Horizon Kinetics Full-Cycle Inflation Equity Fund UCITS ETF
2025 Annual Letter

March 2026

"In times of rapid change, experience could be your worst enemy."
- *J. Paul Getty*

This has been one of the most challenging annual letters to write. It's not for a lack of things to talk about—to the contrary, too many very relevant and interesting things. Furthermore, every time the letter started to take form, market and portfolio developments necessitated revisions and additions. As of this writing, the conflict in the Middle East is escalating, but the letter must go to print.

Market conditions have been highly fluid and volatile throughout the history of the Full-Cycle Inflation Equity Fund UCITS ETF ("the Fund"). The current circumstances are profound and nuanced—even by today's standards—and transcend the typical debate over interest rates, economic growth, and inflation expectations. Many asset prices are not reacting as expected, suggesting an emergent macro regime unlike the previous.

These are the critical junctures in markets when investment gains become harder to come by, and losses more prevalent and enduring. In capital cycle terms, the broader market/economic cycle is maturing, as is investment risk/reward skew. In isolation to the broader macro cycle are various other cycles (including real assets) that are in earlier stages of development. These cycles can offer diversification from broader markets.

Notwithstanding the evolving market conditions, the core of the portfolio has remained largely consistent since the Fund was launched in early 2023. This stands in stark contrast to the institutional imperative of constantly optimizing portfolios for dynamic market conditions (i.e. portfolio trading).

Low portfolio turnover (approximately 10% average annually) is facilitated by purchasing high quality businesses at attractive valuations that we believe have the potential to compound in value for years or decades. To be fair, the universe of companies capable of compounding through business cycles—trading at appropriate valuations—is limited. The Fund continues to emphasize such companies via its capital-light, real-asset focus.

The real-asset base, coupled with efficient business models, has enabled these companies to be highly adaptable over the past five years. In many cases, recent positive developments at portfolio companies were not even part of the original underwriting assumptions. Better yet, these firms have generally incurred minimal or no incremental expenses (operating or capital) to exploit these new areas of growth (more on this in the business-specific sections).

This capital-light exposure stands in distinct juxtaposition to the large U.S. technology companies[1] ("hyperscalers") who are collectively on pace to spend ($1.4 trillion) from 2023-2026 alone. The shift towards high-capital-intensity debate aside, the bigger uncertainty is whether these investments will simply sustain the current businesses (defensive) or act as a supplement to them (offensive). Management teams acknowledge the dilemma and recognize that the risk of not spending the capital could be "existential."

[1] Alphabet, Meta, Amazon, Microsoft, Oracle, Source: Bloomberg, Fiscal Years and Estimates

Technology companies—particularly software and other capital-light businesses—have long been rewarded with lofty market multiples in recognition of high revenue growth rates and the promise of long-term, recurring, high-margin cash flow generation. However, the market has abruptly decided to question both the returns on capital for the enormous amounts of spending, as well as the durability of the capital-light cash flows.

To be clear, nobody has the answers to these questions, but the current moment brings a novel uncertainty. Highly valued (high-multiple) companies are particularly sensitive to greater uncertainty because most of the net present value (NPV) in a discounted cash flow valuation resides in the terminal or perpetual value. Not only is this portion of the cash flow the most exposed to obsolescence risk, but it is also the most sensitive to higher discount rates required to compensate for greater uncertainty.

Capital Light v. Asset Light

Business-model quality and efficiency is typically manifested in financial results via organic revenue growth, consistently high operating margins and high cash flow conversion. These are the defining characteristics of capital-light business models. On the contrary, capital-intensive businesses seldom experience organic revenue growth, may cyclically experience high operating margins, and often reinvest a large portion of cash flow back into the asset base.

Investors developed a particular affinity for capital-light businesses throughout the "zero-interest-rate policy" era (2010-2018, 2020-2021), which resulted in progressively higher valuation multiples following the global financial crisis. A fitting case study for this period is the S&P North American Expanded Technology Software Index ("Software Index"). This index had multiples of approximately a 12.9x sales and 101.1x earnings at its (then) 2021 peak.

The interest rate sensitivity that propelled the valuations worked in reverse in late 2021, when the market prepared for the looming interest-rate-hiking cycle. Subsequently, the Software Index declined more than 40% over the next year, a trend stemmed only by the unbridled enthusiasm surrounding the launch of LLM chatbots and the end of the rate-hiking cycle in 2023.

The index proceeded to rally a full 143% from its 2022 lows before reaching a new peak value in 2025 that equated to approximately 11.4 sales and 82.7 earnings. It proceeded to shed slightly more than 10% off this peak during the final quarter of 2025, for no obvious fundamental reasons. However, the index has since fallen an additional 20% in 2026 through this writing[2] for an exceptionally detectable reason: AI.

Anthropic launched a series of co-work and specialized business plug-ins for its Claude LLM throughout January and February. It is hypothesized that Claude can either replicate certain high-cost software applications, reduce the amount users required to use the software, or both.

[2] March 3, 2026

The legitimacy and magnitude of these concerns will not be fully adjudicated until there is more clarity around the development of AI models. There are—and will be—plenty of opinions on the topic, and it is likely to be debated for years to come. However, at a minimum, this episode has exposed a vulnerability of software and other technology businesses: a lack of "assets."

Software companies hold prodigious amounts of assets—intangible ones, such as intellectual property, patents, brands, and technological network effects. These were once considered equal, if not superior, barriers to competitive entry as compared to physical assets. Technological innovation—ironically, the basis upon which software businesses are formed—may now render these barriers far less durable than previously thought. At the very least, it may also require heavy defensive investment/pricing that will distort the pro forma economics of the companies. This appears to be a rapid erosion of the "intangible moat."

Physical "real assets" have distinct properties that make them durable, although their prices have historically been sensitive to discrete supply/demand balances causing volatility. This variability has deterred many investors, lenders and entrepreneurs, particularly when capital was flocking to capital-light (asset-light) technology businesses.

Investment demand for these assets remains muted, as most real assets (commodities, real estate, infrastructure, financials, etc.) are associated with low quality (capital-intensive, low-return, cyclical businesses). These characteristics are not ubiquitous, and can be solved by focusing on capital-light real-asset companies.

In an unexpected turn of events, the financial community is gradually beginning to realize the value of these assets. In late February, strategists from Goldman Sachs (U.K.) advocated investing in companies that could benefit from the "HALO effect," with HALO referring to "heavy assets, low obsolescence."[3] The report advocated "productive tangible assets," that are "costly to replicate and less exposed to technological obsolescence."

There is also the non-trivial fact that front-loaded AI capital spending requires vast quantities of tangible assets—including land, water, gas, oil, uranium, metals, aggregates, and specialty chemicals that are inputs for end applications. Among them: power plants and transmission systems, data centers, cooling equipment, and networking systems.

An emergent topic in the AI development thesis is resource availability and supply chain bottlenecks. There are manufacturing-related items such as gas turbines, power transformers, and semiconductors, but further up the value chain are the raw materials. Markets ranging from oil to copper were recently considered mature (low-growth)—if not declining—markets, so operators have curtailed capital investments for most of the past decade.

The market is now demanding growth capacity—immediately, to meet AI infrastructure related demand. Existing raw materials inventories can only bridge this demand for so long without higher

[3] https://www.bloomberg.com/news/articles/2026-02-24/goldman-strategists-say-asset-heavy-stocks-boosted-by-ai-fears

production levels. Yet many commodities (oil, gas, copper, iron, uranium etc.[4]) remain near or below the requisite price to incentivize large scale production/capacity growth.

The world is potentially at an inflection point where demand growth for various scarce real assets is accelerating, yet there is a limited ability for supply to respond. Concurrently, investors are recognizing the portfolio utility of real assets after concentrating portfolios into capital light technology companies for over a decade. The market implications of even a minor reallocation into real assets are profound.

Our portfolio includes various categories of companies that we feel have distinct assets, advantaged business models, and durable competitive positioning for the future.

Land Companies

Land is the preeminent real asset; it is both perpetual and finite. A perpetual asset, with minimal or no carrying costs, allows value to increase over time, particularly as the use cases for it grow. This feature is enhanced by being a truly finite asset—the ability to produce more doesn't exist. Thus, as the inventory of the asset is depleted, more value accrues to the remaining (unused, or under-used) inventory.

This was the basic thesis in underwriting the various land companies in the portfolio, which includes a mix of residential, commercial, and industrial end uses. The critical feature is that the land is operated in a highly efficient manner that often leverages the capital and operating risk of third parties. In the purest form, these businesses resemble triple-net land lessors.

Undeveloped land value is ultimately derived from the end use(s); specifically, how high the demand for this use is, and the relative ability for this land to serve this function compared to land elsewhere. Residential land is in high demand as people need a place to live, but only certain land is desirable for residential use based on proximity to places of work, schools, infrastructure, and amenities.

However, the majority of land in most desirable locations permitted for houses is already developed, which requires new developments to be in less-desirable—but more-affordable—areas. Regardless, residential development has generally been one of the best and most common use for land on a price-per-acre basis, to the extent that people are willing to live there.

Commercial and industrial land uses can rarely command the per-acre value of residential acreage in premier locations. However, the former are often much larger-scale and can include a variety of incremental value beyond the primary/initial use. The limiting factor for these projects is not only the quantity of land and proximity to strategic locations (e.g. distribution hubs, customers, metropolitan areas), but also the resource availability and regulatory permitting/entitlement process.

[4] As of March 3, 2026

These limitations are becoming acute for AI-related large-scale power and data center developers. Developers previously focused primarily on procuring GPUs and other component inputs into the data centers, and relied on public infrastructure for most power, water and optical networking needs. As the quantity of these facilities has grown, though, so has the scope and scale.

This equates to data centers that now routinely exceed 1 GW of critical IT power, plus the power for cooling, and redundant power generation to back up the primary source. Enormous amounts of land are required for both the data centers and related power generation and transmission systems. This requires a complete rethinking of upstream procurement and spending requirements.

These facilities are too large to simply connect to the regulated power grid. The easiest alternative has been to co-locate with a non-regulated "independent power plant" that has excess capacity. Most of these opportunities, at least in the 500 MW - 1 GW range, are already contracted. As a result, those looking to power large-scale compute facilities within the next 5-10 years will require "direct power generation."

As the name implies, direct power generation means developing your own power generation and transmission system (plus the requisite fuel, water, and waste systems). The plant could be connected to the power grid, but there are currently considerable backlogs for interconnection. Even if there is grid connectivity, data center demand loads can destabilize a grid if abruptly added/withdrawn from the system. Thus, developers must be prepared to operate independently from a power grid indefinitely.

Independent power generation poses many challenges, the least of which is the capital cost to build the plants. A 1 GW combined-cycle gas turbine ("CCGT") plant likely costs at least $1-$2 billion[5] today, with the turbines having a reported 3-to-5-year backlog. However, this $1.5 billion/GW figure is juxtaposed against approximately $50 billion/GW for the data centers themselves (inclusive of GPUs and other critical IT).

The power plants run on natural gas fuel—something that the U.S. produces abundantly. However, natural gas is challenging to store without expensive liquefaction, because in its gaseous form it consumes a lot of space relative to its value. Thus, gas prices vary throughout the country based on proximity to production and storage facilities.

CCGT and all other thermal power plants also require various types of water—to create the steam that moves the turbines, and for the cooling towers that turn the steam back into water (for reuse). To clarify the terminology, the facilities have total water "withdrawal rates" which include water that is recaptured for reuse, but also water "consumption rates," which is water lost to evaporation. These applications have different specifications for water purity, etc.

Data centers also require immense amounts of cooling to reject the heat generated by the GPUs running the AI computation. The various types of cooling depend on the region, but all else equal,

[5] https://www.lazard.com/media/xemfey0k/lazards-lcoeplus-june-2024-_vf.pdf

these systems are either very power- or water-intensive (often both). To the extent that power is prioritized for critical IT computing, the default cooling systems will rely on large amounts of water.

Lastly, the entire system—from fuel and water sourcing to power generation, and ultimately the computing—is poorly suited for being close to large residential populations. The components of the system are large, loud, and inaesthetic. They also draw resources that communities need.

As a result, there are few areas in the country (and the world) that can accommodate the needs. It's a long list: vast swaths of contiguous land; abundant and accessible (cheap) natural gas fuel; "plentiful" water; a dynamic power grid; a favorable regulatory environment; a limited residential population. (Bonus: a hot and windy climate for supplemental wind and solar to supplement base load).

West Texas is the only place in the U.S. that can meet these criteria and has the potential to accommodate tens of gigawatts of power, infrastructure, and data centers. The Permian Basin (within west Texas) is largely uninhabited and produces massive amounts of "associated" natural gas from oil wells, which also happen to produce approximately four barrels of water for every barrel of oil equivalent (this water requires varying degrees of treatment before it's suitable for beneficial reuse).

The majority of the land is either private or state-owned, and the major power grid independent system operator (ERCOT) is state regulated by virtue of not being connected to the Western or Eastern interconnections. It's also often hot, sunny and windy.

While multi-gigawatt development is feasible, it will require an unprecedented buildout of power plants, plus the gas and water systems to feed the plants, and the transmission system to deliver the power to the data centers. The data centers will also require technical equipment for networking and data storage. We estimate that each gigawatt will require approximately $55 billion to develop, and a minimum of $500 million/year to operate.

The majority of the capital costs are the critical IT for the data centers (~75%) with the balance being the facilities, power plant, and related infrastructure. The direct operating costs will be dominated by power, depending on whether the power plant is self-operated or run through a third party with a fixed power purchase agreement. However, if we include capitalized costs of the entire buildout based on the estimated useful lives of the power plant, facilities, critical IT, and other infrastructure, the "accounting cost" of operating the facility approaches $9 billion/year (mostly a function of GPU depreciation).

These figures are relevant because, even in extremis, the proportionate land easement and water/gas royalty costs might be 2%-5% of the overall capitalized cost structure. In other words, the land, water, and power input costs are mission-critical, but a small portion of the overall costs structure. **This leaves significant value capture potential for sophisticated landowners.**

Our portfolio has exposure to land through various companies and business models. St. Joe and Tejon Ranch operate and develop land portfolios in Florida and California that are anchored by residential communities with favorable affordability compared to surrounding areas.

LandBridge and Texas Pacific Land Corporation operate large land positions in west Texas that include critical energy infrastructure for the Permian Basin. These companies are both leaders in water infrastructure networks that serve the energy industry. This land and the associated infrastructure are in the early stages of serving larger power and data center end uses.

Precious Metal Royalty/Streaming Companies

John Maynard Keynes is famously credited with describing gold as a "barbarous relic" in his 1923 work, *A Tract on Monetary Reform.* The premise of the book revolved around establishing a reliable framework for stabilizing price levels (inflation). He identified the gold standard, or physical backing of currency by gold, as being overly restrictive for governments to manage economic growth and price levels. Far from being a condemnation of gold as an asset, Keynes was criticizing solely its use as collateral for the monetary base.

Today, over a century later, the debate rages as to whether gold is "money," and further whether it should act as such by backing what are now universally fiat (uncollateralized) currencies around the world. It should be obvious that gold is not money, exemplified by the inability to transact in gold except under very rare circumstances.

Further, global governments would recoil at the thought of losing the (exorbitant) privilege of seigniorage. In terms of practicality, the U.S. alone would need to accumulate approximately 60%[6] of the gold in the world today to match current M2 Money Supply. Perhaps equally prohibitive would be the ongoing requirement to purchase gold to back every subsequent increase in M2.

This begs a question: If gold is not money nor collateral for money, what is its function? The answer lies in the eye of the beholder, and can fluctuate depending on jurisdiction and market conditions. Gold is considered a "store of value" in many regions, not because it doesn't fluctuate in value (relative to U.S. Dollars), but because it tends to appreciate over long periods against currencies that are backed by profligate governments. These governments often impose capital controls that limit the ability of domestic capital to leave the system, which only exacerbates the currency debasement and discount relative gold.

Debasement of currency and local assets is not a novel concept to billions of people across Asia, South America, Africa, and even developed Europe (recall the Weimar "Papiermark"). The one currency that has proven stable for most of its admittedly short fiat lifespan (c. 1973) is the U.S. dollar. It is the undisputed global reserve currency for transactional purposes. The IMF estimates that the dollar is the currency of invoice in approximately 54% of global trade.

These figures capture physical over-the-counter sales of commodities that are generally priced in USD, but invoice data excludes the trillions of dollars of financial (exchange-based) transactions dominated by U.S. dollar benchmarks. The complex dollar-based bank, custody and payment systems

[6] Using the LMBA gold price on March 3, 2006

present a nearly insurmountable obstacle for any challenging monetary/currency systems, should they arise.

A reserve currency is generally the de facto base for foreign reserves at global financial institutions—both private and state. The private sector is beholden to keeping dollar reserves for collateral in a dollar-dominated global payment/commerce system. This is also true, though to a lesser extent, for global central banks.

However, at the margin, these institutions all have discretion as to the risk profile, duration, and currency of their reserves. To the extent that there is a viable alternative—again at the margin—to the liquidity, yield, and stability of U.S. Treasuries, these institutions can be incentivized to seek alternatives.

The World Gold Council has a database that tracks global gold supply and demand quarterly dating back to 2010. Gold supply is a product of mines and gold recycling, while demand is a function of jewelry fabrication, technology (primarily electronics), investment and central bank flows.

Global supply and demand never reconcile in the dataset—the "plug" that balances the equation is "OTC and other," a proxy for over-the-counter physical market transactions that drive the inventory draws/builds. These are generally private stocks, hence practically impossible to monitor. OTC/inventory changes have averaged 6.73% of total supply/demand dating back to 2010, with inventories only declining in 2011-2013.

In consumable commodity markets such as oil, gas, and agricultural products—or industrial commodities that are used in end products, such as copper, iron (steel), and aluminum—investors pay close attention to global inventories as an indication of supply/demand. Gold is a very different market because approximately 85% of it, worldwide, is in jewelry, investment accounts, and central bank vaults. These ounces can be readily sold at any time. Further, annual net gold supply (including scrap recycling) is only about 2% of total gold in the world. Thus, inventories are far less informative than in other markets.

The composition of demand and price levels are much more indicative of gold demand, relative to supply and net of jewelry scrap (recycling) and investment flows. This data suggests two major trends that have developed in the past several years.

First, global central banks have been consistent net purchasers of gold, averaging 610 tons per year from 2010-2025. The pace of acquisitions was fairly consistent until the third quarter of 2022, when central bank purchases rose to 456.9 tones (1,827.6 annualized), compared to an average of 118.4 tones per quarter (473.6 annualized) in the prior 12 years. This marked a cyclical low for the gold price ($~1,622/oz), and central bank quarterly purchases have since averaged 274.7 tons (1,098.8 annualized). Thus, the notional value of gold purchases increased disproportionately as prices and volume rose. Central bank quarterly purchases averaged approximately $5.4 billion between 2010 and the first half of 2022, and rose to an average of nearly $21 billion thereafter.

The other major development has been the evolution of investment flows, historically dominated by physical bar and coin investors, compared to ETFs and other "financial" flows. The physical market is the primary outlet for the incremental gold supply that is not consumed by jewelry or technological uses. As a result, it is always a net-positive flow; it's the clearing price that fluctuates.

Financial flows are cyclical, based on financial market conditions, and can be net-negative (44% of quarters since 2010) or positive. ETF investment flows constitute the majority of "financial demand," and have been muted since the central bank purchases increased in 2022, averaging a modest 15.9 tons/quarter ($3.92 billion/quarter). This is surprising, considering that the spot price of gold has risen by a factor of 2.4x over this time (through year-end 2025).

There are seldom any definitive conclusions that can be drawn from gold prices and or supply/demand data. However, there is a strong case to suggest an increasing institutional demand for gold from central banks, and it appears to be relatively price-insensitive. Furthermore, the data indicates that financial investment demand (both institutional and retail) remains muted, despite the recent strong price appreciation. These should support a constructive long-term environment for precious metals prices for the foreseeable future.

Gold mining companies, particularly smaller miners with higher all-in sustaining costs ("AISC") to operate, should be the preferred investment allocation during period of rapid gold price appreciation. This is because there is more leverage to profit margin growth once the AISC threshold is met. Major gold mining companies reported AISC averaging $1,500/ounce last year, compared to $1,750 or higher for many junior miners. Thus, at the year-end LBMA gold price of $4,367.80/oz, gold miners were earnings a robust 60-65% cash profit margin.

Profitable as the current operations may be today, the AISC represents the cost to sustain production at the current mines given the current mine plans. The cost excludes expansionary capital and exploration costs, which are rising considerably amid rising gold prices. This results in a much higher value for dormant or underutilized exploration rights and mining leases. Generally, the companies with the largest non-producing (advanced development and exploration) assets are the major global miners. However, the largest non-producing portfolio exposure resides within the royalty/streaming companies.

The margins of royalty/streaming companies are exceptionally high, as evidenced by Franco-Nevada Corporation's average cash cost per gold equivalent ounce (GEO) of $270 between 2020 and 2025. This resulted in an average margin of $1,920/ounce, or 88%, and a stable margin of 85%-90% during the entire period. While there is less exposure to rising margins as gold prices rise, Franco-Nevada makes up for this with a portfolio of 435 assets spanning 70,000 square kilometers (approximately the size of Ireland). This includes 41 advanced projects and 275 exploration projects to which investors assign minimal or no value.

Franco-Nevada had approximately 35 million GEOs in proven and probable reserves when the company came public in 2007. These assets have since produced over 52 million ounces, and have over 60 million additional ounces remaining as reserves today—a 3.6x increase. The production and

reserve growth has been primarily a function of mine expansions (the best place to find more gold is somewhere that you already know it exists).

Impressive as these results are, they were achieved with no additional operational or capital spending—this was all borne by the mining companies from which Franco-Nevada collects royalties. This is a critical distinction, as gold and silver prices are near all-time highs because even the best mining companies will start experiencing a rise in AISC levels as they expand operations. The costs will rise as a function of both lower ore grades (higher extraction costs) and rising prices for mining leases to reflect higher metals prices.

Precious metals provide a distinct function in investment portfolios, and many investors remain under-allocated today. A small shift in this could propel prices significantly higher, as central banks and other strategic buyers continue to accumulate ounces. The royalty companies represent the most elegant way to gain exposure to these metals, most notably due to their consistent profitability and exposure to expansive, cost-free reserve growth.

Our portfolio has exposure the precious metal royalty "majors," Franco-Nevada and Wheaton Precious Metals, as well as "intermediate" companies OR Royalties and Triple Flag Precious Metals. There are also small positions in Evolve Royalties and Metalla Royalty & Streaming, which are smaller-scale, but have interesting exposure to copper and other conductive metal streams.

Financial Exchange Companies

Investors frequently question the exposure to "financials" in the capital-light real-asset portfolio. Financial service companies (e.g. banks, insurers, brokers-dealers) are generally neither capital-light, nor real assets. Conversely, financial exchanges provide a financial service in the form of a platform for risk transfer (financial infrastructure), but with no capital commitment (capital light).

The primary driver of these businesses is transactional volume, which has a high correlation to nominal economic growth over the long term. This baseline growth is supplemented by product innovation and volatility, which in turn generate additional volume. Liquidity begets liquidity, and trading begets trading.

The ability to grow revenue at or above nominal GDP—while preserving or even expanding profit margins—should be recognized by a premium valuation (multiple) in the marketplace. U.S. Nominal GDP nearly doubled between 2012 and 2025, approximately a 5% compound annual rate. This compares to growth of 11% for the U.S. options market and 8% growth for the U.S. futures and U.S. equities markets.

This provided a tailwind of revenue growth for the leading U.S. exchanges (Intercontinental Exchange, CME Group, Nasdaq, and CBOE Global Markets). They collectively grew revenue by an average of 12.8% over this period, and are expected to earn an average operating margin of 63% in 2026.

This group of leading U.S. exchanges currently trades at approximately 27x trailing earnings, which is inline with the S&P 500 Index, and steep discount to the 35x multiple of the Software Index. Still, these are not inexpensive multiples on an absolute basis, nor are they on a forward basis (on 2026 earnings). Accounting "earnings" seldom tell a complete story of the profitability or value proposition of a company. A particular area where the exchanges demonstrate their superior business model is their free-cash-flow conversion.

Intercontinental Exchange, CME Group, Nasdaq, and CBOE Global Markets converted nearly 75% of pre-tax operating cash flow (EBITDA) into free cash flow in 2025. This was achieved due to the lower reinvestment requirements of the businesses, such that their average capital expenditures were less than 7% of EBITDA for the year.

The low capital expenditures are a function of the capital-light business models that are essentially computer systems to transmit data, and to match and clear trades. These systems need constant updates for speed, security, and precision, but far less so than many other real asset businesses that need large physical improvement upgrades.

The only other material cash requirement for exchanges is product development, which can be expensed or capitalized, and is netted out in free cash flow. Derivatives are the largest and most-profitable market for exchanges. The markets span interest rates, currencies, energy commodities, agricultural commodities, metals, and equity indexes.

Product innovation has historically included new contract terms for existing markets: for example, a smaller contract size for gold, euros against Indian rupees, or a contract for liquefied natural gas delivery into Europe. Financial markets are now evolving to include event/prediction markets, cryptocurrency markets, and bespoke multi-leg options. This creates a new channel for growth that is likely to be augmented by AI-enabled high-frequency trading strategies.

A defining characteristic of the incumbent exchanges is their robust risk control and clearing services. These controls guarantee a transparent and fair marketplace while eliminating counterparty risk related to transactions. Regulators have recently taken a free market approach to the types of securities that can be traded, but have promoted this within the existing exchange ecosystem. To the extent that new markets develop (i.e. tokenized assets), large pools of liquidity are likely to require the safety of the exchanges. However, to the extent that exchanges embrace tokenized securities, this simply presents another arbitrage (trading volume) opportunity.

Financial exchanges are "all-weather businesses" that can thrive under a variety of underlying market conditions. A low growth, low-volatility regime (similar to the 2010-2019 era) isn't an ideal environment for transactional volume. However, the exchanges performed exceptionally well (both operationally and in terms of share price) due to product development, as well as the monetization of data and other related exchange services.

Our portfolio maintains exposure to U.S. exchanges—including Intercontinental Exchange, CME Group, and Miami International Holdings—as well as global bourses including Singapore Exchange,

Deutsche Boerse, TMX Group, ASX Limited, Japan Exchange Group, and London Stock Exchange Group.

Conclusion

In times of great change, it behooves investors to acknowledge what it is not—and often cannot be—known. Experience is only valuable if it includes an appreciation for the dynamic nature of markets. A mental model for approaching periods of change, through which we are likely living today, is to optimize portfolios for assets, business models, and management teams that are durable and adaptable.

This Fund was launched approximately three years ago on the premise that a great change was upon us. The prior decade of low interest rates and inflation was a major historical anomaly. Conventional investors were making too much money to be bothered by why this was happening, how it could end, or what the consequences might be. We are dealing with these consequences in real time in 2026.

(i.e., assets whose value is mainly derived from physical properties such as commodities) such as those whose revenues are expected to increase with inflation without corresponding increases in expenses. This is an accumulating share class. All income and gains attributable to the share class will be accumulated and reinvested in the Fund and not distributed. All reinvested income will be reflected in the Fund's Net Asset Value over time.

The Fund's Ticker is INFUA and is traded on the Euronext Amsterdam Stock Exchange (EAM).

Horizon Kinetics Full-Cycle Inflation Equity Fund UCITS EUR Accumulating ETF

Returns are average annualized total returns, except those for periods of less than one year, which are cumulative. Since Inception returns are calculated from the first available trading date of 11/5/2025.

The Horizon Kinetics Full-Cycle Inflation Equity Fund UCITS EUR Accumulating ETF is an actively managed UCITS ETF that seeks long-term growth of capital in real (inflation-adjusted) terms. It seeks to achieve its investment objective by investing primarily in domestic and foreign equity securities of companies that are expected to benefit, either directly or indirectly, from rising prices of real assets (i.e., assets whose value is mainly derived from physical properties such as commodities) such as those whose revenues are expected to increase with inflation without corresponding increases in expenses. This is an accumulating share class. All income and gains attributable to the share class will be accumulated and reinvested in the Fund and not distributed. All reinvested income will be reflected in the Fund's Net Asset Value over time.

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Investing involves risk, including the possible loss of principal. Shares of any ETF are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. The Fund's investments in securities linked to real assets involve significant risks, including financial, operating, and competitive risks. Investments in securities linked to real assets expose the Fund to potentially adverse macroeconomic conditions, such as a rise in interest rates or a downturn in the economy in which the asset is located.

The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. Fund holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for investments in emerging markets.

The Fund may invest in the securities of smaller and mid-capitalization companies, which may be more volatile than funds that invest in larger, more established companies. The Fund is actively managed and may be affected by the investment adviser's security selections. **Diversification does not assure a profit or protect against a loss in a declining market.**

S&P GSCI is a composite index of commodities that measures the performance of the commodity market. The S&P GSCI is the commodity equivalent of stock indexes, such as the S&P 500 and the Dow Jones. The MSCI ACWI All Cap Index covers more than 14,000 securities and includes large, mid, small, and microcap size segments for all developed markets countries plus large, mid and small-cap size segments for emerging markets.

Sustainable Finance Disclosures Regulation Details: CLICK HERE

Definitions:

CPI: The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

PCE: The Personal Consumption Expenditures Price Index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services.