August 2026

Dear Partners,

The Fund[1] returned +2.25% net of fees in the year-to-date period ended July 31, 2026.

As with previous letters, Alex and I have divided the writing to offer our respective perspectives. Consistent with our mid-year tradition, this letter takes a more focused approach: the fundamental characteristics of our portfolio holdings, key developments across select investments, and the market conditions that have shaped our year-to-date results.

I (Dan) will begin by reflecting on the first half of the year and the market dynamics behind our relative performance. **We have always known the path to building one of the best investment track records would include moments of discomfort. So while our results have lagged to start the year, our since-inception performance continues to exceed our benchmarks, and it has done so with meaningfully less volatility. Our conviction in the portfolio has never been stronger.** In fact, we believe today's environment presents one of the most compelling entry points for a Unison partner in recent years, and that conviction will become evident in the pages that follow.

Following my section, Alex will discuss the developments driving performance across the portfolio. Our largest contributors this year, **Taiwan Semiconductor Manufacturing** and our managed care holdings, **UnitedHealth** and **Elevance Health**, are long-held investments whose theses are unfolding much as we underwrote them. Our largest detractors, **Meta Platforms** and **Nu Holdings**, are businesses we believe the market has mispriced over concerns that are either overstated or already reflected in current expectations. Alex will also discuss the four new positions we initiated this year, **Adobe**, **Spotify**, **Booking Holdings**, and **Intuit**, all of which were caught in the indiscriminate selling of businesses perceived to be at risk of AI disruption. Finally, we would be remiss not to recognize our analyst, Rich, whose research and analytical work contributed meaningfully to much of what follows.

As always, if you would like complete performance information, please reach out to us directly at ir@unisonam.com. We also regularly publish our monthly *Reads* and other commentary on our website (www.unisonam.com, under the *Library* tab), where you can subscribe to receive future updates directly.

Dan's contribution to the letter:

The averages are lying to you (again).

It was early May, and I happened to wake around 4:00 a.m. One of our portfolio companies, On Holding, had reported quarterly earnings only a couple of hours earlier. Because the company is Swiss, its results were released around 8:00 a.m. local time, 2:00 a.m. in Miami. I picked up my phone and read the press release.

"Those are really good numbers," I remember thinking.

The market initially seemed to agree. The stock dipped roughly 1% before quickly rallying nearly 10%, fairly typical overnight price action for On following an earnings release, especially during the least liquid hours of trading.

But then something rather remarkable happened. Before management's earnings call had even begun, the stock reversed course, fell roughly 15%, and then rallied another 7%. By the time the U.S. markets opened, the ride was far from over. Shares opened 6% below the prior day's close, fell another 3% shortly thereafter, then rallied roughly 8% intraday before ultimately finishing the session down just 1%.

This was not normal price action for a liquid, high-quality business whose average daily trading volume runs roughly 2.5 times that of the median S&P 500 Company. Yet On has hardly been an isolated case this year. We have seen similarly extreme, disconnected intraday swings across a growing list of exceptional businesses.

[1] Unison Equity Select Fund, Unison Opportunities Fund LP, and the separately managed accounts (SMAs) 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. Returns will vary by investment class and date of investment, so please check your statements.

I spoke with Alex later that afternoon, and we arrived at the same conclusion: after nearly twenty-five years of watching individual stocks almost every day, neither of us could clearly recall another period when single-stock volatility felt this decoupled from the broader market.[2]

It wasn't just our impression. At mid-year, the S&P 500 sat within 1% of its all-time high, up roughly 21% over the trailing twelve months. Yet the median constituent remained 13% below its own 52-week high, a third of index members were down more than 20%, and the spread between the best- and worst-performing deciles has widened to nearly 100 percentage points, **placing mid-year dispersion environment in the 95th percentile of the past twenty-six years**.[3] The historical median, by comparison, is just 61 percentage points. That's not a statistic. It's a signal.

In our [2024 Annual Letter], I introduced the concept of the *"Index Mirage"*: the growing disconnect between the actual health of the market and the headline indices used to represent it. From 2022 through 2024, the S&P 500 gained 56%, while its equal-weight counterpart advanced just 25%, a divergence that persisted through 2025. As I explained then, this gap was driven largely by the Magnificent Seven, whose outsized gains masked far more subdued performance beneath the surface.

This year, the headline comparison tells a different story. Through June 30, 2026, the cap-weighted S&P 500 returned +9.9%, versus +11.3% for the equal-weighted version, a negligible difference. With the Magnificent Seven posting an average negative return as a group through the first half, it would be tempting to conclude that market leadership has broadened and concentration is no longer a meaningful concern.

But the underlying dynamic hasn't changed at all. It's simply worn a different costume. Markets kept marching to new highs, but on the backs of a rotation into yet another narrow group of companies, this time those tied to the AI infrastructure buildout: semiconductors, semiconductor capital equipment, hardware, and businesses serving the data center ecosystem. Our analysis found that **fewer than 20% of the S&P 500's constituents accounted for more than 96% of the index's total return during the first half of the year.** The market has even coined a name for its leaders: the "Parabolic Seven," consisting of Advanced Micro Devices, Broadcom, Dell, Intel, Marvell, Micron, and SanDisk. (Parabolas, by definition, end in equal and opposite fashion, a pattern that already appears underway as this letter went to press). Meanwhile, a growing number of otherwise exceptional businesses have experienced unusually wide valuation swings, often with little or no corresponding change in their long-term intrinsic value.

So what's driving this behavior, and why does it matter to you, our partner?

The causes are numerous. Some are well-known and have been building for years, as information diffuses almost instantly and investors increasingly gravitate toward shorter time horizons. Others are more recent technical developments, including the rapid rise of zero-days-to-expiry ("0DTE") options, which now account for well over half of S&P 500 options volume,[4] and the explosive growth of leveraged and single-stock ETFs designed to magnify daily price movements. Indeed, the number of U.S. single-stock ETFs has more than doubled in less than a year, from fewer than 200 to more than 400, and these products now account for nearly 8% of all U.S.-listed ETFs. But in our view, two forces deserve particular attention.

The first, and most consequential, is that capital has become increasingly index-driven. A growing share of equity capital is now allocated according to index composition and market capitalization rather than through discretionary judgments about individual businesses. As of May 2026, indexed mutual funds and ETFs held $21.8 trillion in assets, surpassing the $18.7 trillion managed by active funds and accounting for nearly 54% of all long-term mutual fund and ETF assets. The shift is starker still in U.S. equities, where index funds now represent approximately 64% of domestic equity mutual fund and ETF assets.

That matters because passive capital allocates based on market cap, not intrinsic value. As money flows into index funds, the largest companies absorb the largest inflows regardless of whether their underlying economics have

[2] We view the Russell 1000 Value Index and MSCI ACWI as our primary benchmarks. However, for broader market trends, we rely on the S&P 500 or Bloomberg US Large Cap Index. Their global exposure and focus on 500 names reduce the noise of broader indices or the idiosyncrasy of style-based ones, providing a clearer lens for market analysis.

[3] Source: Unison, Bloomberg

[4] Zero-days-to-expiration (0DTE) options on the S&P 500 Index averaged approximately 2.3 million contracts per day in 2025, comprising 59% of total SPX options volume, according to Cboe Global Markets.

improved, while smaller companies receive proportionately less regardless of how attractive they've become. An increasing share of market activity has become *price-insensitive*.

As our friend Michael Mauboussin has shown, only a small fraction of daily trading is actually motivated by views on intrinsic value.[5] The implication is subtle but important: prices increasingly reflect where capital is flowing rather than what businesses are worth. That's why indices can look remarkably stable even as individual securities become increasingly unstable.

It's also worth noting that "passive" no longer means diversified. Consider Vanguard's FTSE 100 tracker, where roughly half the portfolio is concentrated in just ten stocks, with significant exposure to banks, oil, and mining arising by construction rather than conviction. Or take the Nasdaq-100. Despite a weighting methodology designed to temper concentration, its top 10 constituents still account for 46% of the fund. The passive fund an investor buys for diversification increasingly carries concentrated, unmanaged risk of its own.

The second force is more recent: AI has fundamentally widened the range of plausible terminal values across a large swath of businesses.

One of the peculiar features of financial markets is that while business outcomes exist along a continuum, investor expectations often collapse toward the extremes. Companies are viewed as either future winners or future losers, with relatively little room in between. Nowhere is that more evident today than in how markets are pricing terminal value.

Since Claude Code's public launch in 2025, and especially after its extraordinary adoption over the past year, investors have faced a much harder question. It is no longer enough to estimate normalized revenue growth and net operating margins. Investors must now judge whether businesses within AI's blast radius will emerge structurally stronger, or structurally obsolete. The range of plausible long-term outcomes has widened materially. And as uncertainty around terminal value increases, so too does the range of reasonable valuations investors are willing to assign today. Not because fundamentals changed, but because probabilities attached to different futures did.

Consider the broad, sharp repricing across the SaaS universe. The market still appears to be recalibrating what recurring software revenue is worth in a world where AI is compressing development cycles, automating workflows, and threatening to commoditize features that once commanded premium pricing. Companies once valued on the assumption of durable competitive moats are now facing real questions about whether those moats still hold, and the stock price fluctuation reflects that uncertainty.

Recall, for instance, when newly minted software engineers at leading technology companies could command total compensation approaching $400,000 shortly after graduation. That level of pay was itself a competitive advantage for incumbents, overhead that only a company with meaningful scale was equipped to absorb. AI coding tools have quietly dismantled that advantage: junior developer hiring at large tech firms has fallen by roughly half since 2021, and the entry-level tasks that once justified those salaries are increasingly handled by AI agents rather than new graduates.

The confluence of these two forces shows up directly in our Fund's own numbers. The variance of our daily returns relative to the broader market in the first half of 2026 ran nearly twice its level since inception through the end of 2025.[6] During the first half of this year, that added variability worked against us. But volatility is a two-way street, which raises an obvious question: if the daily swings can move against us this sharply, why couldn't they just as easily move in our favor? Put differently, passive funds are starting to behave like active ones.

Terry Smith captured this shift in his mid-year letter, quoting Simon Evan-Cook's recent Substack:

> "In the UK, index funds now dominate the fund performance tables. In 2018 the top quartile was filled with active 'quality-growth' funds, in 2022 it was filled with active 'high-growth' funds, and in 2026 it's filled with

[5] Mauboussin's data shows fundamental-oriented funds' share of U.S. equity trading volume fell from 23.4% in 2010 to 14.8% in 2025 (long-only funds alone fell from 11.3% to 6.2%), while quantitative funds' share rose from 7.5% to 15.7% and non-bank market makers/HFT gained roughly 8 percentage points over the same period. Separately, he notes that rules-based products, including index funds and ETFs, now control at least a third of U.S. public equity assets and do not expend resources gathering fundamental information, effectively free-riding on prices set by others.
[6] We measure variability relative to the market as the variance of the Fund's daily active (excess) return, defined for each trading day t as $a_t = r_t$^Fund − r_t^Benchmark, with the MSCI ACWI as the benchmark. Over the since-inception period (11/30/2017–12/31/2025), the sample variance of a_t was 2.17×10^{-5}. From 1/1/2026–6/30/2026 it rose to 4.12×10^{-5}, a ratio of 1.9x. The same widening holds against the Russell 1000 Value (2.1x).

> index funds: 12 of the top 20 performers over five years are trackers. Plus, index funds are taking more concentrated positions than many active managers."

Most importantly, none of this changes our investment philosophy. We remain firmly of the view that owning a collection of businesses with superior fundamental characteristics, including high and defensible returns on capital, attractive reinvestment opportunities, and reasonable valuations, will produce superior investment returns over the long term, particularly on a risk-adjusted basis. Our job is not to identify which companies will benefit from or be hurt by passive capital flows. Rather, it is to identify businesses capable of compounding capital at attractive rates over the next three, five, or seven years. For long-term investors like us, willing to underwrite businesses rather than price action, this is precisely the type of environment where opportunity tends to be greatest. It has, in fact, driven the **most active investment period in our firm's history since COVID**, as measured by the number of new equity positions initiated on a rolling six-month basis.

So, as we've done in prior mid-year letters, I'll close my section with a brief overview of the key fundamental attributes of our portfolio. For this, we treat the portfolio as if it were a single company, an exercise we call *portfolio tickerfication*. To recap: we aggregate all our holdings into a consolidated entity, calculate a series of growth, profitability, and valuation metrics by adjusting income statements and balance sheets to reflect normalized earnings power and leverage over the trailing twelve months, three years, and five years, then compare these metrics against the median, average, and top-quartile companies in our benchmarks, the Russell 1000 Value and MSCI ACWI. This approach allows for a comprehensive read on the consolidated portfolio while keeping the comparison against the indexes meaningful.

The latest results (selected metrics):

Metric[7]	*Fund*	*R1000 Value*	*MSCI ACWI*
Number of Holdings	23	875	2,242
Top 10 Holdings	56%	28%	23%
Trailing P/E	24.1x	22.6x	23.8x
Forward P/E	19.7x	17.8x	18.1x
His. 5yr EPS growth	19.5%	8.4%	6.8%
Est. 3yr EPS CAGR	17.8%	11.9%	17.4%
ROE	35.0%	13.5%	15.6%
Net debt / EBITDA	0.2x	2.2x	2.0x

One of the characteristics that has defined our portfolio over time remains firmly intact today: we continue to own businesses that are fundamentally stronger than the broader market while paying no premium, and in some cases a discount, to do so.

As of this snapshot, our portfolio traded at 19.7x forward earnings, compared to 17.8x for the Russell 1000 Value and 18.1x for the MSCI ACWI. At first glance, that may appear to represent a modest premium. But valuation is meaningful only when considered alongside business quality, and on nearly every measure we view as indicative of long-term value creation, our portfolio compares favorably. Our companies have generated more than twice the historical earnings growth of either benchmark, produce ROEs exceeding 35%, and operate with roughly one-tenth the financial leverage of the indices. Even using consensus estimates, they are expected to compound earnings materially faster over the next three years.

In other words, we are not paying more for better businesses. If anything, we are paying less than their underlying economics would suggest. This disconnect exists because markets routinely anchor on near-term uncertainty while undervaluing the durability of exceptional businesses over longer time horizons. Closing that gap between price and intrinsic value is ultimately what drives long-term investment returns. While the precise numbers fluctuate from quarter to quarter, the broader pattern has remained remarkably consistent throughout our history: a concentrated portfolio of businesses with superior economics, purchased at valuations that compare favorably with the market.

And now on to our portfolio update.

[7] Source: Bloomberg as of June 30, 2025.

"The big money is not in the buying and the selling,
but in the waiting."

— Charlie Munger

Alex's contribution to the letter:

Taiwan Semiconductor — Fully depreciated, fully relevant

In a market regime that is distributing capital from the buyers of compute to the sellers of compute, TSMC is the ultimate seller: the bottleneck of leading-edge wafer capacity and advanced packaging. The new industry of AI compute has structurally changed its business, and one underappreciated consequence is that the revenue life of each leading-edge node is lengthening. Historically, a node's revenue peaked two to three years into mass production and then faded as the next node took over: the generation before N7, N10, peaked and had all but disappeared within roughly three years. That pattern has broken. N7 (7nm) is now in its ninth year, yet its 2025 revenue came in only about 15% below its 2022 peak. N5 (5nm) is in its seventh year and still growing, with 2025 its highest-revenue year yet. And at N3, in its fourth year, TSMC is doing something it rarely does with a node a full generation behind the leading edge: adding capacity, by converting N5 tools to run N3.

This is where the operating leverage compounds. TSMC depreciates fab equipment over just five years, so the tools installed for a node's initial ramp are fully written off well before that node's revenue peaks, and increasingly, the revenue keeps coming for years afterward. The N5-to-N3 conversion is the cleanest illustration: TSMC is earning fresh revenue on equipment it has already largely depreciated. The financial signature is striking. Depreciation runs to over 40% of TSMC's cost of revenue, yet in absolute terms the depreciation charged to cost of revenue has held roughly flat since the start of 2024 even as quarterly revenue nearly doubled, falling from about 25% of sales to roughly 14% in under two years. A near-fixed depreciation base carrying rapidly rising revenue is, mechanically, gross-margin expansion. This prolonged revenue life cycle is, we believe, a meaningful and underappreciated tailwind to TSMC's gross margin, one that helps offset the dilution from ramping the U.S. fabs and N2, and, tellingly, it widens margins without TSMC taking price on customers beyond what new wafer capacity costs.

We are in year three of hyperscalers significantly expanding their capital spending. Google disclosed in their press release of an ~$85bn equity capital raise in June that it expects 2027 capex to significantly increase compared to 2026. Microsoft, which printed north of $65bn in free cash flow in their fiscal year that ended on June 30, has indicated in the past month that there is no rule that says spending must be limited to free cash flow. There is a debate today on what the return on incremental invested capital that hyperscalers will see as their capital base continues to materially increase, but there is no debate where those dollars are going, and that's to fabs in Hsinchu and Arizona. Our discipline here is about price. Every year that the AI Supercycle extends, it narrows our margin of safety. Every cycle turns eventually, and the longer this one extends, the more capacity gets built on top of it, raising the risk that we're overbuilding for demand that doesn't materialize. While we continue to carefully monitor this risk, we also continue to hold what we believe is the single most important Company in the world.

UnitedHealth and Elevance — From reckoning to recovery

Our managed care holdings, last year's most painful detractors, have been welcomed contributors thus far this year. The recovery arc that we described in our mid-year 2025 letter is beginning to play out. When we re-underwrote both positions during the drawdown, our conclusion was that the market had extrapolated a cyclical earnings trough (yes, margins in value-based care, Carelon and Optum Health, are structurally lower but sentiment overshot fundamentals) into permanent impairment. Medicaid redeterminations, model v28 phase-in, and an elevated cost trend are temporary disruptions. We saw relief in Medicare rates when the CMS advance rate notice came in better than fear in April, and medical cost trend is beginning to normalize.

At UnitedHealth, Steve Hemsley's return brought the operational reset we hoped for, with conservative guidance (FY26 EPS guidance has been revised upwards after each of the quarterly prints this year), restored credibility, and a rebuilt Medicare Advantage margin path. Elevance is executing its own repositioning year, with management's 2027 earnings returning to its >12% earnings growth algorithm. Both names remain, in our view, in the early stages of a multi-year earnings recovery.

Meta — Pricing the spend, missing the payoff

The most important question surrounding Meta today is around the sustainability of its capital spend and what return will it see on that spend. Last year, Meta went on an acqui-hire spree, building Meta Superintelligence Labs (MSL). Their expense growth was outpacing their revenue growth. Meta's stock has repriced ~30% lower in the past year up to the end of June, reflecting these concerns. What the repricing ignored is that Meta's AI spend is already visibly monetizing the core business. Ad impressions growth has accelerated four straight quarters to 19% in Q1 while price per ad grew 12%; Advantage+ adoption is near universal among performance advertisers; and revenue grew 33% in Q1 at the fastest rate since 2021. Meta is also beginning to expand its revenue beyond ads (hardware remains a small contributor) into a cloud business, selling any compute not used internally, and into the small-to-midsized business (SMB) vertical. Meta has built a best-in-class compute layer through its Nvidia GPU fleet, soon complemented by its own MTIA chip roadmap; a talent base anchored by MSL, now bearing fruit with the Muse Spark model family; and one of the richest internal data sources anywhere, drawn not only from its platforms but from its own engineers. The only other tech Company approaching the level of vertical integration Meta is building toward … is Google.

Unlike the capital-raising dependent AI labs it competes with for talent and compute, Meta has been able to fund talent and compute thus far with its own cash flow. Muse Spark, priced at roughly a quarter of comparable frontier models, shows that strategic logic materializing: Meta is finding a sweet spot to cater to enterprise workflows, driving AI diffusion on infrastructure it owns. The honest risk, in our view, is not knowing what Meta's normalized earnings power will look like once this investment cycle matures, and we are stress-testing precisely that. However, at today's 17x GAAP P/E, we believe Meta's risk/reward remains attractive. It is not giving much credit to the founder led management teams' ability to monetize its new compute capacity across its 3.6 BN daily active user base, despite them disproving doubters time and time again.

NU Holdings — A *multiple* problem, not an earnings one

The stock's underperformance YTD is entirely due to a multiple compression rather than a deterioration in fundamentals: forward P/E has compressed nearly 7 turns from 21x to 14.5x while GAAP EPS has increased 60% and 99% in 4Q25 and 1Q26, respectively. The business continues to compound revenue above 30% off a small share of a vast Latin American profit pool (roughly 7% of Brazil's and less than 1% of Mexico's). The structural cost advantage that we described in prior letters is intact; the new growth vectors, payroll lending, SME banking, high-income segments, are scaling.

Three developments this year tempered sentiment and deserve to be addressed. First, the c-suite turnover: Nu lost its President and COO near the end of 2025, Youssef Lahrech, and this month transitioned CFO Guilherme do Lago to a strategic advisor role, replacing him with Robert Livingston, a former Visa executive. In isolation, Lago's departure is a loss: he was well-liked internally, respected by investors, and had done an exceptional job articulating the Company's financial position since the IPO. But the timing amplified two concerns already in the market's mind—that management is doubling down on a U.S. expansion that draws leadership away from Brazil, and that a key executive might be stepping back just ahead of a Brazilian credit cycle. We read the transition differently, as deliberate bench-building (including separating global and local CFO roles) for a genuinely global ambition, one further evidenced by CEO David Vélez's board seat at OpenAI this year, a signal, in our view, that Nu is increasingly recognized as a global technology Company rather than merely the leading emerging-market fintech. Second, provisions and early-stage delinquencies rose in 1Q26. Management attributed roughly 90% of the reserve build to seasonality, exposure growth, and mix, rather than credit deterioration, an explanation corroborated by continued 41% FX-neutral net income growth and Mexico reaching breakeven in the same quarter. Third, operating expenses are climbing as Nu invests at once in a return to office, its US entry, and AI infrastructure, including nuFormer, its foundational model, which has already cut credit-experimentation cycles from months to a single day, pushing their efficiency ratio toward 20% in 2026.

None of this alters our thesis. Each item is the cost or the consequence of a company scaling its book and its global footprint—one that management itself appears to believe is undervalued, having authorized a $1 billion share repurchase this year. Since its IPO, Nu has weathered eight separate 20%+ drawdowns, including four exceeding 30%, on its way to compounding EPS at roughly 84% annually. This year's selloff, in our view, is another entry in that pattern rather than a break from it.

New capital deployed.

As Daniel noted earlier, this has been our most productive environment for new ideas since the COVID selloff. Through July 31, we initiated four new positions: **Adobe**, **Spotify**, **Booking Holdings**, and **Intuit**. None are new to us. Adobe and Intuit, for example, have been on our watchlist for more than twelve years! They were just never available at a sensible price. The four also share a common origin: they were part of the indiscriminate selling of companies perceived to be victims of AI disintermediation earlier in the year. Investors sold first, and asked questions later. This is what we call throwing out the baby with the bath water. AI is fundamentally disrupting industries, primarily software, internet, and media businesses. However, not all companies or layers face equal disruption risk. Our four new portfolio companies have continued to grow earnings over the past year, yet their GAAP P/E multiples compressed between 40% and 70%, leaving each trading near historical valuation troughs when we initiated our positions. (*Appendix A* visualizes this disconnect). While forward earnings estimates continued to move higher, share prices moved sharply lower, creating the valuation opportunity we ultimately acted upon.

What we do know is that AI is unlikely to erode every competitive advantage equally. Some moats will narrow, others may strengthen, and new ones will emerge altogether. That reality requires rethinking how we evaluate business quality. Rather than viewing competitive advantage as a static checklist, our Competitive Analysis Framework ("CAF") evaluates moat durability across three dimensions: Demand, Supply, and Scale. Within those dimensions, we assess characteristics such as pricing power, customer captivity, switching costs, proprietary data, network effects, cost advantages, and control over scarce supply. No exceptional business possesses every advantage. The best businesses simply possess enough of the right ones, **and continue to adapt as the competitive landscape evolves**. (*Appendix B* summarizes the framework and how it applies to our four new portfolio companies).

All four companies have pristine balance sheets with all having net debt/EBITDA <0.25x and net cash in the case of Spotify. Balance sheet strength is always an important consideration for us in managing a concentrated portfolio. It is even more important here given that these companies are in a strong position to spend what's required to succeed in the changing environment. Contrast this to many private software companies that were saddled with large debt loads by private equity buyers and have their current degrees of freedom greatly limited to invest and adapt.

Adobe — Priced like a decline, growing like a moat

Adobe holds approximately 65% share of the creative application market, per IDC. We estimate that over 70% of revenue in its key digital media segment comes from enterprise clients where its tools are deeply embedded in workflows. Many of the professionals using these tools were trained on them in school, where Adobe provides the product for free, and have spent years developing their craft on that foundation. Its products are the industry standard, with professionals needing this software to collaborate across files with others. Its intellectual property protocols and controls are also important for enterprises seeking provenance to avoid copyright infringement issues. We believe these factors produce high switching costs and a durable competitive advantage, one the market is overlooking as it fixates on the topic du jour: AI disruption. Our confidence in this thesis comes from extensive scuttlebutt work the team conducted, including conversations with nearly a dozen professional users across various experience levels from our network.

With shares down two thirds from their peak in December 2021, we bought shares at 13x GAAP PE. At this level of valuation, we believe the AI impacts are adequately discounted. We are not blind to the amount of new AI competitors that have entered the market but believe these are mainly going after the smaller "pro-consumer" market which is not Adobe's bread and butter. It also assumes that Adobe can't integrate AI tools and features into its offerings, a point which we are more optimistic on.

Adobe guided down organic ARR growth by ~1% in its latest earnings release. Management believes the immediate opportunity for the Company is to accelerate new user acquisition and lifetime value through a freemium offering. This means slower billings growth in the short term in exchange for more opportunities for conversions in the future.

This freemium strategy has proven to be a winner in the past with products like Acrobat and Reader. The funnel is expanding nicely with number of business professionals and consumers on Acrobat and Express MAUs increasing from 700MM to 850MM, year-over-year.

Ultimately, we believe competition will have an impact on growth but still expect Adobe will do well. Future growth will likely not continue at the same rates investors were accustomed to historically. However, at 13x PE we don't need the same growth rate investors were discounting at the historical 39x PE (seven year median) to get an attractive return. In fact, share repurchases alone are retiring ~9% of float at today's prices.

After our investment, both the CEO & CFO announced they would step down, with the former staying on the board as executive chair. This introduced a wrinkle into our thesis, especially as it is coming at a pivotal time for the Company. In our sources of competitive advantages (see above and *Appendix* B) we listed management adaptability as one of the key criteria. Unfortunately, it is hard to assess this factor for Adobe now given the transition at the top. We are mitigating this risk by keeping our position smaller until we get more clarity.

Spotify — Owns the listener, not the song

Spotify has become a force to be reckoned with in the music space. The Company holds approximately 32% global streaming market share, with its subscriber base nearly equaling that of Apple Music, Amazon Music, and YouTube Music combined. Its 760 million-plus users, personalization data, and playlist distribution make it a vital part of the ecosystem, especially for discovery. Its expanding gross margins say a lot about the balance of power between them and the music labels, businesses we have studied but not owned.

Shares have sold off nearly 50% from its peak in June 2025 on fears that AI-generated music dilutes the value of a subscription and that stepped-up AI spending marked a structural margin reset. We took the other side: Spotify owns the listener, not the content. AI can generate infinite music, but it cannot generate demand, but Spotify can. Meanwhile, the earnings story strengthened beneath the selloff. The January US price increases went through with churn at historical baselines, gross margins are expanding through the addition of different verticals: podcast, audiobook, and marketplace mix. Management's 2030 framework (mid-teens revenue CAGR, 35-40% gross margins, and operating margins above 20%) validates precisely what we underwrite: the stickiness of a personalized product, the optionality of new verticals, and durable pricing power.

Booking Holdings — Still the shortest path to the room

Booking is a mispriced compounder. The perceived AI-disintermediation risk does not match the reality of how fragmented hotel supply is intermediated. Booking holds roughly 69% of the Online Travel Agency (OTA) market share in Europe, and approximately 77% of its supply is independent hotels. Booking has carved their position in the travel value chain in the structural chokepoint between travelers and a supply base that has no viable alternative path to global demand. What gives Booking the right to win as the supply aggregator of independent hotels and alternative accommodations is their online conversion rate is higher than any individual hotel or host can achieve. A small independent hotel bidding against Booking on "hotels in Barcelona" might convert at 1-2%, meaning a $200-400 cost-per-booking at a $2-4 cost-per-click (CPC). Booking aggregates thousands of Barcelona hotels onto a single landing page; if the user doesn't book Hotel A, they book Hotel B, C, or D. Booking's conversion is 2-5x higher at 4-5%, and the CPC is amortized across all properties that could have been booked, and the resulting cost per acquisition (CPA) is recouped over a lifetime value (LTV) for casual one-time bookers at 8x and for Genius Level 2/Level 3 (Booking's power users) at 25x.

We believe the market has incorrectly priced AI disintermediation risk. The narrative risk has rotated from Google in the past 20 years to AI today. Google collects paid search dollars from OTAs at significantly high incremental margins. Booking paid Google in 2025 close to $8bn while printing $8.8bn in operating income. The economic incentive is not there. Additionally, Google has already said they have no intention of becoming an OTA or a merchant of record. Why would an AI lab like OpenAI want to build: 1) a salesforce of thousands to aggregate over 4 million properties, 2) a payment stack supporting +100 payment methods in over 50 currencies, 3) post-booking customer service for refunds, cancellations, and chargebacks, and 4) compliance with travel-specific regulations across +200 countries, only to generate virtually the same margin dollar as just being top of funnel with Google? This rationale gives us conviction that AI will become an additional discovery layer, not an OTA substitute. Booking's long-term growth algorithm of mid-teens EPS growth at a trough multiple of 15x GAAP P/E made this one of our highest-conviction ideas of the year.

Intuit — The ledger nobody leaves

Intuit gives us the dominant small-business operating system: QuickBooks touches roughly 90% of the US SMB accounting market, a footprint of some ten million businesses whose general ledger is the system of record. The story from here is not about defending that base; it is about moving it up the value ladder. Intuit grows by taking customers upmarket and by expanding ARPU, attaching payroll, payments, and now a full mid-market suite to relationships it already owns, and pricing to the value delivered at each step. Even the much-discussed desktop decline is part of this motion rather than evidence against it: those customers are not churning, they are converting to online subscriptions, where engagement, attach rates, and lifetime value are all higher.

The mid-market is where the next leg lives, and our research gives us conviction that Intuit has a right to win it. Roughly 800,000 businesses with more than $2.5 million in annual revenue already sit on the QuickBooks platform, and only about 350,000 of them have so far been penetrated with the mid-market lineup. The runway is mostly still ahead. These are companies largely overserved and overpriced by the incumbents above them: a NetSuite deployment routinely carries a six-figure implementation and a subscription starting near $50,000 a year, for functionality most of them never use. The Intuit Enterprise Suite (IES) lands at a fraction of that, with average contracts around $27,000, more than half of them internal upgrades from the existing base, and most migrations completed in under thirty days. This is an upsell motion, not an acquisition fight. The customer is already on the platform, so acquisition cost rounds to zero, and at roughly $1 billion of ARR growing nearly 40%, the constraint is conversion pace, not market size.

The consumer franchise completes the picture. TurboTax Live is growing customers nearly 40% a year with no AI-native equivalent (i.e. the rare product where AI improves the economics faster than it threatens them), cutting the cost of expert delivery while a human still signs the return. And it carries Intuit deeper into the far larger assisted-tax pool. Across both franchises, the compliance rails, accountant relationships, and decades of proprietary financial data are precisely the assets that make AI agents, which Intuit is building in partnership with Anthropic, more plausibly its monetization lever than its replacement. At 14x GAAP earnings for a 15–18% EPS growth algorithm, against a decade of history averaging roughly three times today's multiple, deceleration is already in the price. We found the asymmetry unusually attractive and sized accordingly. The pace of mid-market conversion is the near-term marker we are watching.

We will close by thanking you for your continued confidence and support. Managing your capital is a responsibility we take seriously, but one of the unexpected joys of this business has been the relationships we've built along the way. Many of our partners are exceptional investors in their own right, and the exchange of ideas has become one of the rewarding aspects of our work.

Whether you're passing through South Florida or would simply like to connect over Zoom, we'd always welcome the opportunity to spend some time together.

And if this letter was forwarded to you and we haven't yet had the chance to meet, we'd be delighted to hear from you. Feel free to introduce yourself at dan@unisonam.com or alex@unisonam.com.

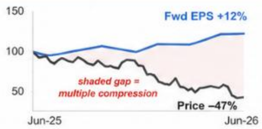
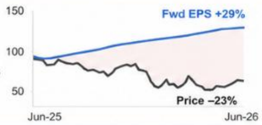
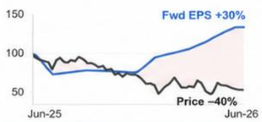
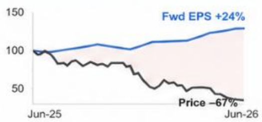
We wish you and your family a wonderful rest of the summer.

Sincerely,

Alex Dan

Co-CIOs
Unison Asset Management

APPENDIX A | Valuation Compression Despite Rising Earnings Expectations

Forward EPS vs. Price (Indexed, 6/30/25 = 100)		CURRENT GAAP P/E	5-YEAR MEDIAN	5-year history	7-YEAR MEDIAN	7-year history
ADBE Adobe		12.7x	31.9x -60.2% vs. median	2.3th percentile of 5-year P/E observations	38.5x -67.0% vs. median	1.7th percentile of 7-year P/E observations
BKNG Booking Holdings		13.6x	20.9x -34.9% vs. median	0th percentile of 5-year P/E observations	20.7x -34.3% vs. median	0th percentile of 7-year P/E observations
SPOT Spotify		32.3x	55.8x -42.1% vs. median	3.6th percentile of 5-year P/E observations	57.3x -43.6% vs. median	3.3th percentile of 7-year P/E observations
INTU Intuit		13.7x	49.0x -72.0% vs. median	0th percentile of 5-year P/E observations	47.7x -71.2% vs. median	0th percentile of 7-year P/E observations

Multiples are forward GAAP P/E (consensus); price return = (1 + EPS growth) x (1 + P/E change) – 1.

GAAP P/E | 5yr & 7yr median vs. current | Percentile = share of observations below current P/E

Source: Bloomberg consensus estimates. GAAP P/E on trailing twelve months. SPOT history since direct listing (Apr 2018)

APPENDIX B | Competitive Analysis Framework (CAF) – evaluating competitive advantage in the AI era

DEMAND
Pricing power • Customer captivity
Switching costs • Substitution risk

SUPPLY
Supplier leverage • Control over costs
Input exposure and bargaining power

SCALE
Barriers to entry • Network effects
Cost advantages • Regulatory advantages

CAF ASSESSMENT Each dimension is scored from 1 (low moat) to 3 (strong moat); the overall CAF score is the sum.

Company		Demand	Supply	Scale	Overall CAF	Interpretation	
ADBE	Adobe	3	1	3	7 /9	Strong moat	Durable competitive advantages
INTU	Intuit	3	2	3	8 /9	Strong moat	Durable competitive advantages
BKNG	Booking Holdings	2	3	3	8 /9	Strong moat	Durable competitive advantages
SPOT	Spotify	2	2	2	6 /9	Moderate moat	Defensible, but requires monitoring

Important Disclosures & Disclaimers

This material is for information purposes and intended only to facilitate your discussion with Unison Asset Management LLC ("Unison"), an investment adviser registered with the Securities Exchange Commission as to certain opportunities available to our clients, including potential investments in Unison Equity Select Fund (the "Fund") or the Unison Opportunities Fund L.P. (also referred herein as the "Fund"). This does not constitute an offer or solicitation with respect to the purchase or sale of any security managed or advised by Unison Asset Management LLC or Waystone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it would be unlawful to make such an offer or solicitation. This material is based upon information that we consider to be reliable, but we do not represent that such information is accurate or complete, and it should not be relied upon as such. Any historical information is as of the date stated. Past performance is no indication of future results. Inherent in any investment is the potential for loss. Any investment in the Fund(s) should be based on the full details contained in the Fund's Prospectus, Supplement and Key Investor Information Document, or the Fund's Private Placement Memorandum and Amended and Restated Exempted Limited Partnership Agreement, whichever is applicable. Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although neither Waystone nor Unison accepts liability for the accuracy of the contents. Waystone does not offer investment advice or make recommendations regarding investments. Canepa Funds ICAV is registered and regulated as an open-ended Irish collective asset-management vehicle with segregated liability between sub-funds formed in Ireland under the Irish Collective Asset Management Vehicles Act 2015 and authorized by the Central Bank as a UCITS pursuant to the UCITS Regulations. The performance data do not take into account the commissions and costs incurred on the issue and redemption of units. Authorized and Regulated by the Central Bank of Ireland.

Performance – Net Returns and Comparisons

The performance is presented net of all fees actually paid, which includes the deductions for advisory fees and all other expenses such as commissions and custodial fees. Because some investors may have different fee arrangements and depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance as stated herein. The results portrayed for the Unison Equity Select Fund Class IA (UESFIA) shares are estimated, unaudited, and subject to adjustment. Also, the net results reflect the reinvestment of dividends and other earnings and the deduction of costs and management fees, and profit allocation to the investment manager and the general partner. Investors' returns will vary from historical performance due to participation in New Issues, fee differences, and the timing of subscriptions, withdrawals, and redemptions. The performance results have been compared to the S&P 500 Index, the Nasdaq Composite Index, and the Russell 1000 Value Index. These indices have not been selected to represent appropriate benchmarks to compare UESFIA performance, but rather are disclosed to allow for comparison of the Fund's performance to that of well-known and widely recognized indices. The volatility of these indices may be materially different from that of UESFIA. Past performance is no guarantee of future results. All investments involve risk including the loss of principal. Actual returns will vary from one investor to the next in accordance with the terms of the Fund's governing documents. Performance data and other information contained herein are estimated and unaudited.

The Fund has had positive trading results over historical periods involving its investment strategy; however, prospective investors must consider the uncertain significance of past performance in determining whether to invest in the Fund. Investors should not substantially rely on the Fund's past record as a prediction of future performance. Investors should not assume that trading decisions made by Unison in the future will be profitable. An investor must realize that he or she could lose all or a substantial amount of their investment in the Fund. Returns and calculations are reflected net of all fees and expenses. They also reflect reinvestment of dividends, interest, and other earnings net of withholdings, if any. Fees, including performance fees, reduce the compounded value of investor portfolios. For example, assuming a performance fee is charged in each of five (5) years that the Fund has a return before performance fee of 7%, the total net return to a share class with a 4.9% performance fee rate would be 38% compared to a total return before performance fees of about 40% over the same period.

From its inception until November 2017, the investment advisor to the fund was Aureana Capital Management, LLC (formerly Canepa U.S., LLC). Unison was appointed as investment adviser on December 1, 2017.

Comparisons to any benchmarks in this material have limitations because such benchmarks have volatility and other material characteristics that may differ from the referenced strategy. Therefore, actual performance may differ substantially from the performance of any referenced benchmark. Due to these differences, benchmarks or indexes should not be relied upon as an accurate measure of comparison and are for informational purposes only. Unless noted otherwise, all benchmark and index returns are denominated in U.S. dollars. Particular investors' returns will vary from historical performance due to varying factors including, but not limited to the choice of share class and timing of subscriptions, withdrawals, and redemptions. Please refer to the Fund's offering documents for a complete description of fees and expenses.

Portfolio Holdings – "Contributors & Detractors": The holdings information depicted in this material has been listed as of the referenced date and based on the largest ten (10) holdings by portfolio weighting, as well as holdings by sector. The collective ten (10) holdings referenced do not represent all of the securities purchased, sold, or recommended in the Fund during the specified period. The referenced holdings are not recommendations to buy or sell any particular security. Such advice is given to each Unison client individually based on their particular goals and objectives and risk tolerance. You should not view the referenced holdings as necessarily being indicative of Unison's preferred holdings. The holdings referenced are provided on an "as is" basis. Unison makes no express or implied warranties or representations with respect to the accuracy, completeness, reliability, or fitness of the holdings or any financial results you may achieve from their use; in no event shall Unison or its affiliates have any liability relating to the use of the referenced holdings. There is no guarantee any of the collective ten (10) holdings will be held by any portfolio (or held with similar weightings) on any date hereafter; they are subject to change without notice. Unison has elected to disclose this information on a periodic basis to provide certain insight into holdings that impacted performance during the respective period. The contributors/detractors do not represent all of the securities purchased, sold, or recommended. Upon request, Unison will make available both: (i) a list showing every holding's contribution to the Fund's overall performance during the measuring period.

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Please see Unison's Form ADV Part 2A available at www.sec.gov for further information and other risk considerations.