

LUXOR
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INVESTIMENTOS

Investor Letter

November 2025



Portfolio Manager Update

Dear Partners,

Investing is, first of all, learning to be in relationship. In relationship with the portfolio, with time, with discomfort and, above all, with oneself. Coexistence is the least talked about part, but perhaps the most decisive of all.

In stocks, prices move much faster than the reality of companies. While the numbers fluctuate every day, the fundamentals: revenue, profit, culture and purpose move at the slowest pace of real life. And this mismatch between what changes quickly and what evolves slowly is where most investors get lost.

In the short term, the market is a noisy and anxious chatter. In the long run, it becomes a mirror, accurately reflecting the quality and vitality of companies. To be in relationship is, therefore, to learn to listen to the noise without losing sight of the reflection.

Coexistence, however, has a very personal aspect. It doesn't fit into formulas or spreadsheets. It is not calculated, but felt. We can compare margins, profits, and multiples, but the true understanding of a company goes beyond the numbers.

Behind each quota, each return and each quotation, there is a living universe, formed by people, decisions, stories, cultures and purposes. A company is like an organism: it breathes, grows, makes mistakes, learns and transforms. The numbers are just a way of translating part of this reality, never the whole.

Therefore, coexistence is unique to each investor. A company I know deeply can transmit calm to me, while for another investor it can generate anxiety. The same goes for the managers we invest with.

Our trust in Pedro Cezar de Andrade, from IP, and Chris Hohn, from TCI, was built over years of coexistence and observation. It is not something that can be outsourced or calculated. It's like a long-standing relationship, based on trust, time and presence.

Investing is, in a way, a living relationship with what you believe in. Analytics metrics may be universal, but the way each one lives out their convictions is deeply personal. And it is precisely this human dimension that makes investment such a rich practice, an encounter between reason and heart, between the external and the internal.

This year, our decisions reflected that way of thinking. We chose to build a portfolio that is easy to live with, even in difficult times. It combines S&P 500 ETFs, representing the foundation of America's best companies, fund managers we deeply respect, whose discipline and consistency we admire, and individual companies we know closely, where we seek not just return, but deep understanding of the alignment between their purpose and value-generating capacity.



This structure has less to do with what will go up and more with who we want to walk. Investing well is choosing good company, in the double meaning of the word.

At Luxor, we believe that the best investment is born from the combination of depth and serenity. Depth to understand what we are buying. Serenity to remain when there is doubt. Because, in the end, investing is not predicting the future. It's being present enough to recognize value when it's not yet obvious and being calm enough to let time do its job.

That's what living together is all about: staying lucid while the market screams, staying patient while time acts, and staying confident while value matures.

Eduardo Grabowsky.

Moody's

Choosing quality and well-conducted companies is, in essence, a practice of conscious coexistence. Coexistence with time, with reality and with what remains when the noise of the market falls silent.

In April, we brought to the portfolio a company that we have admired for a long time: Moody's. For more than a century, it has served as the language that translates risk into confidence, helping the global financial system distinguish between sound and unstable. Its model combines two rare strengths: the stability of a balanced oligopoly and the vitality of a booming software platform. It is an example of how an organization can evolve without losing its essence, grow while maintaining coherence, and innovate while preserving the core.

The business has always attracted us. This organized oligopoly protected by high barriers to entry, increasing level of revenue recurrence and reputation built over decades of credibility has conferred excellent returns in long terms for patient investors. We believe that the high quality of the business with a team of competent executives and benefiting from structural growth make the company a valuable addition to our collection.

Investing in companies like this is choosing journey partners. They make living with the portfolio lighter, because its trajectory reflects what we seek in ourselves: consistency, clarity and purpose over time.



Calendar Year (in USD mns)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAGR (2014-24)
Net Revenue	3,334	3,485	3,604	4,204	4,443	4,829	5,371	6,218	5,468	5,916	7,088	7.8%
% YoY	12.2%	4.5%	3.4%	16.6%	5.7%	8.7%	11.2%	15.8%	-12.1%	8.2%	19.8%	-
EBIT Margin	43.2%	42.3%	17.7%	43.0%	42.1%	41.4%	44.5%	45.7%	34.4%	36.1%	40.6%	(26 bps)
Adj. EPS	4.33	4.70	1.38	4.88	7.32	8.05	9.93	12.11	8.31	9.80	12.27	11.0%
% YoY	18.5%	8.6%	-70.6%	253.0%	49.9%	9.9%	23.3%	22.0%	-31.4%	18.0%	25.1%	-
ROIC ¹	178.0%	158.9%	122.9%	51.4%	35.1%	34.6%	36.4%	31.7%	17.2%	21.1%	26.3%	(1,517 bps)
ROE ¹	787.8%	-248.4%	-107.8%	-151.8%	2172.8%	294.6%	175.7%	107.5%	60.3%	62.4%	66.2%	(7,216 bps)
Net Debt	870	1,148	1,138	4,357	3,859	3,651	3,726	5,511	5,530	4,808	4,454	17.7%
P/E (LTM)	21.7x	21.0x	18.6x	23.9x	18.6x	28.1x	28.3x	31.0x	32.3x	39.1x	37.5x	5.6%

¹. Adjusted numbers

². Excludes cash & equivalents

Moody's Investor Services:

The ratings industry is concentrated in two main risk languages, the credit ratings provided by Moody's (32% share) and those provided by S&P Global (49% share). The duopoly has a history marked by powerful network effects, regulatory barriers that are still relevant, and a strong reputation, a kind of intellectual capital that compounds over time and cannot be replicated by brute force.

The business value proposition solves an old and common problem of financial markets, information asymmetry. A company that decides to raise debt with investors is incentivized to tell the best possible story about its future and business plan, and investors do not have access to all the information to price the issue efficiently. The presence of an independent intermediary that evaluates the fundamentals of the business and assigns a credit rating capable of signaling to investors the probability of default becomes indispensable to resolve this friction.

The benefit for all parties is obvious: investors have more confidence and better information to make their investment decisions, companies can lower the cost of debt, and the rating agency appropriates the amount generated through a commission charged to the issuing company. Its credit rating becomes practically a prerequisite for the investor to participate in the issuance and all parties win.

With less uncertainty about the probability of default, the investor's risk premium disappears, making it cheaper for companies to finance at a very low marginal cost. On average, a debt valued by Moody's generates a 64bps savings in the cost of debt vs. a 2bps commission charged by Moody's. It is the type of business that is irrelevant in the cost structure of the arrangement but essential to its operation.

The division that runs this part of the business is called Moody's Investor Services and the profitability is impressive. With operating margins above 60% and representing approximately 60% of total operating profit, the asset-light nature allows for growth and margin expansion without the need to make investments. In essence, Moody's is a necessary toll for the smooth functioning of the global credit market that collects a commission every time capital moves.

Today, with a size of over \$74 trillion dollars of current debt, the debt stock has historically grown in line with global GDP, with some volatility. Driven by corporate financing and refinancing, private credit



securitization, bank disintermediation, and constant pricing power, we see a positive and long growth avenue for Moody's Investor Services. We expect revenue growth of 6-9% per year for the segment in the coming years, comprised of 3-4% global issuance volume growth, 3-4% annual price increase, and 0-1% rating penetration increase.

Moody's Analytics:

Must-have credit ratings generate must-have data. Representing 40% of total operating profit, Moody's Analytics monetizes reputation and proprietary information through subscriptions, data feeds, and critical software sold to banks, insurers, asset managers, corporations and governments in more than 160 countries and nearly 15,000 customers. On average, the segment's revenue has grown 12% per year and operating margins are already close to 35%.

The company organizes the segment into three product pillars: Research & Insights, Data & Information, and Decision Solutions.

The first sub-segment includes proprietary ratings reporting platform CreditView, some economic research services and most recently GenAI's Moody's Research Assistant product. Traditionally, banks and large fixed income funds need to subscribe to CreditView to have more information about the debt securities they are analyzing, since Moody's has more access to information on the credit ratings issued. We believe pricing power is very strong on this product.

The second sub-segment includes proprietary data from more than 100 years of constantly updated ratings, the Orbis database (the result of an acquisition) containing private data from more than 500M entities, and the GRID database (curated profiles across more than 60 risk categories). These bases include historical series of ratings, outlook changes, default events, credit transitions, data used by banks, insurers and asset managers in probability default models and capital regulatory requirements.

The third sub-segment contains software and platforms for bank credit origination and regulatory toolkits, insurance models (RMS, Axis, IFRS tools) for insurers, and KYC tools (entity verification, AML workflows, counterparty risk). They are mostly tools that are considered standard in their respective industries.

Moody's Analytics business is less cyclical than the ratings business, has a high level of revenue recurrence (~100%), high gross margins, high customer retention (sticky products), and participates in critical workflows. Clients incorporate Moody's data streams and risk models into their systems for regulatory, reporting and risk analysis purposes, making them very high adherence clients. Conversations with people in the industry reinforce confidence that once these services are integrated into large, highly regulated institutions, the cost of switching is sky-high.

Moody's Analytics has evolved from a business portfolio to an integrated view of risk. The strategy has leveraged its strong brand to leverage distribution, cross-selling, and selling of proprietary data to build



an information infrastructure layer for global finance. With a logical strategy and clear advantages, we believe Moody's Analytics will be able to deliver 10-12% annual revenue growth in the medium-long term driven by ~9% of customer and pricing growth, and 2-3% of growth through acquisitions.

People & Capital Allocation:

We are in a stage of approximation and knowledge about current management, and so far, respect the execution. The company has demonstrated good capital allocation decisions, making valuable strategic acquisitions and has returned excess capital to shareholders through dividends and share repurchases at prices we deem reasonable.

The company is now led by Robert Fauber (Rob), who joined the company two decades ago and was the architect of Moody's Analytics. His leadership modernized the organizational culture by replacing the portfolio mindset with a software operator mindset, focused on organic growth, integration discipline, and revenue recurrence. We admire the transparency of his communication with investors, and we think that management seems willing to sacrifice short-term results to enhance long-term results.

The incentive structure designed by the Board allows this alignment of long-term thinking between investors and executives. Top leaders are required to carry a multiple of their compensation package in company stock, and the metrics that activate that compensation are also aligned with long-term value construction.

Time and conviviality will help close important gaps, but so far, we believe that the company is well led.

Moment and Valuation

Last year marked the second-best year for debt issuance in the company's history, with Moody's Investor Services revenue growing 33% year-over-year as issuance velocity returns to normal average standards. This year has so far been another year of high growth, and we believe that the wall of maturity of public debt should sustain a few more years of high growth, driven by the need for corporate refinancing, bank disintermediation, development of capital markets, and securitization of private credit.

Interest rate cuts in the United States next year will contribute to the good momentum of the business, and the private credit market (which is expected to double in 5 years reaching \$3 trillion), previously interpreted by the market as a threat, proves to be an opportunity. The logic is simple: The general investing public will buy private debt securities rated in the risk language they understand: the credit ratings of Moody's and S&P. Moody's Analytics' recent partnership with MSCI is also expected to drive growth in services for this market.



AI is also potentially a major catalyst for the business. While Moody's has suffered from narrative shifts in the information services industry where replicable data providers are at real risk of disruption from the new technology, we believe the company has extremely valuable data for AI automations and should look to new business models to extract some of the value generated. The announcement of a \$3 million contract with a bank to provide data for the client's proprietary AI workflows and the traction of Moody's Research Assistant on CreditView reinforce confidence in the thesis.

With the market returning to normal levels of debt velocity, the asset light nature of the business, high level of recurring revenues in Moody's Analytics, we believe Moody's will be able to deliver growth with margin expansion and share buybacks driving earnings per share growth close to ~15% per year in the coming years, which would give us an expected return of between 13-17% per year, considering the company has historically traded around 25-30x earnings depending on the timing of the debt cycle.

Moody's is a high quality company capable of generating high returns and predictable growth that combines the power of a reputational oligopoly with the resilience of a subscription model. It's the kind of business we like to own for a long time.

Luxor Investimentos' Team

