GONDOLIN CAPITAL

3Q 2026 Quarterly Letter
October 13, 2026

Gondolin produced returns of 5.1% in 3Q26, ahead of all global market indices. Our annualized net returns are currently averaging 16% per year since inception, compared with 13% per year for the S&P 500, 4% for the Russell 2000, 10% for the MSCI World Index and 6% per year for the Bloomberg Hedge Fund Index.

Returns vs Benchmarks	3Q26	YTD 2026	1 Year	3 Year	5 Year	Inception (Feb 2021)	Inception (Annual)
Gondolin Capital, LP (Net)	**5.1%**	**17.2%**	**18.4%**	**75.7%**	**101.4%**	**126.4%**	**15.7%**
S&P 500 (U.S. Large Cap)	2.0%	11.8%	14.4%	78.4%	77.6%	97.1%	12.9%
Russell 2000 (U.S. Small Cap)	-7.5%	12.7%	14.8%	56.7%	26.9%	25.3%	4.1%
MSCI World (Global)	1.4%	11.9%	15.2%	72.8%	59.9%	68.5%	9.8%
Bloomberg Hedge Fund Index	1.3%	6.2%	8.5%	38.3%	34.2%	40.5%	6.3%

**Note: (1) Returns as of September 30, 2026; (2) Returns are net of fees; (3) Fund incepted February 23, 2021*

MARKET AND PERFORMANCE COMMENTARY

Gondolin's portfolio results in 3Q26 saw ongoing gains (+5%) from further acquisitions of some of our larger holdings. The gains were primarily driven by (1) **Copart's (CPRT)** announced acquisition of our largest portfolio holding, **ACV Auctions (ACVA)** and (2) the acquisition of **GoPro, Inc (GPRO)** by Starman Optical; these acquisitions drove a 10% weighted average gain in the fund, while a market pull-back due to higher interest rates and restored inflation concerns drove some unrealized losses (~5%) across most of the rest of the portfolio.

Specifically, many of our owned housing positions are seeing declines in their equity values, largely due to a spike in interest rates driving higher mortgage rates and subsequent concerns around residential spending; as a result, we are actively adding to existing positions and initiating new ones around the housing industry and its eventual recovery. We have also added a couple more positions related to the software industry, as I believe the sector has been unduly punished by irrational fears around AI. Overall, we're picking up great deals on some excellent businesses, setting us up well as we head into 2027.

As shared in August via email, a new and substantial position in **GoPro, Inc. (GPRO)** was acquired by Starman Optical for $1.14 per share in cash and left GoPro shareholders with small ownership (~10% stake) in the newly combined entity. GoPro was a sizeable 5% holding as of July 2026.

According to GoPro, the new entity is expected to not only continue focusing on the action camera products and its associated editing and sharing ecosystem but also make a strong push into optoelectronics products involved in data centers. These products, specifically "transceivers", convert electricity (e.g., data) into light and vice versa, and are used to send data over long distances at ultra-high speeds. Such products and technology likely benefit from GoPro's intellectual property portfolio that deals specifically with the way that light and electricity interact in video-forming use cases.

Our GPRO shares are likely to be tendered into cash prior to year-end, upon which we'll receive shares in the new entity. The underwriting process for this new entity remains ongoing, though the market is currently ascribing very little value to the new business. The cash injection from the acquisition will add 5% cash to our existing cash pile.

Similarly, as announced via email in September, **ACV Auctions (ACVA)** reported that it will be acquired by **Copart, Inc (CPRT)** for $10.50/share, a 75% premium to our cost basis of $6/share, and ~25% higher than the closing price in August. ACVA was our largest holding in August at 12% of total assets.

While I was disappointed in the acquisition price for ACVA shares – as we were valuing the business at $15-20/share over the near-term and much higher over the long-term (>3 years) – we are coincidentally shareholders in Copart as well, and I feel they are getting an excellent deal on a good business with a long growth trajectory ahead of it.

I believe that ACVA's wholesale used car auction dominance in the US, as well as their first-of-kind Viper scanner technology, could be a significant growth tailwind for Copart shares over the next decade.

As a result of the acquisition, we've been adding to our stake in Copart since the announcement, and **CPRT** has since become one of our larger holdings. I look forward to sharing more about Copart's business and strategy in Gondolin's next annual letter in January.

Our ACVA shares will likely be tendered fully into cash prior to year end, adding around 15% of cash back into Gondolin's cash pile. We may deploy some of the cash received back into Copart shares over time at the right valuation and will look to make a trip to Dallas to visit with management.

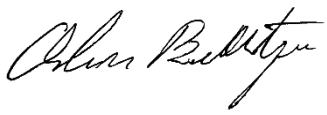
As of September 30, we are holding 78% long equity positions, we're holding 18% cash, and have 4% of assets invested into market put options. *When our acquired equities (ACVA, GPRO) tender to cash prior to year-end, we will likely finish the year with 30-35% cash levels, and we'll be very patient and selective about redeploying the capital*.

The put option holdings remain our insurance policy on the combination of high market valuations and economic risks tied to federal deficits and private equity risks, which, in our view, are increasingly systemic. Few of our equity investments remain exposed to cyclical downturns, with ~70% of our owned positions operating in recession-proof industries, mostly in defensive industrials, rent collectors, and subscription businesses. The largest 10 positions comprise around 62% of the assets.

If you are a limited partner with Gondolin, please email me if you would like a copy of the period-end holdings. Please reach out via email (aballantyne@gondolincapital.com) or by phone (248-719-3843) if you have any questions, would like to discuss recent results, or if you would like to place additional capital into the fund.

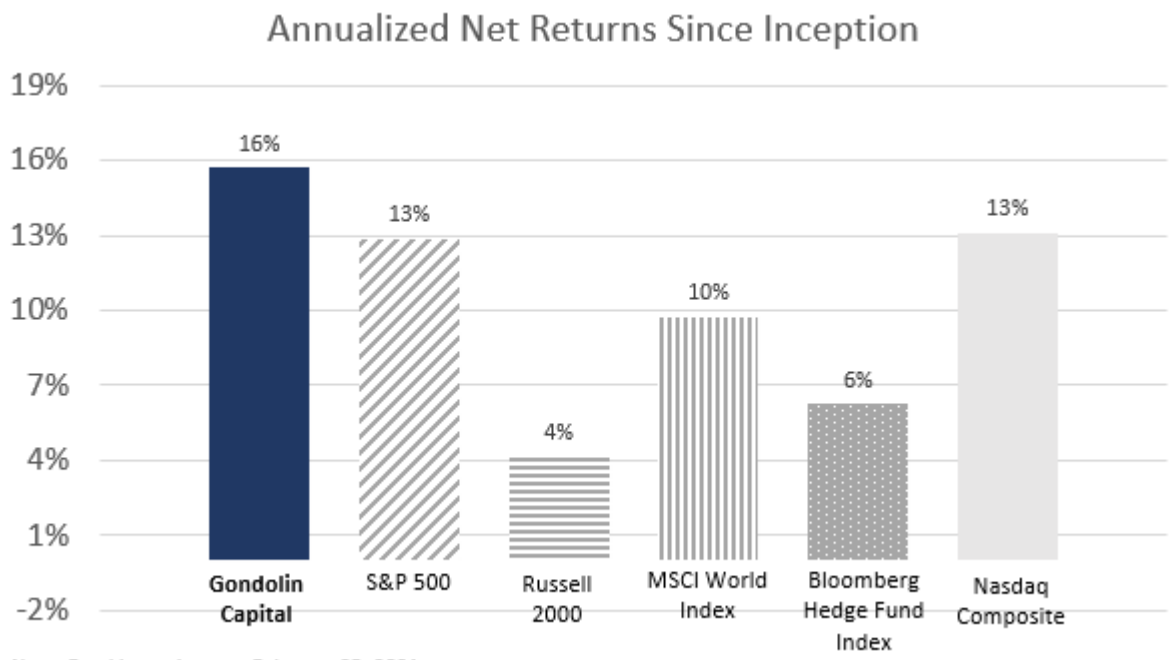
I want to thank everyone for continuing to trust me with your investment capital.

Gratefully,



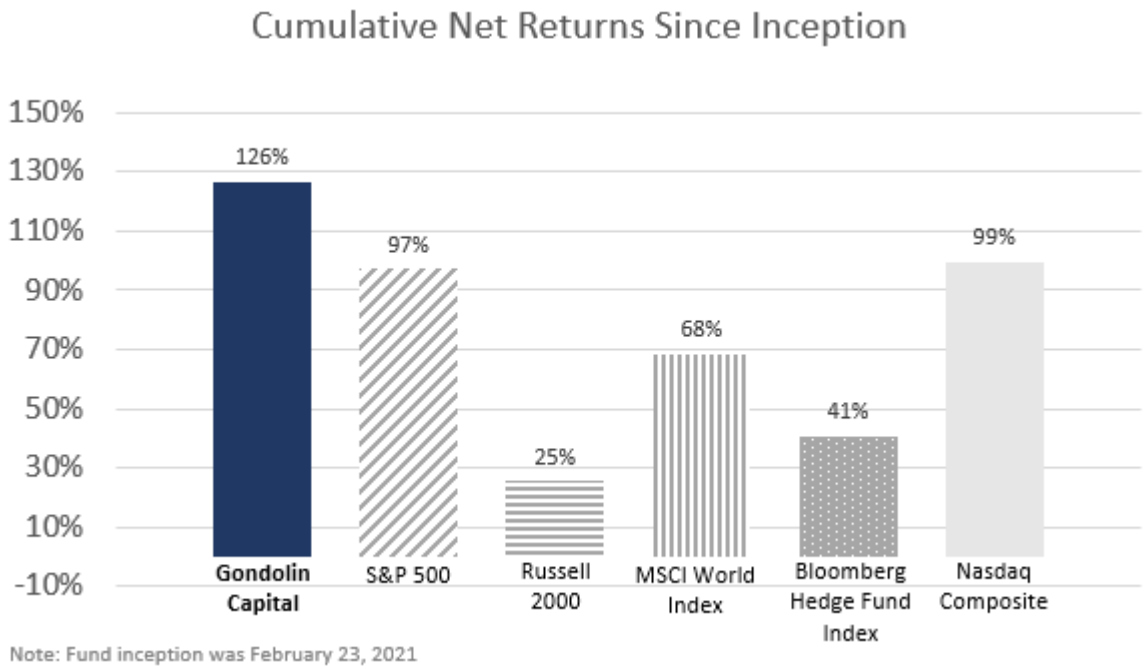
Adam Ballantyne
Founder | General Partner

Appendix 1



Note: Fund inception was February 23, 2021

Appendix 2



Note: Fund inception was February 23, 2021

GONDOLIN CAPITAL

Appendix 3 – Annual Returns

Annual Returns vs Benchmarks	2021	2022	2023	2024	2025	YTD 2026
Gondolin Capital, LP (Net)	**18.7%**	**-12.0%**	**40.6%**	**-5.5%**	**38.8%**	**17.2%**
S&P 500 (U.S. Large Cap)	22.8%	-19.4%	24.2%	23.3%	16.4%	11.8%
Russell 2000 (U.S. Small Cap)	0.6%	-21.6%	15.1%	10.0%	11.3%	12.7%
MSCI World (Global)	12.0%	-19.8%	20.1%	15.7%	20.6%	11.9%
Bloomberg Hedge Fund Index	8.7%	-6.9%	7.8%	11.1%	12.3%	6.2%

**Note: (1) Returns as of September 30, 2026; (2) Returns are net of fees; (3) Fund incepted February 23, 2021*

Appendix 4 – Return Summary

Returns vs Benchmarks	3Q26	YTD 2026	1 Year	3 Year	5 Year	Inception (Feb 2021)	Inception (Annual)
Gondolin Capital, LP (Net)	**5.1%**	**17.2%**	**18.4%**	**75.7%**	**101.4%**	**126.4%**	**15.7%**
S&P 500 (U.S. Large Cap)	2.0%	11.8%	14.4%	78.4%	77.6%	97.1%	12.9%
Russell 2000 (U.S. Small Cap)	-7.5%	12.7%	14.8%	56.7%	26.9%	25.3%	4.1%
MSCI World (Global)	1.4%	11.9%	15.2%	72.8%	59.9%	68.5%	9.8%
Bloomberg Hedge Fund Index	1.3%	6.2%	8.5%	38.3%	34.2%	40.5%	6.3%

**Note: (1) Returns as of September 30, 2026; (2) Returns are net of fees; (3) Fund incepted February 23, 2021*