TITAN

2025 Annual Letter

Compounding through the Noise

Dear Titan Client,

2025 turned out to be a strong year for many investors who stayed disciplined, patient, and focused on the long term.

Equity markets once again confounded skeptics and delivered broadly in line with our optimistic views. Despite concerns around valuations, geopolitics, elections, and monetary policy, risk assets delivered strong absolute returns, driven by resilient economic growth, accelerating AI-driven capital investment, and a gradual normalization of inflation and interest rates.

Our equity portfolios were positioned with active, concentrated exposure to secular growth themes – particularly artificial intelligence infrastructure, energy security, and real assets – while maintaining enough diversification to help weather periodic volatility.

The venture capital market performed even better, with many private technology companies exhibiting soaring valuations on the back of continued demand growth for AI compute.

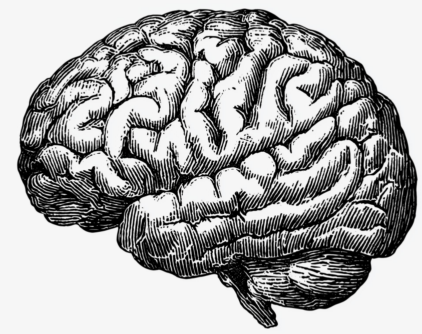
The crypto sector was a notable laggard of the year.

Zooming out, 2025 reinforced a core belief we've held for years: markets have often rewarded long-term ownership of productive assets more than short-term prediction.

This annual letter is not a victory lap. Markets never allow that luxury for long. Instead, it's an opportunity to step back, review what mattered, and outline how we're positioning capital for what comes next.

Thought of the Year: Margins Can Mislead, Capability Compounds

From AI research to AI engineering



For most of the last decade, AI advanced through pre-training. Models absorbed massive datasets, learned representations, and improved largely inside research environments. That phase was compute-heavy, research-driven, and limited in real-world deployment. “AI researcher” or “member of the technical staff” became the most in-demand role in technology.

2025 marked a shift.

With the emergence of true reasoning and inference-focused models, catalyzed in particular by OpenAI’s o1 and DeepSeek’s r1, AI moved out of the lab and into production. Once inference became the constraint, the economics changed. Running AI systems at scale requires memory bandwidth, networking, power, cooling, and uptime. Capital followed those bottlenecks.

This is why many of the key AI beneficiaries in 2025 were not just chipmakers like Nvidia, which dominated the pre-training era from a market cap creation standpoint. They were memory makers, networking vendors, power and HVAC providers, and energy producers. The market began repricing the physical backbone of intelligence.

Why margins stopped telling the truth

One useful lens comes from outside the U.S.

In China, competition is ruthless. When profits appear, they attract entrants immediately. Companies push directly into one another's core businesses. Margins are not defended. They are competed away.

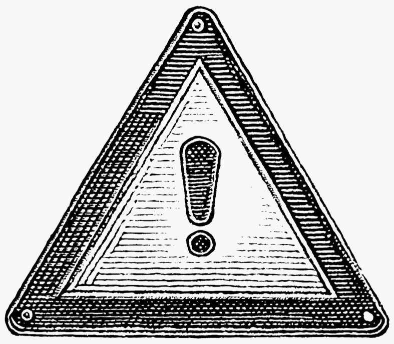
In those environments, margins are a poor signal of strength. Low or volatile profitability is often a feature, not a bug, because it reflects speed, reinvestment, and learning. The real advantages sit beneath the surface: supply chains, process know-how, manufacturing scale, and the ability to iterate quickly.

We saw this in 2025.

Some of Titan's notable positions were businesses widely dismissed as cyclical or commoditized just a year earlier. Memory manufacturers, networking companies, and uranium producers all fit that description. The skeptics focused on margins. We focused on whether those companies were improving faster than their peers and producing infrastructure we believe is mission-critical to the next phase of AI acceleration.

In many cases, they were.

The danger of protecting margins



There is a strong instinct among companies and investors to protect margins. In stable industries, that can work. In periods of rapid technological change, it often does the opposite.

Many of the companies that strengthened their positions in 2025 accepted near-term margin pressure in order to expand capacity, reinvest aggressively, and stay ahead of demand. Others prioritized short-term profitability and fell behind. Over time, the market began to recognize the difference.

The lesson is simple: in fast-moving environments, defending margins can be a sign of complacency, not discipline.

Companies that remain anchored to the 2010s paradigm, when SaaS dominated market cap growth through high gross margins and recurring revenue, risk obsolescence as we move deeper into the AI inference era. End-to-end solution engineering requires reinvestment levels that margin purists would have dismissed not long ago.

What this means for 2026

As we look ahead, we believe this dynamic may persist.

AI is shifting from experimentation to deployment. That shift favors companies that can engineer, build, and operate at scale. It also makes backward-looking margin analysis less useful and increases the value of active research in separating optically high-margin but increasingly irrelevant businesses from lower-margin challengers that are rapidly closing the gap.

Over the coming years, we believe returns may favor companies and ecosystems that improve fastest, not those that look most profitable at a single point in time. In many of the most important AI- and energy-linked industries, margins are more likely to follow capability than lead it.

This lens is shaping how we are positioning Titan portfolios as we enter 2026. We are focused on infrastructure over abstraction, engineering over theory, and long-term capability over short-term optics.

Margins tell you where a company has been. Capability tells you where it is going. In this cycle, that distinction matters.

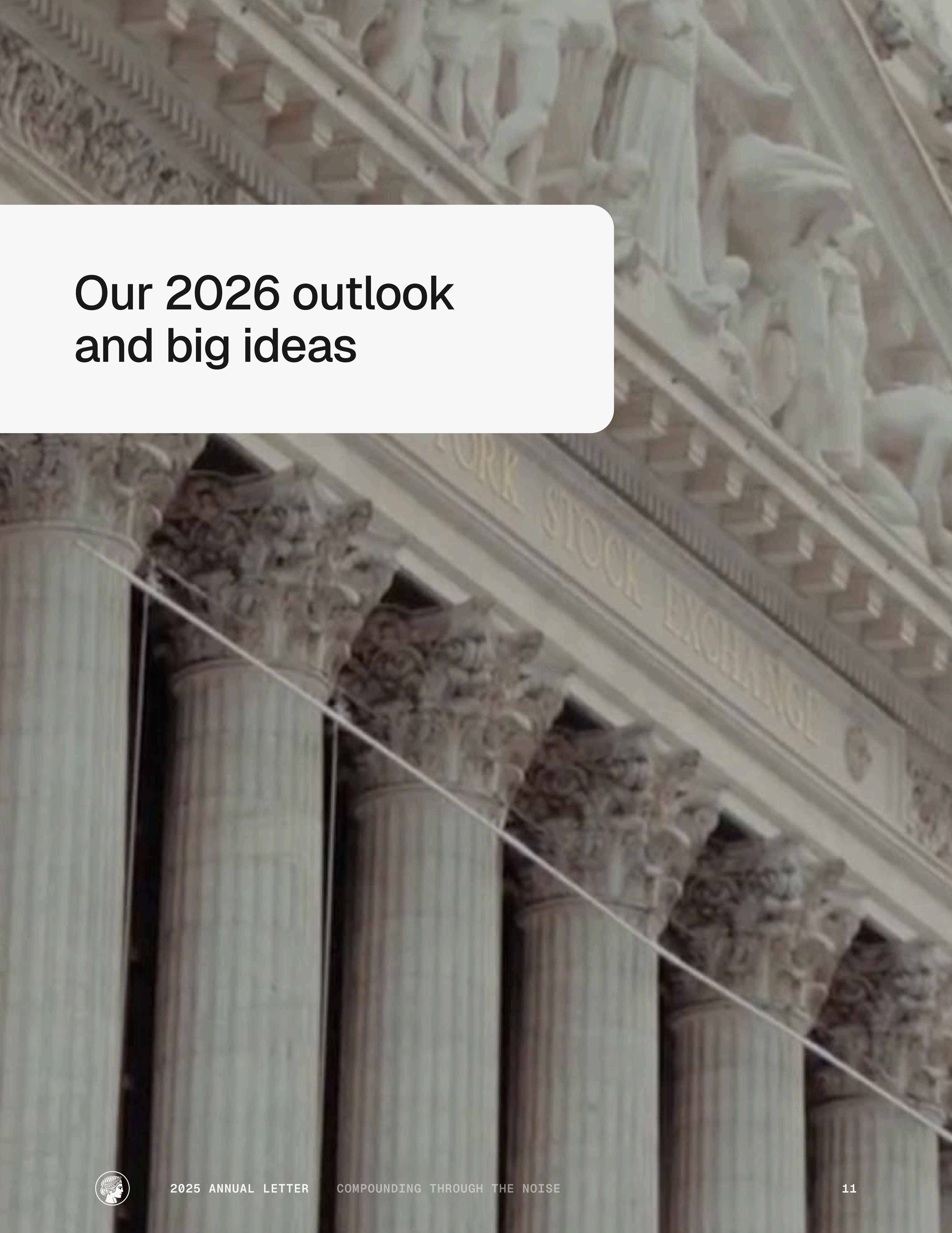
Portfolio recap: AI, uranium, gold in focus

At the strategy level, Flagship was driven primarily by companies tied to the high-conviction themes we identified in early 2025. Micron Technology was influenced by surging AI memory demand that helped reverse the semiconductor downturn, and Ciena saw momentum from booming cloud and AI network infrastructure spending that led to record order backlogs. Uranium Energy Corp was influenced by uranium prices hitting multi-year highs amid a global shift back toward nuclear power. In contrast, Block and ServiceNow faced headwinds as Block struggled with slowing growth in its fintech and crypto ecosystem, while ServiceNow's elevated valuation and temporary execution missteps weighed on sentiment alongside a rotation out of software sector stocks. As we shared at our Titan Summit in February 2025, our biggest investment themes of the year – AI infrastructure and nuclear energy – played out largely in line with our expectations.

Opportunities was driven by themes across gold, uranium, and aerospace investments. For the year, our contrarian view on gold miners through the VanEck Junior Gold Miners ETF was shaped by gold prices hitting record highs amid geopolitical turmoil and accelerated Central Bank purchasing. Our aerospace investments were also supported by factors impacting General Electric and Raytheon amid robust jet engine demand, increased defense spending, and strong earnings results and 2026 outlooks. In contrast, Aeva Technologies was pressured by an aggressive momentum unwind during the summer that weighed on shares despite the company's strong, accelerating fundamentals. Graphic Packaging also lagged as execution missteps coupled with rising input costs and softer packaging demand weighed down amidst slowing volume growth.

At the individual security level, Offshore's 2025 key contributors came from investments in Cameco, Nubank, and Safran, while detractors were Marvell and Vista Energy. A key factor influencing Offshore in 2025 was currency translation with the U.S. dollar depreciating by ~10%. When the dollar falls in relative terms, international market equities tend to appreciate in local currency terms. We do not currently anticipate the U.S. dollar being nearly as significant a headwind in 2026, and we have repositioned the Offshore portfolio with less U.S. revenue exposure and heavier tilts toward geographies and themes we believe may perform well in a variety of currency environments.

Our 2026 outlook and big ideas



If 2025 was about recognizing that AI had moved out of the lab, 2026 could be about living with the consequences.

We believe the next phase of this cycle is less about discovery and more about deployment. Less about models and more about systems. Less about abstract intelligence and more about what it takes to run intelligent infrastructure reliably, at scale, and at acceptable economics.

Early AI enthusiasm was understandably concentrated in a small number of mega-cap technology companies. They built the models, attracted the talent, and captured the imagination. But enduring investment cycles do not remain narrow forever. They broaden as innovation diffuses across the economy and capital spending spreads outward into supporting industries.

We believe we are in the early stages of that broadening now. As inference workloads scale, the binding constraints are increasingly physical. Memory bandwidth, networking throughput, power availability, cooling efficiency, and uptime matter as much as model quality. This favors companies that build, manufacture, and operate critical infrastructure rather than those that simply utilize it.

As a result, many of what we believe to be the more attractive opportunities heading into 2026 sit outside the traditional "AI winners" bucket. We remain constructive on AI accelerators, but we are equally focused on the surrounding ecosystem: memory makers, optical and networking equipment providers, power and HVAC companies, uranium and nuclear-linked energy producers, and select industrial suppliers exposed to data center buildouts.

Geographically, we continue to see the U.S. as well positioned. It combines capital depth, technological leadership, energy abundance, and a regulatory environment that, while imperfect, remains more flexible than most alternatives. At the same time, we are increasingly constructive on international and emerging markets. Despite strong performance across many regions in 2025, starting valuations remain reasonable by historical standards. We also believe the U.S. dollar may continue to depreciate over the medium term, which has historically provided a meaningful tailwind for non-U.S. equities. Within that broader opportunity set, we are especially focused on markets where policy credibility is improving and capital is being welcomed rather than constrained. Argentina stands out as one such example, where early signs of fiscal discipline and market reform are beginning to translate into improved asset pricing.

At a higher level, we believe 2026 may be a year of dispersion. Broad indices may still move higher, but leadership is likely to rotate. Companies that accumulated real capability during the last two years should begin to separate themselves from those that relied on financial optics or legacy positioning. This environment tends to reward active research, patience, and a willingness to look wrong before being right. We do not believe markets are priced for perfection across the board, nor do we see the kind of excess that typically precedes durable tops. Valuations are demanding in places, expectations are high, and volatility should be expected, but the underlying drivers of growth appear to remain intact.

In our view, the path forward favors owners, not spectators.

> “The future is already here – it’s just not evenly distributed.”
> - William Gibson

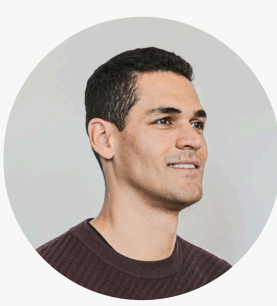
Final thoughts

Every market cycle produces a long list of reasons to hesitate. 2025 had no shortage of them, and we believe 2026 will likely introduce new ones. But the lesson of the past year was clear. Investors who stayed disciplined, reinvested through volatility, and focused on fundamentals often fared better. Those who waited for clarity largely missed it.

We continue to hear calls to “take risk off,” wait for a pullback, or re-enter when conditions feel safer. History suggests those strategies are far harder to execute than they sound. By the time uncertainty resolves, prices usually reflect it. Markets rarely offer comfort and opportunity at the same time.

Our philosophy remains unchanged. Volatility is the cost of pursuing long-term returns. Be prepared for it, and aim to take advantage of it with recurring investments. Staying invested matters. Letting compounding do its work matters most of all.

We are grateful for the trust you place in Titan and remain focused on navigating what comes next with discipline, humility, and conviction. Markets will remain noisy. Progress rarely is.



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Clayton Gardner
Co-CEO & Chief Investment Officer

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