

November 4, 2025

October 2025 - Investor Update

Dear Friends & Partners,

Our investment returns are summarized in the table below:

Strategy	Month	YTD	12 Months	24 Months	36 Months	Inception
LRT Global Opportunities	+9.52%	+9.30%	+14.74%	+13.38%	+16.46%	+19.29%

Results as of 10/31/2025. Periods longer than one year are annualized. All results are net of all fees and expenses. Past returns are no guarantee of future results. Please see the end of this letter for additional disclosures.

LRT Global Opportunities is a **systematic** long/short strategy that seeks to generate positive returns while **controlling downside risks** and maintaining low net exposure to the equity markets.

In my last monthly letter to you I wrote *"I believe right now is a perfect time to add to your investment in our strategy, given its muted returns as of late."*

During the month of October, the LRT Global Opportunities strategy returned +9.52% net of fees. Year-to-date, the strategy has gained +9.30%. As of November 3rd, our estimated beta is 0.2771. See the Appendix for detailed return attribution.

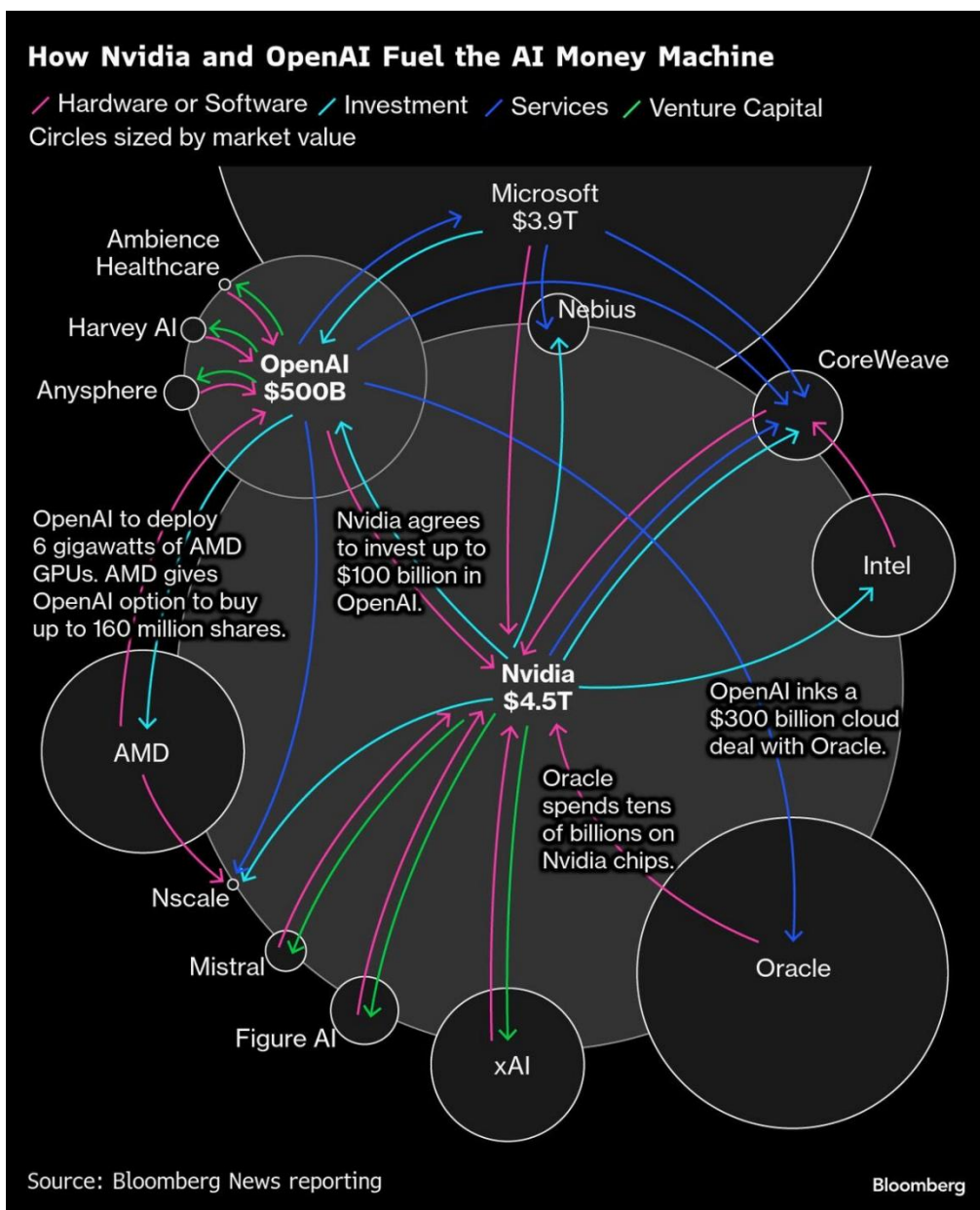
Recent Market Developments

The recent performance of the US stock market, particularly over the last two months, has been very unusual. The ongoing rally has been almost entirely fueled by a speculative rush into AI-related stocks, with even tenuous mentions of "AI" in press releases driving stock price increases. This intense focus on AI and related semiconductor companies has drawn capital away from virtually all other market sectors, making it exceptionally difficult for portfolios underweight in technology and semiconductors to achieve strong returns.

The degree to which the market's gains are concentrated in the "AI theme" is starkly illustrated by the significant divergence between the S&P 500 total return index and its equally weighted counterpart. The S&P 500 has gained +17.62% year-to-date, compared to only +8.41% for the equally weighted version (as of 11/03/2025). This historic underperformance is even more pronounced over the past 12 months, where the S&P 500 total return is +21.12% versus the equally weighted S&P 500's +8.07%. Essentially, the

market's overall strength is being driven by a small cohort of highly valued companies, while majority of stocks are missing out on the rally.

Further complicating the picture is a recent spate of press releases detailing "deals" among major tech and semiconductor firms. These arrangements often appear circular: Company A invests in Company B, which then uses the capital to purchase products or services from Company A. This resembles a financial "shell game," with money seemingly moving back and forth between entities like Nvidia, Oracle, OpenAI, and Broadcom. Investors are intently trying to track this flow, akin to following the coconut shells to find the hidden ball. A simplified diagram of this activity helps illustrate the nature of these transactions.



I have been publicly skeptical regarding the truly transformative economic potential of Artificial Intelligence. While I unreservedly acknowledge AI as a supremely powerful tool — a force multiplier capable of enhancing productivity across various industries — I fundamentally disagree with the prevailing, almost messianic narrative. I do not foresee AI ushering in an "age of abundance," nor do I expect it to deliver miraculous, singular solutions to complex global challenges, such as offering cures for diseases like cancer, as some of its most zealous proponents frequently suggest.

This skepticism is rooted in an observation of the current technological reality, one that runs directly counter to the optimistic axiom put forward by figures like Sam Altman, who asserted, "the AI you are using today is the worst you will ever use." This statement implies a continuous, exponential trajectory of improvement. My view, however, suggests a different, more nuanced reality: that the current state-of-the-art AI models appear to be nearing a technological plateau.

The drive for further progress is increasingly characterized by stark and unpalatable trade-offs.¹ We are witnessing a clear point of diminishing returns. Improvements in performance within highly specific domains — for instance, generating code or mastering a particular game — often come at the expense of generalizability, reliability, or competence in other essential cognitive areas. The promise of a singular, ever-improving general intelligence is giving way to a mosaic of specialized, yet often brittle, models.

This viewpoint is not merely a theoretical construct; it is firmly supported by general industry studies, notably those published by institutions like MIT², and, critically, by my direct, continuous conversations with business executives operating large-scale technology companies right here in the Austin area. These are the decision-makers who are actively implementing AI projects to boost corporate performance and capture substantial cost savings.

A prominent example from the Austin business landscape perfectly illustrates this gap between projected potential and actual outcome. A major company embarked on an ambitious internal efficiency project powered by AI agents. Their initial financial projections were robust: a goal of \$40 million in cost savings over a three-year period, with a substantial \$10 million earmarked for the first year, primarily through reduced human headcount.

The reality, however, has been sobering. This organization is currently on track to realize only about \$1 million in savings — a miss of 90% of their annual target. The core issue? The autonomous AI agents proved unreliable and inconsistent. The company was compelled to rapidly and expensively reintegrate human oversight—a layer of human-in-the-loop validation—simply to ensure the accuracy and reliability of the processes. While this firm is committed to continuous fine-tuning of their models and the deployment of new, more sophisticated agentic systems, their story is far from isolated. It reflects a systemic difficulty in translating lab-bench AI performance into reliable, unassisted, and cost-effective enterprise solutions.

¹ <https://futurism.com/artificial-intelligence/study-gpt5-gpt4o>

² <https://futurism.com/ai-agents-failing-companies>

I maintain my belief that AI, encompassing Large Language Models (LLMs) and autonomous agents, represents an undeniable, long-term force for good that will gradually improve efficiency and productivity across a vast spectrum of economic sectors. This progress, however, will be evolutionary, characterized by incremental gains and pragmatic adaptations, rather than the sudden, revolutionary transformation that the most fervent enthusiasts and venture capitalists anticipate.

It is particularly telling to observe the shifting focus even within the industry's most prominent players. The public discourse from companies like OpenAI, for example, has subtly but noticeably moved away from grand, world-saving claims—like curing cancer—to offering more immediate, commercially viable, and arguably less transformative content and tools, such as the facilitation of "erotica"³ or improving mundane corporate workflows. The shift from "solving humanity's biggest problems" to "optimizing user engagement" speaks volumes about where the true, practical progress is currently being made. AI is an exceptional tool, but for the foreseeable future, it remains a tool, not a panacea.

Given my profound skepticism regarding the current hype surrounding Artificial Intelligence, particularly as it intersects with a stock market that is disproportionately and heavily weighted toward AI-related companies, the critical question remains: what course of action should a conscientious investor take?

The sheer, overwhelming popularity of these stocks often brings to mind a crude, yet illustrative, piece of folk wisdom: **"Shit must be great... After all, millions of flies can't be wrong!"** While this is clearly a flippant and satirical comment, it forces us to confront a much deeper philosophical and financial question: Is there an underlying, objective reality that ultimately dictates value, or is popularity, momentum, and consensus—the sheer weight of capital following the crowd—the only force that truly matters in the short-to-medium term?

When it comes to the stock market, the answer is far from clear-cut. My personal preferences are entirely irrelevant to a company's financial success. I might genuinely dislike the flavor profile of a Starbucks latte or find a McDonald's hamburger unappetizing, but my individual opinion holds no sway over the global, multi-billion-dollar empires they represent. Similarly, I hold the strong personal belief that Tesla vehicles suffer from poor build quality and reliability issues—a belief I have maintained for years. Yet, the market and the consumer base have clearly spoken: whatever my personal, objective critique might be, Tesla has successfully sold millions of vehicles and commands an extraordinary valuation.

Nevertheless, I continue to anchor my worldview in the conviction that an objective reality exists. Shit is *not* great; historical events like the Holocaust are undeniable facts; and the King of Rock and Roll, Elvis Presley, is demonstrably not alive. These are fixed points.

The challenge in finance, however, is that the divergence between a stock's market price (perception) and its underlying fundamental, objective reality (intrinsic value) can persist for alarmingly long periods of time. Moreover, in extreme and speculative market environments, perception has the capacity to create its own reality — a phenomenon that astute investor George Soros not only observed but formally described

³ <https://www.axios.com/2025/10/14/openai-chatgpt-erotica-mental-health>

and named: Reflexivity. Soros argued that participants' perceptions do not merely reflect the market reality; they change the reality, creating a feedback loop where belief influences price, and the rising price then reinforces the initial belief, regardless of the underlying fundamentals.

In the current AI-driven environment, one must wrestle with whether the market is genuinely reflecting a revolutionary, objective shift in productivity and value creation, or if we are witnessing a classic reflexive loop where the momentum of capital and the fervor of a popular narrative are overwhelmingly dictating prices, pulling millions of "flies" toward an asset class whose ultimate value realization remains years, perhaps decades, away. For the value-oriented, skeptical investor, the dilemma is whether to ignore the noise and hold firm to objective valuation metrics, or to acknowledge the power of popularity and momentum, knowing that the "wrong" price can be sustained for longer than one can remain solvent.

To truly grasp the bizarre, almost psychedelic landscape of the stock market over the last few months, one must look at the extreme poles of valuation.

On one end of the spectrum, we have the sheer spectacle of Oklo Inc. (OKLO). This company, which ostensibly operates in the "nuclear power" sector, is currently valued at a staggering \$18 billion. A deep dive into their financial reality, however, reveals a striking lack of substance: the company has no revenues and no contracts. Their financial statements are a masterclass in minimalism, literally beginning with the expense line. The technology they propose to commercialize — a sodium-cooled nuclear reactor — is not a novel breakthrough but a concept dating back to the 1950s, a technology that has repeatedly proven commercially non-viable despite decades of development and immense investment by various high-profile and well-funded ventures.⁴ These other companies have, almost without exception, either failed outright, folded their nuclear ambitions, or have very little tangible progress to demonstrate for their efforts. Oklo's own regulatory history is fraught; previous attempts to build a reactor have been explicitly denied by the US Nuclear Regulatory Commission on grounds of safety.⁵ By any traditional metric, this valuation is unmoored from reality. Yet, none of this has deterred the stampede of investors: Oklo's shares are up a breathtaking +496.66% year to date. It is a pure momentum trade, a speculative fever dream fueled by narrative, not fundamentals.

Now, contrast this speculative euphoria with the mundane reality of a fundamentally sound business: Asbury Automotive Group, Inc. (ABG). Asbury is an automotive car dealership, a core holding in our portfolio. It is, by its very nature, an easy-to-understand business—selling and servicing cars. When the company reported its earnings on October 28th, the results were unequivocal proof of health and operational efficiency. They posted record revenue, delivered a respectable 13% growth in earnings per share, and actively demonstrated management's belief in the company's undervalued position by repurchasing their own shares.

The true dissonance is revealed in the valuation. Asbury Automotive Group trades at a minuscule 8 times reported earnings. To put this into sharp context, the broader S&P 500 index currently trades at a valuation

⁴ TerraPower, <https://en.wikipedia.org/wiki/TerraPower> is just one of many others.

⁵ <https://www.nrc.gov/reading-rm/doc-collections/news/2022/22-002.pdf>

of over 31 times trailing earnings. ABG is trading at less than one-third of the valuation of the overall market, all while possessing a long and reliable history of earnings per share growth and a clear, expansive growth runway ahead⁶ of it in a stable, necessary industry. Despite all the objective indicators of value — the robust earnings, the clear business model, the strong capital allocation — the market's attention is elsewhere. ABG's stock is actually down -3% for the year.

This juxtaposition is the defining feature of the current investing environment. On one side, we have an unprofitable, speculative venture pushing a repeatedly failed technology, achieving a multi-billion-dollar valuation on the promise of a future that may never materialize. On the other, we have a profitable, growing, easy-to-analyze business selling at a distressed valuation multiple. The market, it seems, is not interested in buying good businesses cheaply; it is interested in chasing exciting, high-beta narratives, regardless of the underlying financial reality.

For the disciplined, value-oriented investor, the question is not about chasing the spectacle but about enduring the market's temporary insanity. What is one to do? The answer remains the same: patiently continue to accumulate high-quality assets like Asbury Automotive Group, allowing the gap between intrinsic value and market price to eventually close, knowing that while the noise of speculation may dominate the headlines, the compounding power of real earnings always prevails in the long run.

The renowned economist John Maynard Keynes offered a compelling analogy for the stock market, describing it as a "beauty contest." In this game, however, the goal for the participants is not to choose the prettiest girl outright, but rather to select the girl they believe most other participants will deem the "most beautiful." This dynamic immediately introduces a layer of speculative complexity, shifting the focus from intrinsic value to perceived popular opinion.

Of course, once one accepts this framework, the logical progression is to try and select the girl that the majority of market participants believe that other participants think is the most attractive — a second-order derivative of the initial premise. Sophisticated market participants often engage in even higher-order derivatives of this line of reasoning, perpetually trying to anticipate the collective psychological inflection point.

In contrast to this game of psychological anticipation, I continue to employ a more fundamental and, perhaps, old fashioned approach. My personal strategy remains focused on trying to pick the prettiest girl — that is, the most fundamentally sound and undervalued investment—without significant regard for the fleeting consensus of others. My conviction is rooted in the expectation that, over time, the market will inevitably correct itself and recognize true value, eventually aligning the price with my fundamental point of view.

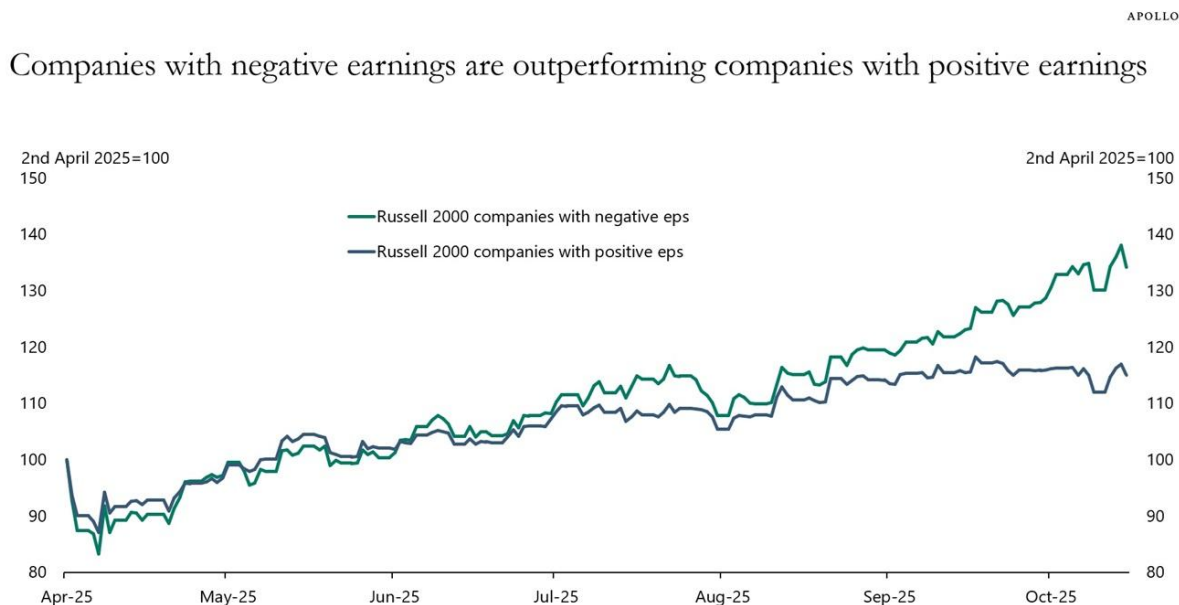
The results of this value-oriented approach year-to-date have been satisfactory, generating a +9.3% return. Furthermore, this was achieved while carrying only about a third ($\frac{1}{3}$) of the beta of the overall market, indicating a high degree of capital preservation and resilience compared to broader market volatility.

⁶ Due to ongoing industry consolidation.

Nevertheless, I acknowledge that these returns might feel a bit underwhelming when measured against the spectacular and often indiscriminate run-up in certain parts of the market.

Over the last three years, quality and fundamentally focused investors, such as myself, have faced persistent and significant headwinds. This environment has become acutely more challenging over the past six months, characterized by a distinct market preference for speculation over substance.

To vividly illustrate the severity of this period of market dislocation, it is necessary to examine how this trend has manifested in actual performance. A particularly stark piece of evidence comes from data compiled by Apollo Global, which analyzed the performance within the Russell 2000 index. A graph dissecting the performance of companies with negative earnings (loss makers) versus those with positive earnings clearly demonstrates the prevailing market sentiment. As the data shows, companies that are not generating profits—the loss makers—have decisively trounced those with positive, fundamental earnings, further emphasizing the market's current detachment from traditional financial metrics and highlighting the premium being paid for speculative growth narratives over established profitability.⁷



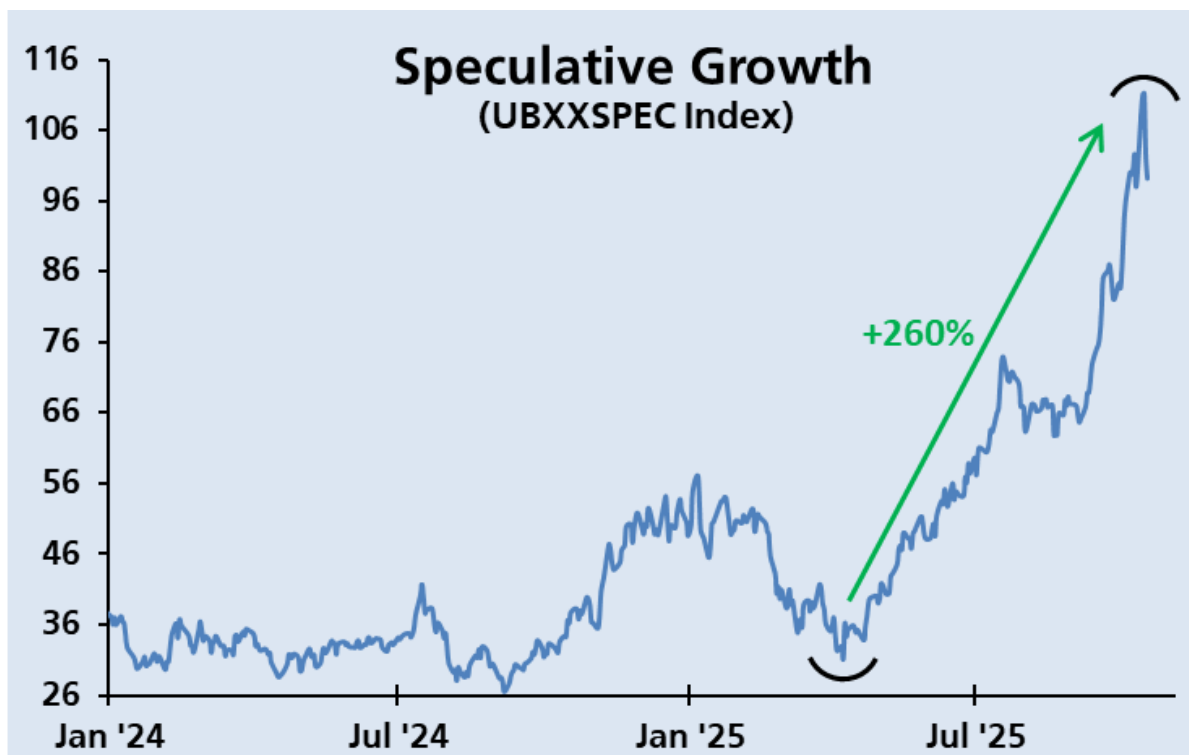
Secondly, from the Financial Times, a graph looking at the performance of companies that are most shorted vs. the average US equity.⁸

⁷ <https://www.apolloacademy.com/stock-market-performance-since-liberation-day/>

⁸ <https://www.ft.com/content/094ebfb0-bbd8-42c4-9e93-0116d1f896de>



Lastly, from Goldman Sachs the “Speculative Growth Index” of companies.



The confluence of these three key charts paints an undeniable and provocative picture of the current market dynamic: investors who have adhered to a traditional strategy of investing in profitable, fundamentally sound companies, particularly those not heavily targeted by short sellers, and who have abstained from purely speculative ventures, have experienced a period of significant underperformance. The market, over the past year, has seemingly rewarded risk-taking and speculation, often favoring unprofitable companies based on future narratives rather than present cash flow or proven business models.

Despite this challenging environment and the short-term pressure on our performance, I remain steadfast in my commitment to a disciplined, long-term investment philosophy. I will not compromise my fiduciary duty by engaging in speculation in unprofitable companies with your capital. Our strategy continues to focus on identifying and investing in high-quality businesses characterized by sustainable competitive advantages, decent and visible growth prospects, and most critically, led by capable shareholder-aligned management teams.

I operate under the strong conviction that the current market headwinds — which have favored speculative fervor and narrative over fundamentals — are temporary. I believe these conditions represent the late stages of a speculative bubble, and as this bubble inevitably unwinds, the market's focus will return to intrinsic value, earnings quality, and fundamental strength. When this shift occurs, the very pressures we have been facing will transform into powerful tailwinds for our portfolio.

In preparation for this reversion to the mean, and in recognition of the current volatility, our investment strategy remains deliberately disciplined. The portfolio is structured with a distinct focus on capital preservation, maintaining a carefully constructed hedge to mitigate systemic risk, and operating with a relatively low net market exposure. This defensive positioning allows us to participate in the ultimate recovery while shielding the portfolio from the potentially sharp downside associated with the eventual burst of the speculative segment of the market. We are positioned not for the flavor of the month, but for enduring long-term value creation.

* * * * *

I take seriously the responsibility and the trust that you have given me as a steward for a part of your savings. As always, if you have any questions, please don't hesitate to contact me. I appreciate all your ongoing support.



Lukasz Tomicki
Portfolio Manager
LRT Capital

Attributions and Holdings as of 11/3/2025

LRT Global Opportunities		Return Attribution	
Top Twenty Holdings (%) – As of 11/3/2025		Return Attribution (%) – October 2025	
The Toronto-Dominion Bank (TD)	3.81	Long Equity	3.63
StoneX Group Inc. (SNEX)	3.58	Hedges	-0.14
Ferrovial SE Ordinary Shares (FER)	3.16	Unlevered Gross Return	3.49
Simpson Manufacturing Co., Inc. (SSD)	2.89	Leveraged Gross Return	9.60
Chemed Corp. (CHE)	2.85	Net Return	9.52
RLI Corp. (RLI)	2.68		
Toro Co. (TTC)	2.56	Beta contribution	1.06
Group 1 Automotive Inc. (GPI)	2.45	Alpha contribution	8.46
Petróleo Brasileiro S.A. - Petrobras (PBR-A)	2.29	Net Return	9.52
Colliers International Group Inc. (CIGI)	2.13		
Asbury Automotive Group, Inc. (ABG)	2.12	Top Contributors – October 2025	
Charter Communications, Inc. (CHTR)	2.07	iShares Core S&P Small-Cap (IJR)	
Fabrinet (FN)	2.04	Corporación América Airports S.A. (CAAP)	
Google Inc. (GOOGL)	2.02	Fabrinet (FN)	
Integrated Electrical Services, Inc. (IESC)	2.01	Google Inc. (GOOGL)	
JPMorgan Chase & Co. (JPM)	1.94	Repligen Corporation (RGEN)	
Sun Communities Inc. (SUI)	1.85	Simpson Manufacturing Co., Inc. (SSD)	
Crown Castle International Corp. (CCI)	1.84	Comfort Systems USA Inc. (FIX)	
ConocoPhillips (COP)	1.81	Medpace Holdings, Inc. (MEDP)	
UnitedHealth Group Incorporated (UNH)	1.80		
		Top Detractors – October 2025	
Top Holdings Total (% of total long exposure)	47.92	iShares Russell 2000 (IWM)	
Total Long Holdings	87	StoneX Group Inc. (SNEX)	
		RLI Corp. (RLI)	
		Texas Instruments Inc. (TXN)	
Hedges (%) – As of 11/3/2025		Comcast Corporation (CMCSA)	
SPDR S&P MidCap 400 ETF (MDY)	-9.05	Group 1 Automotive Inc. (GPI)	
iShares Core S&P Mid-Cap (IJH)	-9.06	Crown Castle International Corp. (CCI)	
iShares Russell 2000 (IWM)	-27.07	Molina Healthcare, Inc. (MOH)	
iShares Core S&P Small-Cap (IJR)	-28.06		
Overall Net Exposure (%)	80.38		
Beta-adjusted Net Exposure (%)	27.71		

Source: Bloomberg.

Numbers may not add up due to rounding. Net returns are net of a hypothetical 1% annual management fee (charged quarterly) and 20% annual performance fee. Individual account results may vary due to the timing of investments and fee structure. Please consult your statements for exact results. Please see the end of this letter for additional disclosures.

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LRT Capital Management, LLC

108 Wild Basin Road, Suite 250

Austin, TX 78746

Office: +1 512 320 9085

www.lrtcapital.com