ORLOG
CAPITAL

QUARTERLY COMMENTARY

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Manager Update: January 2026

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On New Years Eve, I watched from a beach in Sanya as fireworks blossomed all along the shoreline. Nearby, some people were lighting bright red Kongming lanterns. The impatient ones forcefully pushed newly lit lanterns skyward only to see them drift down into the waves. They didn't understand that the lanterns needed time for the flame to heat the air inside. Nonetheless, most ascended and presented a beautiful sight as flocks of lanterns sailed over the ocean and high into the pitch-black night sky until they were just tiny specks of red light. There's a freshness at the beginning of each year and those Kongming lanterns captured that feeling perfectly.

Meanwhile, on the other side of the world, the new year started with a different kind of bang. On January 3rd the U.S. military went into Venezuela and seized the president Nicolas Maduro and his wife and delivered him to a New York courtroom to face narcotics charges. The subsequent announcement was equally blunt: the U.S. would seize 50m barrels of Venezuelan oil and henceforth dictate the country's major decisions, including the demand to sever all economic ties with China, Russia, Iran, and Cuba, and partner exclusively with the U.S. on oil production and sales.

The following week unfolded in a similar key. Trump issued direct threats at Columbia, Cuba and Mexico, proposed a 50% increase in the 2027 U.S. military budget, and the White House confirmed it was discussing options, including military actions, to acquire Greenland. This may have once been dismissed as Trump bluster, but now prediction market odds are almost 40% on a U.S. takeover of some part of Greenland before 2029. As White House representative Stephen Miller explained on CNN, the U.S. is a superpower and can do what it wants because in the real world only power and force matter.

Any lingering romantic European notions about the Americans likely evaporated here. The Danes took the remarkable step of publicly warning that any U.S. attack on another NATO ally would end the post WWII security framework. With EU energy prices double their 2019 levels and the perception of the U.S. as a benevolent force crumbling, some EU politicians must be questioning the wisdom of swapping Russian for American energy dependence. A push to normalise commercial relations with Russia may not be the worst idea.

Financial markets have so far shrugged off this geopolitical cold bath and global stock indices are all higher. Markets are desensitised to Trump even as he becomes more unpredictable and aggressive in both domestic and international affairs. His willingness to weaponise any leverage (DoJ strong-arming the Fed?) creates dangerous precedents and risks long-term global stability. Trust in U.S. goodwill and institutions is a bedrock of its hegemony; once lost, is hard to regain. Current prices only reflect short-term optimism for liquidity and capital spending but that complacency is dangerous. Sentiment can shift quickly and volatility spikes in 2026 should be the base case expectation for every asset and market around the world.

Fund Update

The fund returned +26.2% net in 2025, a reasonable result marred by a difficult Q4 (-13.4%) which gave back a large portion of our strong Q3 gains despite our significant reduction in portfolio exposure. The decline was mainly driven by a sharp pullback in Chinese tech stocks, particularly our e-commerce holdings. We view this as temporary. Valuations and fundamentals for Alibaba and JD.com remain attractive, and we expect to see a continuing reversion to more rational levels of competition in 2026 to catalyse a rebound in both profitability and share price.

Our annualised performance since inception (Jan 2, 2022) was +1.4%, an unacceptable figure. The primary cause was not poor stock selection but flawed portfolio management. We allowed a few concentrated positions (like Dada and JD.com) to generate losses large enough to offset our major wins. The high conviction sizing of positions worked against us rather than help boost returns. Our analysis shows that even a simple strategy of equal weighting the same basket of ideas would have yielded strong results.

In the past, we believed fundamentals and the risk/reward character of each stock were all that mattered and this determined position sizing. We bought when a stock was cheap and continued buying on the way down. This approach works for an equal weighted, well diversified portfolio (e.g. 40-50 stocks of 1-3% each) but not necessarily for a concentrated portfolio (our top 5 stocks ~45-65%) with many contrarian stock picks.

We must, and will, do better. We are overhauling our process:

- Stocks will be classified into five types, each with a defined position sizing and tiered ramping strategy
- Greater weight will be given to technicals for position entry/exit with tighter rebalancing limits
- We will run a larger tail of small incubation stage ideas while preserving concentration in our highest conviction plays

The objective simple: win big on our best ideas, lose small on our mistakes. Our new portfolio management will act as a necessary counterweight to our stock picking philosophy.

This humble introspection is essential. Our objective remains achieving long-term compounding returns over 15%. We have the right ingredients, now we are refining the recipe.

Portfolio Update

Our portfolio consists of GARP and value stocks driven by their own idiosyncratic risks. We have no direct exposure to hot themes (except Alibaba) like A.I., semi-conductors, robotics, etc.

From a bottom-up analyst perspective, we're optimistic: portfolio companies' fundamentals are inflecting positively with important milestones in 2026. However, from a portfolio manager's perspective, we maintain caution: elevated global tensions, high technology valuations, and the dual rally in both defensive and risk assets signal bipolar market views. We will continue de-risking and building dry powder.

Over the past year, we've incubated several new positions in healthcare, industrials and consumer discretionary companies. One of these, Lantheus, has since scaled into a standard position.

Lantheus

Lantheus is a leading radiopharmaceutical company focused on diagnostic imaging agents for oncology, cardiology and neurology. Approximately two thirds of its revenue is generated by its flagship product, PYLARIFY, the dominant PSMA-PET imaging agent for prostate cancer (>60% U.S. market share, >$1bn annual sales). The stock price had historically followed the fortunes of PYLARIFY rising from ~$14 at the beginning of 2021 to over $120 at its peak in late 2024 before falling to ~$50 by late 2025 due to a series of earnings downgrades from weak PYLARIFY sales. This blind sighted the market and raised concerns about competition e.g. Posluma (which dropped its price in 2025).

We think this is a temporary situation:

- PLYARIFY remains the superior clinical product with the most extensive distribution network among PSMA-PET imaging agents in the U.S. giving it a large commercial advantage

- A new formulation of PLYARIFY is expected to receive transitional pass-through status (large initial Medicare reimbursement that lasts 2-3yrs) in 2026 just as Posluma's status expires which restores price competitiveness

- Robust structural demand for PSMA-PET scans in the U.S. boosted by updated NCCN guidelines (April 2025) recommending PSMA-PET as a primary front-line option (replaces conventional CT/bone scans), expanded insurance coverage and new treatments requiring PSMA-PET scans first (e.g. Novartis' PLUVICTO)

- Extensive product pipeline focused on prostate cancer and Alzheimer's Disease (AD). Includes Neuraceq (AD imaging, ramping since 3Q25) and two new products due for FDA approval in mid-2026

- Royalties from Flyrcado (leading cardio imaging agent licensed to GE Healthcare) which began commercialisation in 2025 and is forecast to hit $800-$900m in sales by 2028. Lantheus gets double digits % of sales for the U.S. and mid-single digits % for international

At $65/share ($4.4bn MCap with ~$190m net debt), Lantheus trades on mid-teens FY26E GAAP P/E and low-teens non-GAAP P/E. The company generates strong free cashflows of ~$400m pa which they're deploying into share buybacks and M&A/licensing deals. The valuation is compelling given the likely PLYARIFY recovery and huge option value of its product pipeline. The strong multi-year growth in demand for PSMA-PET scans and AD imaging reduces risks.

We started buying in the mid $50s and scaled into the $60s. We view FY2026 as a pivotal inflection point for the story. Successful stabilisation of PLYARIFY sales and new product launches will be the main catalysts to drive a continued recovery in the share price.

Final Words

Some people have asked us for more details on our side-pocket assets. These were a basket of Russian equities acquired in early 2022 comprising: 67% Lukoil, 19% Yandex ADRs and 14% others.

We exited the Yandex ADR position in 2024 upon its corporate restructuring as Nebius, crystallising a small profit. The remaining positions, predominantly Lukoil, represent significant unrealised gains. On a mark-to-market basis, including all accrued dividends, our Lukoil holding shows an approximate 4x return, with other holdings in the 1.5-2x range.

Inclusion of these paper gains into our main fund would raise returns to approximately 10% pa since inception. Better, but still not good enough.

Portfolio Overview

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Top Five Major Holdings (in alphabetical order)	
Alibaba	E-Commerce
Full Truck Alliance	Logistics
JD.com	E-Commerce
Sands China	Casino
Wynn Macau	Casino

Performance	
Annualised Net Returns in US\$[1]	
Since Inception (Jan 3, 2022)	1.4%
1 Year	26.2%
Non Annualised Net Returns in US\$[1]	
3 months	-13.4%
6 months	15.3%
Net Returns By Year in US\$[1]	
2025	26.2%
2024	-13.0%
2023	-27.8%
2022	33.4%

1. Net of 1.5% annual management fee and 20% performance fee (excess return above 5% hurdle rate and subject to HWM)

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