." Lest there be any confusion, this is presented as a work of nonfiction.

All of this—the apocalyptic and the utopian alike—can sound unsettling. But as investors, **is it of Unison's concern? Not yet.**

Working backward from these end-state scenarios, they all share a common supposition: that humanity has already achieved what is now commonly referred to as superintelligence—a system that not only matches human intelligence, but decisively surpasses it across virtually all domains, including reasoning, creativity, strategy, and scientific discovery, and is capable of recursive self-improvement. Such a system must, by definition, be preceded by AGI—a human-equivalent mind implemented in software.

That distinction matters.

AGI is best understood as incremental to where we are today. Superintelligence, by contrast, belongs to *the very long run*. Even for us—whose investment approach is explicitly long-term—speculating about the precise shape of that distant future has limited utility. The range of possible outcomes is simply too wide. While I remain optimistic by nature and inclined to believe the very long run will ultimately be constructive, the practical task is to focus on what can be evaluated with discipline in the present.

Bringing it Forward

Although it is the very long run that Dwarkesh Patel and Philip Trammell—two influential nodes in today's AI discourse—consider in another widely discussed essay last year, *Capital in the 22nd Century*, the piece revisits arguments laid out nearly fifteen years ago by the economist Thomas Piketty that feel newly relevant today. One passage from their introduction struck me as especially important:

> [Piketty] argued that, absent strong redistribution, economic inequality tends to increase indefinitely through the generations … As many noted at the time, this is probably an incorrect account of the past. Labor and capital complement each other. Wealthy people can keep accumulating capital, but hammers grow less valuable when there aren't enough hands to use all of them, and hands grow more valuable when hammers are plentiful. Capital accumulation thus lowers interest rates (aka income per unit of capital) and raises wages (income per unit of labor). This effect has tended to be strong enough that, though inequality may have grown for other reasons, inequality from capital accumulation alone has been self-correcting.
>
> But in a world of advanced robotics and AI, this correction mechanism will break. That is, though Piketty was wrong about the past, he will probably be right about the future … If AI is used to lock in a more stable world, … the clock-resetting shocks could disappear … Without one, once AI renders capital a true substitute for labor, approximately everything will eventually belong to those who are wealthiest when the transition occurs, or their heirs.

While framed as a story about inequality, what this passage is really describing is **a world in which capital drives**

nearly all value creation—and labor drives none. That would represent a sharp departure from the industrial and post-industrial era, where roughly two-thirds of GDP has accrued to labor and one-third to capital. Robots do not earn wages. You build them once, and eventually, they build themselves.

What matters is that this is no longer purely theoretical. There is increasing clarity around the practical path by which capital could become a true substitute for labor, and it has a name: **embodied AI** (*AI 2.0* internally at Unison). Rather than intelligence existing as software layered onto human-operated systems, embodied AI refers to intelligence embedded directly into robots and manufacturing processes—systems that can act and learn in the physical world.

Once production itself becomes autonomous, the historical complementarity between labor and capital breaks down. China's leadership has already begun a concerted shift in this direction, and the logic is straightforward: before machines can displace human labor at scale, they must first be able to build—and eventually improve—themselves.

This helps explain why the world's frontier AI labs are increasingly focused on developing world models—internal representations of reality that let machines simulate, plan, and act in the physical world rather than merely respond to it. We are likely to hear much more about world models in the years ahead. It also helps explain, in my view, why Tesla commands what appears to be an absurd valuation premium—driven less by driverless cars than by its focus on Optimus, its humanoid robot. The underlying bet is the same: that intelligence capable of acting in the real world is the necessary precursor to anything that follows.

For now, however, the race is for AGI—in part because it is widely believed that whoever reaches it first will occupy pole position on the path to superintelligence; but mostly because the thinking goes that wealth will accrue to them indefinitely and unconstrained. To paraphrase Bill Gates: **AI collapses markets into one, and whoever wins the AI race wins all markets.**

It is therefore no surprise that since ChatGPT launched in November 2022, economies and markets have become an increasingly leveraged bet on AI (see our 2024 letter). For companies in the S&P 500 Index, AI-related spending accounts for the vast majority of corporate capital expenditures—roughly 90% over this period, according to JPMorgan. This spending has become so massive that it is effectively propping up the "real" economy, contributing an estimated half of total U.S. GDP growth in 2025. Even in the face of perceived macro headwinds—including shifting tariff regimes and immigration constraints—the economy remained remarkably resilient last year on the strength of this infrastructure build-out alone. For better or worse, the fortunes of the broader market are now inextricably tied to the success of Big Tech's AI gambit. And, to date, investors have been rewarded for that conviction: AI-related businesses account for roughly 75% of index price gains over the last three years.

But history argues for caution. The railroad boom and the internet bubble immediately come to mind, but the empirical evidence is more pointed: since 1963, high-asset-growth companies—defined as firms in the top decile of asset and invested-capital growth relative to revenue growth—have underperformed their low-asset-growth counterparts by an average of 8.4% per year. This pattern has persisted across cycles, industries and geographies, and is typically accompanied by declining future ROIC.

Today, Meta, Microsoft, and Alphabet are spending roughly one-fifth to more than a third of their revenue on capex—proportions comparable to utilities and telecom operators at the peak of the fiber build-out. If the historical pattern from past infrastructure booms holds (more on this momentarily) then the consequences are likely to be felt both at the macro level and at the level of individual companies.

Which brings us to the central question: **how do we survive the AI capex boom—and can we answer that before the market does?**

The Architecture of Infinite Leverage

As market participants grow increasingly uneasy about the sheer scale of AI-related capital expenditures, we are also gaining a more visceral appreciation for how bubbles—if that is what this ultimately becomes—actually form (a dynamic I discussed at length in our 2024 letter). When a new technology captures the collective imagination, the perceived risk subtly shifts: the fear is no longer of building too much, but of *not building enough*.

Mark Zuckerberg, Meta's CEO, neatly captured this mindset when he noted that while misspending "a couple of hundred billion dollars" would be unfortunate, he believes "the risk is actually higher on the other side." Google co-founder Larry Page was even more explicit, saying that he would be "willing to go bankrupt rather than lose this race."

In that sense, we are all getting a hands-on refresher in the lessons of the 1990s—it's a classic Prisoner's Dilemma. While the optimal move is for incumbent firms to mutually agree to moderate their AI investments, thus preserving the status quo, this equilibrium is unstable, as each firm is incentivized to unilaterally ramp up investment to capture the market. That is, if OpenAI goes "all-in," the rest cannot afford to sit idly by. This results in a suboptimal equilibrium, in which all firms invest aggressively, even if it leads to overinvestment and the destruction of their collective profit pool.

As of this writing, the largest U.S. technology firms were on track to spend nearly $400 billion on AI infrastructure in 2025 alone—a build-out that already exceeds the late-1990s internet boom on a GDP-adjusted basis. Well-regarded studies estimate that cumulative AI investment could surpass $5 trillion over the next five years. AI data centers would need to generate more than $2 trillion in annual revenue by that point, simply to justify their cost. For context, current AI-native revenues are estimated at about $20 billion, implying a required ~100× increase in just five years.[2]

Framed this way, it seems that the only path for the AI complex to avoid a down cycle—even amid continued growth—is some combination of:

i. every major capital allocator chronically underestimating long-term AI demand; or
ii. a relatively direct march from here to superintelligence.

In any other scenario, there are almost certainly air pockets along the way. Even if AI demand compounds at 30% annually, there will inevitably be periods of ebb, while the installed capital base was built to support something closer to 35%.

Now consider a counterfactual. Imagine a genie visited you in late 2019 –just before the COVID-19 pandemic changed the world—and offered you a single glimpse into Microsoft's future: that its average invested capital balance would rise from about $160 billion at the time to about $410 billion in by the end of 2025. As a rational investor, you might note that Microsoft was already being hailed for its "Azure turnaround" under Satya Nadella, with ROIC then standing at an impressive 25%. You would almost certainly conclude that a $250+ billion incremental investment—nearly triple its capital base—would be impossible to digest without a material dilution of returns. You would assume the law of diminishing returns would drag that 25% ROIC down into the low teens, and even that might feel generous.

Fast forward to the third quarter of 2025: Microsoft's ROIC had *expanded* to more than 26%.

Run the same exercise for Meta and Alphabet, and the pattern holds. Meta held ROIC steady at a remarkable 34% while deploying nearly $150 billion of incremental capital—also tripling its invested base. Alphabet, meanwhile, increased ROIC from 19% to 25% while deploying a staggering $220 billion of incremental capital.[3]

Here's another perspective. At the beginning of 2013, the combined market capitalizations of Big Tech (Apple, Microsoft, Alphabet, Amazon, and Meta) was approximately $1.1 trillion. Over the ensuing decade, these companies collectively generated $2.3 trillion in operating cash flow—more than double their aggregate market value ten years earlier. Put differently, Big Tech turned out to be a form of deep value investing hiding in plain sight —available for the taking despite being among the most heavily scrutinized companies in the world.

Or consider Nvidia. In January 2023, Wall Street analyst estimates pegged Nvidia's 2026 operating income at roughly $20 billion. Less than three years later, that estimate has ballooned to $135 billion. These numbers aren't even in the same order of magnitude! Yes, Nvidia's earnings explosion is tied to the very AI spending dynamics—and potential bubble behavior—described above. But the broader point stands: if even the most skilled analysts on Wall Street could not get within an order of magnitude on one of the most closely followed companies in the world, who is to say that

[2] This framing is intentionally blunt. The bulk of AI infrastructure spending is undertaken by hyperscalers, and the relevant economic payoff includes not only AI-native revenues, but also incremental AI-enabled revenues and broader productivity gains. The comparison is intended to illustrate the scale of the investment hurdle, not to imply a one-to-one revenue requirement. [2] Brad Gerstner and Bill Gurley, "The Silicon Valley Revolution & Why AI is Different," BG2 Pod, March 1, 2024, podcast, video, 1:04:20, https://www.youtube.com/watch?v=F_fK8-mBv6E.

[3] ROIC is calculated using consolidated EBIT, adjusted for one-time costs, and taxed at a normalized 19% effective rate to arrive at NOPAT. Invested capital is defined as total assets less cash, short-term marketable securities, and non–interest-bearing current liabilities, averaged over the prior four quarters.

today's valuations are not similarly underestimating the long-term demand for AI—even if current multiples sit modestly above historical averages?

It is easy—and intellectually comfortable—to be skeptical of the returns on the current AI capex spree. But the story of these businesses should at the very least temper that skepticism with humility. There is a fundamental reason for this.

In an episode of the BG2 podcast a couple of years back, Brad Gerstner and Bill Gurley discussed how technology has grown from roughly 5% to 15% of global GDP over the past 15 years, largely due to sustained growth and the stacking of successive S-curves. As software businesses mature, they argue, later-stage tech companies often become fitter, more disciplined allocators of capital—helping explain why the sector has outpaced the broader economy and continued to compound in public markets.[4]

I would double down on their argument and add the following (echoing a point we made in our 2023 letter): unlike the decades leading into the dot-com bubble, Big Tech today represents the culmination of a long-built technology ecosystem rooted primarily in intangible infrastructure. These businesses control demand by owning the most valuable position in the vertical stack—the consumer touchpoint. At the same time, they have systematically commoditized nearly all complementary inputs, driving prices down and, in turn, increasing demand for their core offerings, allowing them to charge more and earn more.

The result has often looked like growth created out of thin air. With minimal incremental capex, returns on investment were extraordinary. But this outcome is not accidental; these firms are uniquely positioned to do this because they possess a universal distribution engine.

Take Meta once more. Prior to 2020, Reels was effectively nonexistent—a sub-$3 billion run-rate experiment within a company generating more than $70 billion in annual revenue. Today, Reels produces roughly $50 billion in revenue, out of total company revenue approaching $200 billion—more than a quarter of the business. This wasn't a lucky bet on a new app; it was the result of Meta transitioning its entire Family of Apps to what Mark Zuckerberg calls a "unified recommendation engine." As he noted in early 2024:

> "We've moved from having different recommendation systems for each of our products to a unified architecture... This allowed us to take the breakthroughs we were seeing in Reels and immediately apply them to the rest of the Family of Apps."[5]

By leveraging this unified AI backbone, Meta didn't have to "buy" a new audience; they simply poured a new content format into an existing, high-performance funnel. The point is not that anyone could have predicted Reels several years in advance. Rather, Meta—and a small number of other large technology platforms—spent the past 15 years building modular ecosystems that allow entirely new multi-billion-dollar businesses to emerge with remarkable speed.

Beyond Reels, Meta is now investing in entirely new form factors, such as smart glasses, whose potential upside is difficult to model at all. These are not standalone hardware plays; they are new "windows" into an existing intangible infrastructure that has already proven its ability to monetize human attention at a sovereign scale.

The structural advantage, however, is no longer purely intangible. We are witnessing a historic pivot as these platforms move down the stack into tangible infrastructure. And it tracks: in a world where software can increasingly build itself—the clearest crack in the historical relationship between capital and labor—the most formidable barrier to entry, other than controlling the distribution engine, may ultimately prove to be upstream physical architecture required to run it.

By designing proprietary silicon—such as Google's TPUs (Tensor Processing Units)—and committing to capital outlays for data centers on a financial scale attainable by only a handful of nation-states, these firms have constructed a physical moat that is, for all practical purposes, unreplicable.

This vertical integration creates a self-reinforcing loop: proprietary hardware enables superior model architectures, which in turn deepen engagement at the consumer touchpoint. For example, Google's Gemini 3.0 delivers a level of

[4] Brad Gerstner and Bill Gurley, "The Silicon Valley Revolution & Why AI is Different," BG2 Pod, March 1, 2024, podcast, video, 1:04:20, https://www.youtube.com/watch?v=F_fK8-mBv6E.
[5] Meta Platforms, Inc., "Q1 2024 Earnings Call Transcript," April 24, 2024.

reasoning and multimodal fluidity that standalone players have struggled to match, largely because the model is natively optimized for the very silicon it runs on.

But this physical infrastructure is not just about performance; it is about the certainty of demand. A wannabe competitor may raise the capital to build a $100 billion data center, but without a "universal distribution engine"—the billions of users already embedded in these ecosystems—that investment is an asymmetric gamble. For the incumbents, the data center is a utility with a guaranteed customer base; for everyone else, it is a leap into the dark.

A crude analogy helps hammer the point. When jet engines were first adopted in civilian aviation, the obvious investment was the airlines. While they performed reasonably well in the short term, the most durable gains actually accrued to the travelers—and to destinations like Miami and Las Vegas, which were transformed by faster, cheaper travel. In the AI era, Big Tech is developing the new jet engine. The crucial difference—the one that breaks the historical analogy for both the railroad boom and internet bubble—is that they also own the planes and the destinations.

So what, exactly, prevents this dynamic from continuing? If technology is indeed on a path to grow from 15% of global GDP to 45% over the next 15 years, then the scale of today's spending may eventually look like another "deep value" bargain in hindsight. Suffice it to say, no one knows whether it is the markets or the companies that are mispricing the future. But one of them almost certainly is.

Navigating the Air Pockets

Unison's investment process is anchored in a truth-first approach: setting aside what the market thinks (at first) and identifying something that is true but not yet widely understood. One expression of this approach might be locating where a system has the least slack—for example, by tracing a supply chain to its most constrained point. The AI cycle offers a clean illustration. Early post-pandemic enthusiasm centered on large language models and transformers, then broadened to cloud hyperscalers, and ultimately crystallized in bullishness around Nvidia. Each step reflected the market's gradual discovery of where the system's true constraint resided.

But this framework extends well beyond supply-chain bottlenecks. It functions as a compass as we pressure-test our broader meta-narrative and translate it into company-level insight. As the impact of AI progresses through its installation and deployment phases, our task is to map out the set of organizing principles that will determine where durable investment opportunity ultimately accrues—and to position our portfolio accordingly.

Viewed through the lens of AI, we currently see three such layers:

i. ***Infrastructure:*** *The Bottleneck of Atoms*

The market remains fixated on the "intelligence" of the chip. A truth-first perspective starts one level deeper—at the physical systems required to manufacture and deploy that intelligence at scale. While demand for XPUs and the designs themselves can expand rapidly, the capacity to fabricate them at the leading edge cannot. Nor can the electrical, cooling, and land infrastructure required to operate them at scale.

In this domain, the point of least slack has migrated sequentially: from the digital (code), to the chemical (HBM memory), and finally to the elemental—advanced manufacturing capacity, power, land, and tacit knowledge. "Infrastructure" refers to the toll collectors that own these physical constraints, without which the AI buildout cannot proceed.

This logic underpins a structural tailwind for our position in **Taiwan Semiconductor Manufacturing Company, Ltd.,** which Alex will discuss in greater detail in his commentary. While Nvidia designs the engines, TSMC owns the only foundry capable of fabricating them at the required precision and scale. TSMC represents a durable bottleneck in the infrastructure layer—the point of least slack in the global silicon supply chain. By mastering the integration of advanced lithography with proprietary fabrication processes that require decades of specialized "learning-by-doing" and hundreds of billions in capital expenditure to replicate, it serves as the foundational toll collector across the AI ecosystem.

ii. ***Adopters:*** *The Owners of the "Context"*

AI is often framed as a product to be sold. In practice, it is a feature to be integrated. The constraint here is not the model itself—which is rapidly commoditizing—but the proprietary context it operates on.

Portfolio companies like **Nubank** will be AI winners not because they deploy the most advanced models, but because they possess deep, hard-earned truths about the nearly 120 million Latin American consumers they serve. The bottleneck lies in the "last mile" of the customer relationship. AI will undoubtedly enhance Nubank's offering—through more accurate underwriting, better fraud detection, and more seamless customer experiences—but the economic value accrues not to the model builder, but to the company that owns the data, the trust, and the interface through which AI is delivered.

Deere & Co., another holding, exhibits the same dynamic along a different dimension. While near-term debate around tractor replacement cycles creates variant-perception entry points, we see a business that has spent two decades systematically removing slack at the physical edge of agriculture. Deere does not merely sell equipment; it provides the operating system for the farm. Its autonomous machinery and sensor-dense hardware capture granular, real-world data about soil, crops, and yields—data that is fundamentally un-scrapable by internet-based AI. Deere owns the physical context of the field, positioning it as an indispensable adopter that effectively rents AI intelligence to deepen a century-old moat.

iii. ***Agnostic:*** *The Scarcity of the Real*

We look for the point of least slack in the human experience itself. In a world of infinite, AI-generated content, the deeper truth is that human attention and physical prestige become the rarest assets of all. As Scott Belsky noted, people see the "AI slop" capabilities of new generative models and then declare the "end of fine art" and "RIP Hollywood," as if the founding of McDonalds would kill our desire for great cuisine. This insight underlies our interest in "AI-agnostic" businesses—companies whose moats are actually strengthened by the digital noise surrounding them.

When robots can eventually build themselves, the bottleneck shifts to what cannot be simulated: the heritage of a brand, the cohesion of a physical community, or the visceral trust of a handshake. Our position in **On Holding** is a good example. While we were initially drawn to On through its newness and premium shelf-space gains at the expense of incumbents like Nike, its longer-term prospective returns are increasingly underwritten by something more durable—a play on the growing scarcity of the real.

As digital marketing becomes commoditized and AI floods the world with generic content, value migrates toward physical community and technical prestige. On is not merely selling high-end athletic footwear; it is selling membership in a curated, physical ecosystem that AI cannot replicate. In our view, the point of least slack in the consumer landscape will ultimately be found in these pockets of human-centric desire.

To state the obvious, the primary tension in today's equity market lies in its extreme concentration—and the risk that a handful of dominant firms have miscalculated the scale or timing of their AI-related capital expenditures. Yet, even if near-term demand has been overestimated, these investments are unlikely to be a "bridge to nowhere". Rather, these firms are pre-funding the essential infrastructure for a new era of scale—a foundation that will allow AI adopters to compound value and permit even AI-agnostic businesses to navigate the emerging "meaning economy."

In *Boom: Bubbles and the End of Stagnation*, Byrne Hobart and Tobias Huber categorize such cycles as either mean-reverting or inflectionary:

- Mean-reverting bubbles—often fueled by financial engineering—eventually collapse back to their starting point, leaving behind little but wealth destruction (e.g., the 2008 Global Financial Crisis).

- Inflectionary bubbles, by contrast, are centered on genuine technological breakthroughs like electrification or the internet. While they inevitably vaporize capital for late-stage speculators, they also catalyze step-function gains in productivity and leave society structurally more capable.

The strategic challenge, then, is not necessarily to avoid the volatility of a progress-driven bubble, but to ensure one's capital is the beneficiary of that progress rather than the "forced subsidy" that brings it into existence.

What does this mean in practice?

It is not difficult to imagine the market's reaction if even one of the dominant spenders were to report results that fell short of expectations. In fact, we have already seen a preview. Following Meta's third-quarter 2025 earnings report, the stock declined nearly 25%—despite exceptional operating performance—after management raised capital expenditure guidance for the remainder of the year.

Now extrapolate that dynamic to the broader market. If the dominant companies that collectively represent roughly 40% of total market capitalization were to decline by 25% following a single quarter of disappointment, their weight alone would imply a roughly 10% decline in the overall market. Factor in the prevalence of short-term, momentum-driven strategies and the actual drawdown will be meaningfully larger. As selling reflexively feeds on itself, prices that once felt "5% off the highs" will suddenly be framed as "50% above the lows." High-quality businesses will be indiscriminately marked down—kitchen-sinked alongside far weaker peers.

Such a dislocation would represent opportunity. And it is imperative that we are prepared to capture it.

While 2026 will likely be a banner year for financial journalism, the bar for another truly "great" investment year has risen. We are not predicting an imminent crash. Whether this bubble deflates in five months, five years, or never at all is inherently unknowable—after all, the only definitive proof of a bubble comes when it bursts.

Still, as the bar continues to rise, so too does the value we ascribe to cash. Our view of cash differs from that of conventional investors. We think of it as a call option with no expiration date—an option on every stock, with no strike price. Today, we believe the value of that option is higher than it was last year.

For these reasons, our average cash position has remained above historical norms since early last year. This stance comes at a cost: our net return would have been approximately 21%, or roughly 360 basis points above our actual results, had our cash been fully invested throughout 2025. But at a "premium" of 3.6%, this option was priced attractively relative to institutional margin rates or the implied volatility in the options market—a price that we are willing to pay in exchange for the benefits it affords.

We know that the path toward our goal of building an exceptional long-term investment record will not be linear, nor free of discomfort. Periods of uncertainty, drawdowns, and narrative reversals are not deviations from the process—they are the terrain itself. What ultimately matters is our ability to underwrite reality as it unfolds, to distinguish signal from noise, and to assemble a portfolio of exceptional compounders when price and value meaningfully diverge.

As we have outlined in prior letters, the output of Unison's process is a continuously evolving list of businesses we consider among the most exceptional in the world—companies we would be willing to own in concentrated positions, without hesitation, at the right price. Today, that list numbers roughly 70, including businesses already in the portfolio.

Our confidence rests not in any single forecast about AI, markets, or macro outcomes, but in the durability of our process—and in our willingness to wait patiently for it to work. In a market increasingly shaped by urgency, leverage, and narrative compression, we remain focused on the only edge that has ever mattered: independent thinking, disciplined underwriting, and the compounding power of time.

We approach this moment invested and aligned alongside our partners, and prepared to deploy capital decisively when opportunity inevitably presents itself.

And now on to our portfolio update.

"The concept of economic value is easy: whatever someone wants has value, regardless of the reason (if any)."

– Per Bylund

Alex's contribution to the letter:

The table below shows the Fund's top 10 holdings as well as other key metrics as a percentage of net asset value (NAV) as of year-end.[6]

Top 10 holdings
Meta Platforms Inc
Alphabet Inc
Berkshire Hathaway Inc.
American Express Co
JPMorgan Chase & Co.
NU Holdings Ltd
Elevance Health Inc
Wells Fargo & Co
Bank of America
TSMC

Positions and Portfolio Weightings	
Equity Holdings	*21*
Top Holding	*9.7%*
Top 5 Holdings	*37.3%*
Top 10 Holdings	*55.1%*
Cash	*21.0%*

The total return and EBIT change for our portfolio's top contributors and detractors are summarized in the tables below, followed by our discussion of each of these.

Top 5 contributors	*5yr EBIT growth*	*2025 TR*
Alphabet Inc	71%	66%
Holcim AG	10%	81%
NU Holdings Ltd	4,865%	62%
Meta Platforms Inc	78%	13%
JPMorgan Chase & Co	22%	37%
Average	**1,009%**	**52%**

Top 5 detractors	*5yr EBIT growth*	*2025 TR*
UnitedHealth Group Inc	(21%)	(33%)
CDW Corp/DE	16%	(21%)
Elevance Health Inc	(7%)	(3%)
Lockheed Martin Corp	(32%)	2%
Northrop Grumman Corp	(20%)	24%
Average	**(13%)**	**(6%)**

Alphabet — From stepchild to leader

In our 2024 letter we wrote: "Alphabet continues to be treated like the stepchild of the AI revolution despite having invented it. We believe the company employs some of the best and brightest engineering minds. Its seven platforms with over 2 billion users provide fertile ground for this talent to generate additional use cases and value for consumers and enterprises. It has a vast and unique trove of data on which to train and enhance its models."

Fast forward one year and sentiment on Alphabet has shifted dramatically. The tide began to turn in May, when the Company released new models and products at its I/O event. In September, a favorable antitrust ruling in the U.S. eliminated a major overhang. Finally, in November, the Company released its much-anticipated Gemini 3 model to raving reviews. Importantly, Gemini has been gaining meaningful market share from ChatGPT since its release. It is currently considered one of the world's top models based on the hardest benchmark, Humanity's Last Exam (HLE)[7], and it was entirely trained on Google's TPUs[8]. It should be noted that none of the other hyperscalers even have a frontier model in the top 50 worldwide[9].

Alphabet's pace of innovation accelerated materially in 2025, and we are pleased to see co-founder Sergey Brin back, deep in the trenches. We have a soft spot for founder-led companies and believe founder involvement is especially important during periods of rapid change, as founders often have both the will and the authority to make bold, long-term bets.

[6] The holdings information depicted in the charts has been listed as of the referenced date and based on the largest 10 holdings by portfolio weighting. See, "Important Disclosures & Disclaimers" section at the end of the materials for further information.
[7] Google DeepMind, "A new era of intelligence with Gemini 3", *Google Blog*, November 18, 2025
[8] Source: Google Cloud, SemiAnalysis
[9] Based off LMArena's benchmarks, which measures human preference rather than automated test scores. Meta, Amazon, nor Microsoft have a model ranked in the top 50.

As AI evolves, the war for top technical talent continues unabated, and we continue to like Alphabet's hand. It employs five Nobel Prize winners and thousands of accomplished PhDs, giving it a deep bench of talent. Its fortress balance sheet—with approximately $50 billion in net cash—puts it in a strong position to continue attracting scarce talent, while many challengers must rely on the kindness of strangers to fund their ambitions. OpenAI, for example, is expected to burn roughly $17 billion in 2025.

Alphabet's cloud business made meaningful progress in 2025, with revenue expected to reach approximately $57 billion (+32% YoY), while operating profit is projected to nearly double from 2024 levels to roughly $12 billion, based on consensus estimates. Notably, revenue backlog is growing faster than reported revenue, underscoring the persistent supply–demand imbalance. In 2Q25, Alphabet disclosed that 55% of its $106 billion backlog was expected to convert to revenue within 24 months. At the time, GCP revenue was projected to double over the next two years—prior to the announced partnership with Anthropic, which added an estimated ~$42 billion of incremental revenue backlog in 3Q25.

This performance is especially impressive for a segment that was losing $2 billion as recently as 2022. Other areas continue to offer compelling optionality, including TPUs (Alphabet's custom AI chips), now in their seventh generation. Historically used to support internal workloads, Alphabet is increasingly positioning TPUs as a viable alternative to Nvidia's market-leading GPUs. Gemini 3 was entirely trained on TPUs and Anthropic's leading models are currently using its chips. The company is working closely with Meta to make TPUs compatible with PyTorch, the world's most widely used AI software.

At Waymo, paid rides surpassed 450,000 per week in December, up from approximately 250,000 weekly rides in April 2025. The division expects to exceed 1 million weekly rides by late 2026. Waymo recently raised capital at a valuation of $100 billion (up from $45 billion last year). Meanwhile, YouTube has remained the number-one platform in U.S. streaming watch time for more than two years, according to Nielsen. Progress at Isomorphic Labs, Alphabet's AI-driven drug discovery division, has been slower, but the company has entered its first human trials and continues working to reduce the time and cost required to bring new drugs to market.

Alphabet delivered its first $100 billion revenue quarter in Q3 (up from $50 billion just five years ago), with both momentum and competitive positioning strengthening. Importantly, the incremental returns being generated by this growth are attractive. Albeit not as spectacular as the "Google of old", as Dan noted above, their invested capital has increased by nearly 80% in the last 6 years. We calculate incremental returns on capital above 20% on CAPEX spend that has more than tripled over that same period.

We trimmed roughly a quarter of our Alphabet position as shares appreciated materially, but we continue to hold a significant stake given the strength of the core business and the substantial optionality described above.

It is important to remain humble in trying to predict the winners in this long and fast paced race. Two years ago there was a strong belief that Google and Anthropic were losing the AI battle. Things look quite different today and while we continue to like Alphabet's hand—being fully integrated from chip design, to having an house frontier lab, to being a major cloud provider and to owning the consumer touchpoint through multiple multi-billion user platforms—we remain vigilant and humble.

Taiwan Semiconductor — All roads lead to TSMC

The old proverb "all roads lead to Rome" applies well to Taiwan Semi (TSMC); today, all roads—mobile, EVs, cloud computing—run on chips, and all chips lead to TSMC. Whether you are streaming Netflix, unlocking your car door, or running workloads on AWS, odds are you are relying on a chip manufactured by TSMC.

TSMC is the largest pure-play foundry in the world, with approximately 67% share of global foundry revenue and roughly 90% share of leading-edge nodes (currently defined as nodes smaller than 5 nanometers). It is the sole supplier of cutting-edge AI processors and the only consistently profitable foundry, capturing more than 100% of industry profits. Few businesses command such a wide moat.

That moat is most visible in TSMC's capital efficiency. Despite investing approximately $280 billion in R&D and capital expenditures since 2011, the Company has sustained ROIC north of 20%—an exceptional achievement in a capital-intensive industry where many competitors destroy value. This is driven by what we view as a powerful scale-to-learn

flywheel: TSMC's unparalleled manufacturing volume allows it to absorb process complexity faster, optimize yields more quickly, and reinvest profits into further R&D and capacity expansion. This accelerates learning curves, sharpens cost leadership, and reinforces pricing power at the leading edge.

ARM CEO Rene Haas summarized this dynamic well last year:

> "Once you fall behind in chips, it's very, very difficult to catch up because the cycle gets on top of you. TSMC now has the best fabs in the world. The leading-edge companies—Apple, Nvidia, AMD—they all build at TSMC. TSMC gets better at what they're building. Intel and Samsung don't get the same opportunities. It compounds—and once it compounds, it's very hard to catch up."

We have long admired TSMC but previously avoided the stock due to geopolitical concerns, as most production historically resided in Taiwan, which China claims as part of its sovereign territory. This risk profile is changing. TSMC is building advanced fabs in Arizona, Kumamoto (Japan), and Dresden (Germany) to mitigate geopolitical risk and address customer and government concerns. We estimate that nearly one-third of leading-edge capacity will sit outside Taiwan within the next few years. As we write this letter, there are unconfirmed reports that TSMC may double its planned U.S. capacity as part of a new trade agreement with Taiwan. In a downside geopolitical scenario, this diversification would likely accelerate further.

At our initial purchase price in the ~$240 range, shares traded at 18x earnings—a material discount to Nvidia (35x) and Apple (30x), despite both companies' near-total dependence on TSMC for advanced chips. In our view, the market was (and still is) pricing Taiwan risk far more severely for TSMC than for its customers.

In addition to geopolitical concerns, shares were weighed down by fears that the industry's transition from FinFET to gate-all-around (GAA) transistors could allow competitors—most notably Intel—to leapfrog TSMC technologically. We believe this risk is overstated. While GAA represents a meaningful architectural change, it is evolutionary rather than revolutionary, building on decades of accumulated process knowledge in materials science, patterning, and yield optimization—areas where TSMC's scale and execution advantage are most pronounced. TSMC has been preparing for GAA for years, leveraging deep internal R&D, close customer collaboration, and high-volume manufacturing feedback to de-risk the transition. Importantly, the company prioritizes yield, reliability, and customer time-to-market over being first—a strategy that has served it well through prior node transitions. By contrast, Intel is attempting to execute a GAA transition while simultaneously restructuring its manufacturing organization and re-establishing itself as a third-party foundry, a highly complex undertaking with limited margin for error. Given TSMC's track record of execution, customer trust, and capital discipline, we believe it remains best positioned to lead through the GAA transition.

We sized our initial TSMC position toward the low end of our target range to allow room to add should the semiconductor cycle turn.

While on the topic of semiconductors, we exited our position in **Applied Materials (AMAT)** during the fourth quarter. We held AMAT for five years and generated an attractive IRR of 37%. Our decision to exit was primarily valuation-driven, but we also grew concerned about Chinese competitors taking share in AMAT's core physical vapor deposition (PVD) business, which accounts for roughly one-third of total company profits. We reinvested a portion of the proceeds into TSMC. A brief post-mortem note helps highlight current market conditions. While barely a month has passed since our exit, shares of AMAT have started 2026 on a very strong foot, up 26% as we write this letter. From a valuation standpoint it is now trading at 34x consensus (arguably late cycle) earnings vs. our initial purchase price of 14x PE in 2020 (we thought earnings at the time were mid-cycle). The semiconductor sector is notoriously cyclical with earnings declining 25% and 50% in the last two cycles. The margin of safety at current levels is slim and by sticking to our valuation discipline we missed some further upside (but hopefully even worse downside!).

Berkshire Hathaway — End of an era

Our annual pilgrimage to Omaha was running according to plan until, as we headed to the airport while listening to the final moments of the annual shareholder's meeting, Buffett dropped the bombshell: he would step down as CEO at year-end. At the tender age of 94, this was not entirely unexpected, but it nevertheless marks the end of an

extraordinary era. We feel privileged to have had Warren as a role model during the first quarter-century of our investment careers, and to have seen him (and Charlie) on stage in Omaha at multiple shareholder meetings, including my first visit in 2005.

So what comes next? We believe the most important aspect of Berkshire—its culture—is likely to endure. That culture is deeply ingrained, and incoming CEO Greg Abel is a 27-year veteran of the company. Culture matters in all organizations, but it is especially critical in a diversified, decentralized conglomerate like Berkshire. Buffett's children will remain significant shareholders, controlling approximately 30% of the voting power (~14% economic ownership), and two of them will continue to serve on the board, further supporting continuity.

Abel inherits Berkshire's massive $382 billion cash position and will likely allocate more capital than Warren and Charlie did over much of their investing careers, making capital allocation a critical question. While Abel is a proven operator, his track record as a capital allocator remains less established. Undoubtedly, decades alongside Buffett and Munger have imparted valuable lessons, but great investors are a rare breed, and time will be needed to gain clarity. We are comfortable that Abel's risk management instincts will remain sound and that he is unlikely to jeopardize Berkshire's financial strength. We also believe he may move more quickly to address underperforming divisions such as GEICO and BNSF, where Buffett historically slower to act. The first tangible evidence grounding this belief hit the wires last week, with Berkshire seeking to sell its 28% stake in Kraft Heinz, a decade-long underperforming investment.

We continue to like the role Berkshire plays in the portfolio as a stable anchor with significant optionality. And who knows—perhaps Warren gets one more bite at the apple and helps deploy some of that substantial cash pile. He remains chairman of the board and is reportedly still going into the office regularly.

On Holding — Premium brand at a discount

We initiated our position in On Holding in April 2025, one day after *Liberation Day*, which triggered a broad market selloff, but particularly for companies with significant exposure to Southeast Asian supply chains. With ~85% of On's production in Vietnam, the stock declined over 15% with little evidence of the company's long-term earnings power materially changing. We viewed that price dislocation as an attractive entry point into what we believe is an asymmetric builder creating a new product category, premium luxury sportswear.

That discipline was tested in 2025. As consumer demand softened and competitors leaned into promotions, On reaffirmed its commitment to full-price selling—accepting the risk of near-term volume moderation to protect long-term brand value. Rather than falter, the business strengthened. Over the course of the year, management raised revenue, gross margin, and EBITDA guidance three times, despite incremental tariff costs and a challenging industry backdrop. Product launches, most notably Cloud 6, were met with strong demand, pricing actions were absorbed without resistance, and margins proved resilient.

Growth is now being driven by apparel and the Asia Pacific market, which has grown over 100% year-over-year for four consecutive quarters, while global brand awareness remains only 25-30%. Even within existing wholesale partners, On is present in just ~40–50% of doors, underscoring how early this growth story remains. Channel checks at key partners such as Dick's Sporting Goods and Foot Locker continue to point to strong sell-through and incremental traffic driven by the brand.

In the second half of 2025, the stock dropped more than 20% as investor concerns shifted toward the risk that On's commitment to full-price selling could pressure near-term volume in a softening consumer environment. We believe this concern is misplaced. Preserving pricing integrity is precisely how premium brands are built, particularly at On's stage of development. The company has repeatedly demonstrated a willingness to prioritize long-term brand equity over short-term optimization—a choice that may dampen reported growth at the margin, but meaningfully improves the durability of future earnings.

During this period, On's valuation compressed sharply, with the stock trading at a ~10% discount to Nike on a P/E basis—the lowest relative valuation since On went public. We find this comparison trivial. Nike is in the midst of a complex turnaround, working through elevated inventory levels and relying on discounting to clear the channel and make room for new product cycles. The market is effectively valuing Nike as though this reset will be executed without friction. By contrast, On—still early in its global brand build, with clean inventory, rising pricing power, and

accelerating growth in underpenetrated regions—was de-rated despite continuing to raise guidance and gain share. It's a rare opportunity to buy a premium brand at a discount.

Nu Holdings —Regional champion with global ambitions

Since our mid-year update, Nubank's shares increased 37%, bringing full-year performance to +63%. This performance has been driven primarily by fundamentals, with earnings growing approximately 42%[10] over the same period. Brazil remains a powerful profit engine, with high customer engagement, improving risk-adjusted returns, and expanding penetration across consumer and SME banking. At the same time, global expansion is increasingly central to the long-term thesis. Mexico continues to emerge as the next major growth vector: customer penetration has reached ~14% of the population (and roughly 25% of the banked population), ARPAC is converging toward Brazilian levels despite a still-limited product set, and management continues to emphasize that long-term unit economics in Mexico are at least as attractive as those in Brazil. Nubank is also deliberately shifting its customer mix toward middle- and upper-income cohorts and investing in local deposit franchises—decisions that weigh modestly on near-term margins but materially improve funding durability, credit quality, and long-term ROE.

Management continues to operate with a clear long-term orientation. Nubank has been explicit about its desire to remain a fundamentally small, well-capitalized balance sheet with high velocity and high returns, rather than pursuing balance-sheet scale for its own sake. On the most recent earnings call, management reiterated that Mexico could be profitable "at the press of a button," but that doing so would sacrifice the future for a short-term outcome—a tradeoff they are unwilling to make. Despite this discipline and continued earnings momentum, the stock ended the year at ~19.5x NTM P/E, below where it began the year (20.5x). We view this as a disconnect between Nubank's valuation and its fundamentals, with the stock trading at a discount to global fintech and digital banking peers[11] due to political uncertainty ahead of Brazilian elections and a higher-for-longer rate environment that may elevate funding costs and pressure margins.

Holcim & Amrize — The Profitability of the Mundane

We initiated our position in Holcim, the global leader in cement, in February 2021. At the time, the market viewed cement as a stagnant commodity. However, we saw a company in the midst of a disciplined metamorphosis. Under CEO Jan Jenisch, Holcim was aggressively streamlining operations and pivoting toward high-margin building solutions. Despite improving operating margins and ROIC, the market remained skeptical, allowing us to secure shares at an attractive 9% free cash flow yield.

Over the next four years, our thesis played out in the financial statements. EBIT margins expanded from 15.9% in 2020 to 19.1% by 2024. Holcim successfully shed lower-returning assets in emerging markets, replacing them with accretive acquisitions in specialized building materials. In June 2025, the company reached a strategic inflection point by spinning off its North American business into a new entity: Amrize. The goal was simple—unlock the "sum-of-the-parts" value by separating the high-growth US assets from the stable European core.

Markets rarely follow a scripted path. Since the spin-off, we have witnessed a performance paradox: Amrize shares have remained largely flat while Holcim's shares have surged over 70%. High interest rates in the US have cooled the housing market, temporarily suppressing demand and masking the underlying quality of the assets. European cement/building materials companies have experienced an important re-rating driven by massive fiscal infrastructure spending and a favorable pricing environment. As environmental regulations tighten, supply is contracting—competitor Heidelberg recently announced plans to cut capacity by 25–30%—leaving the remaining players with significant pricing power.

We have capitalized on this price disparity by materially trimming our Holcim position to harvest gains and increasing our stake in Amrize. Our conviction in Amrize is bolstered by significant insider alignment. Jan Jenisch, who transitioned to CEO of Amrize following the spin-off, together with other insiders has purchased over 1.25 million

[10] Includes 4Q25 consensus estimate.
[11] NU FY26 P/E of 19.5x is ~40% lower than a peer set of global fintech companies (HOOD, SOFI, COIN, MELI, AFFRM, KLAR, ADYEN NA, CHYM). Source: Bloomberg, company filings.

shares on the open market—an investment worth roughly $67 million at current prices. When a proven operator bets that heavily on their own "boring" business, we take notice.

So far, our Holcim investment generated an 24% IRR. Remarkably, the lion's share of these returns materialized in the final six months of a five-year holding period. This serves as a potent reminder that out-of-favor securities do not re-rate on a schedule—but when the market finally recognizes value, the correction is often swift and substantial. We look forward to the next chapter with Amrize.

In closing, we thank you for your continued confidence and support. We are deeply grateful to our partners for joining us on this journey and for making our ninth year of operation possible.

Please don't hesitate to reach out at any time, for any reason.

Alex Dan

Co-CIOs
Unison Asset Management

[i] **Important Disclosures & Disclaimers**

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