

Performance Snapshot and Summary

The Future Fortune Capital results for the CY 2025 as well as since inception are shown below.

Period	Returns
CY 2025	20.1%
2025 Q4 (Oct - Dec)	(2.3%)
2024	47%
2023	27%

Annualized Return of our fund (since inception) - 30.88%

Annualized Return of S&P500 (over the same period) - 20.64%

2025 Q4 numbers are as of 24 December, 2025. The 2023 and 2024 are audited results. 2025 numbers are under the current investment fund structure. These returns are gross and do not reflect the performance-based fee.

Since inception, we have turned \$1,000 into \$2,242 before performance fees, compared to \$1,756 for the S&P 500 (including dividends reinvested) over the same period. While this is encouraging, there is still a long way to go. As always, we urge you not to extrapolate historical performance, as that is simply a recipe for everyone to get upset.

On the Q4 Dip

It is never a fun exercise to report a negative performance quarter, which we did in **Q4 2025 (-2.3%)**. However, this does not bother us in the least.

On multiple occasions in our previous letters, we have said we should not focus on the quarter-to-quarter or year-to-year performance, and that we will inevitably underperform the broader market at times. This quarter has proved that right. Does this change our strategy or philosophy? **NOT EVEN AN OUNCE**. Volatility is not risk; it is the price we pay for superior long-term returns. We remain disciplined, sticking to our framework of deep fundamental research and valuation integrity.

Pass-through Cost Increase

We want to address a specific update regarding how we fund the research. Our strategy is not built on high-frequency trading or complex algorithms; it is built on deep, fundamental understanding. In the past year alone, we screened at least 400 companies and performed intensive deep dives into roughly 80.

This work often requires us to go much beyond financial statements and AI-assisted analyses. To truly understand a business's fundamentals, we frequently need to speak with industry experts, current and former customers, and suppliers. While many of these insights are gained through our own network at no cost, some primary research incur direct expenses. Starting in 2026, we are introducing a dedicated allocation for these research costs, which we estimate at roughly **1% of capital** on a yearly basis.

We want to be explicitly clear: this is not a management fee, and it is not a profit center for us. We view these expenses as the "R&D" cost of finding the rare opportunities that lead to outsized returns. We will handle this as a pass-through at cost. At the end of each year, we will provide you with a report of the actual research costs incurred. If the total expenses are less than the 1% allocated, we will return the excess to you. As our capital base grows, we expect this percentage to naturally diminish. Goes without saying that I contribute 1% for my portion of the capital as well.

We understand this is a change from how we have operated so far. However, we believe it is the most honest way to ensure we have the resources necessary to do the highest-quality work on your behalf without turning it into a "fee-grabbing" exercise. If you have any questions regarding this change, please don't hesitate to contact us.

Portfolio Metrics

Stock prices reflect today's market sentiment, but business metrics show where a company is actually going. We focus on fundamentals because, in the long run, a stock's price always follows the real value of the business.

By sharing these health metrics, we aim to look past market "noise" and show you how productive your capital truly is.

Portfolio Allocation across strategies

Strategy	% Allocation
High Quality Compounders	66%
Undervalued	13%
Special Situations	3%
Cash/Short Term Fixed Income	18%

Cash levels are currently elevated as we are in the final stages of research on a promising high-quality business. We have started buying into this opportunity, which will bring the cash level down to 7%–8% in early 2026.

Allocation across geographies

Geography	% Allocation
USA	8%
Asia	20%
North America (Ex-US)	2.5%
Europe	45%
LATAM	6%

Short term fixed income/Cash is not accounted for in the above table

Europe currently holds the largest share, though it is important to note that these companies derive the majority of their revenues and profits from outside of Europe.

For the technically minded, here are some financial metrics of our portfolio across different strategies.

As we have communicated in the past, the bedrock of our portfolio is the “High Quality Compounders” businesses that in our assessment have enduring competitive advantages and can perform for years.

The Strength of Our Portfolio

The weighted averages of key metrics of our **High Quality Compounders (66%)** show a rare combination of efficiency and reasonable pricing. We track these metrics to ensure we are holding businesses with strong "moats" and capital efficiency. Based on trailing 12 months data

- **Gross Margin:** 67.42% (Indicating significant pricing power)
- **ROIC / ROCE (Return on Invested Capital/Return on Capital Employed):** 23.98% / 26.73% (Exceptional productivity for every dollar put to work)
- **P/E Ratio:** 14.77x
- **Debt / Free Cash Flow:** 0.17 (Nearly zero debt relative to cash generated)

In simple terms, with a weighted **ROCE of over 26%**, our companies are "capital-light" engines; they generate massive profits without needing to constantly pour heavy amounts of new cash back into the business just to stay relevant. High ROCE coupled with a long runway to invest capital forms the compounding engine we are looking for.

67% gross margin indicates the incredible pricing power of these businesses. This shield allows our businesses to remain highly profitable even if inflation or external costs rise. Best of all, we haven't overpaid for this quality. At a current 15x **P/E ratio**, there is a long runway

for price appreciation. Finally, with almost **zero debt** relative to the cash they generate, our companies are financially rock-solid. This makes our “High Quality Compounders” not just a high-performer in good times, but incredibly resilient during market turbulence.

Undervalued Businesses (13% of our Portfolio)

Metric	Weighted Average
Earnings Yield	8.47%
FCF (Free Cash Flow) Yield	8.64%

In a market where the S&P 500's earnings yield is roughly **4.1%** (at a 24x P/E), our undervalued segment is producing **more than double** the earnings for every dollar of capital we have at risk.

Reflections and Learnings: Carrying 2025 into 2026

The end of the year is a natural time to evaluate our performance as business owners. Few observations and learnings that we intend to use in 2026

Business Reality vs. Market Sentiment On average, our investment theses take about 1.5 years to play out. Bulk of our returns this year have been driven by our investments a year before. In 98% of cases, after we start buying a company, the stock price goes down even further and in almost every instance, we have either bought more or at least wanted to. This timing is a direct result of what we look for: high-quality companies going through a temporary rough patch. We follow our conviction, not the noise of 90-day price movements.

Respecting the Market's "Why"

It is worth noting that the market rarely sells a company off for no reason. In 99% of cases, there is a very legitimate concern—perhaps fundamentals have slipped, an industry has shifted, or regulations have tightened. Our job is to look through that immediate distress and decide if it's a terminal illness or just a passing fever.

In the short term, this often makes our performance look "optically" worse because the stock price remains depressed. However, a quality company's fundamentals don't whip-saw from quarter to quarter. As business people, you understand that the real initiatives take years to show up on the bottom line. If our "North Star" is to compound your capital over a full five-to-seven-year business cycle, obsessing over 90-day price movements is a waste of our time.

A Case Study in Conviction: dLocal (DLO)

To illustrate this, look at our experience with **dLocal**. For those less familiar, dLocal is a high-growth payment platform that acts as a critical bridge for global giants like Amazon,

Microsoft, and Spotify, enabling them to accept payments and settle payouts in complex emerging markets across Africa, Asia, and Latin America.

We didn't buy this company when it was a market darling. We stepped in during a period of maximum pessimism in June 2024, following a series of aggressive short-seller reports and a significant Q1 earnings miss. To most, the story was broken. To us, it was a rare chance to buy a critical infrastructure play at a clearance price.

The real work began after the purchase. As the table below shows, we had to ignore the analysts and market noise and just be focused on the business fundamentals

Date	The Market's "Noise"	Share Price	The Business's "Signal" (Total Payment Volume)
June 2024	Our Entry Point. Panic over short-seller reports & Q1 miss.	~\$7 - \$9	\$5.3 Billion
Nov 2024	Market skepticism remains high.	~\$8 - \$10	\$6.1 Billion
Mar 2025	CFO steps down; narrative of "management instability" takes over.	~\$8 - \$10	\$7.7 Billion
Nov 2025	Market finally begins to recognize the fundamental growth.	~\$14 - \$16	\$10.4 Billion

We stayed put because we saw that while the executive suite was being professionalized, the underlying engine—the Total Payment Volume (TPV)—was nearly doubling. We chose to look at the orders coming in from global giants rather than analyst reports. Our lesson from 2025 is simple: ignore the fickle price quotes and focus on the compounding value of the enterprise.

The Mistakes Framework

While we have discussed our discipline, I want to be clear: we are far from infallible. We borrow our framework for evaluating errors from Warren Buffett and Charlie Munger, who famously categorized investment mistakes into two buckets: **Errors of Omission** and **Errors of Commission**.

- **Errors of Omission:** These are the "missed opportunities." They occur when we do the research and recognize a great business, but fail to pull the trigger.
- **Errors of Commission:** These are the "active mistakes." They happen when we commit your capital to a business we fundamentally misunderstood or where we overpaid for a future that never arrived.

During 2025, we made mistakes in both categories. However, we view them through very different lenses. We are relatively comfortable with Errors of Omission. While it is painful to watch a company we passed on double in value, these mistakes do not shrink the "pile of chips" we have on the table. We are much more concerned with Errors of Commission. These are the true enemies of compounding. Our goal is to ensure that while we may make new errors in 2026, we are primarily making them in the "Omission" bucket—choosing to be too cautious rather than too reckless.

As always, we thank you for your confidence and value your support. If you know investors who value discipline over hype, we'd welcome an introduction. Our capital grows alongside yours - we succeed only when you do.

If you have any questions, please don't hesitate to reach out.

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Until next time,

Sincerely
Praveen KumarGovindarajan

Current Portfolio Companies

Section of the letter reserved for current investors

Core Principles of our fund

We do not—and cannot—guarantee returns. Markets are inherently uncertain. What we can pledge is unwavering adherence to these principles:

Value Over Hype

We invest in businesses priced below intrinsic worth, not fleeting trends or Wall Street darlings.

Capital Preservation as Priority #1

We obsess over minimizing permanent loss risk. Volatility is noise; capital erosion is the enemy.

Skin in the Game

My family's entire net worth is invested alongside yours. Our incentives are indivisible.

No Market Oracles Here

We focus on individual opportunities, not macroeconomic divination. We are not in the business of predicting the direction of the general stock market. If you think I can do this, or think it is essential to an investment program, you should not be invested in this fund

Transparency in Reporting

Performance figures reflect gross unrealized gains/losses (market value at period-end compared to the start of the period). Taxable outcomes may differ materially.

Forward-looking information:

Some information set forth in this letter constitutes forward-looking information which involves uncertainties and other known and unknown factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. When used in this letter, words such as “expects”, “anticipates”, “intends”, “may”, “believes” and similar expressions generally identify forward-looking information. In developing the forward-looking information contained in this letter, the manager has made assumptions (for ex.: with respect to the outlook for the global economy and publicly traded companies). These assumptions are based on the manager's perception of factors believed to be relevant (for ex.: historical trends, current conditions, expected future developments). Although the manager believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. Actual results or events may differ materially from those expressed or implied in the forward-looking information. Future Fortune Capital LLC undertakes no obligation to publicly update or revise these forward-looking statements