Dear Investors,

In Q3 2025, Luna returned 7.3% on net assets under management. This brings our year-to-date performance to 23.1%.[1]

Portfolio Update

Over the course of the quarter and since the start of the year, there have been a number of important developments impacting our holdings. We view our investment theses as living research projects and continually track events that may impact our positions. This letter serves as a brief summary of some of the more notable catalysts we have recently observed.

Workday (WDAY) is our third largest position, and for some quick context, is a cloud-based enterprise platform for human capital management (HCM) and finance functions. WDAY has been historically dominant in HCM, and while its finance suite is relatively newer, it has also become a significant player in that space. The company will continue to benefit as more of the industry moves to the cloud, as well as gain share through additional and competitively positioned product offerings.

Over the past few years, many of these additional offerings have been focused on AI. WDAY announced in late 2024 its next generation of Workday AI called Illuminate, which is deeply integrated across its core offerings and the resultant data it has access to as a system of record. With a focus on real return and tangible value from AI, recent updates to Illuminate expand the platform beyond just simple automation and chatbot “agents” to more orchestrated and complex AI processes that integrate better with human workers. These functions will extend from front-end requests from employees to backend analytics. The company has also invested in acquisitions with Sana Labs and Paradox Technologies which are helping to develop their AI and hiring toolkits. WDAY’s AI investments continue to strengthen its competitive positioning and support our long-term belief in WDAY’s market share potential.

Apart from the advances WDAY is making to improve its product suite, they have also attracted a major new investor, Elliott Management. This initially came as a surprise to us, given we find the WDAY corporate strategy and management team to be more than competent. Elliott is historically an activist investor, and their usual playbook is to push for management changes and make recommendations to change corporate strategy.

[1] Net asset value calculations are provided by Interactive Brokers and returns are after expenses and fees. Clients should always check their individual statements for returns which may vary due to timing and other factors. Past performance is not indicative of future returns.

Their investment in WDAY is unique in that it is (for the moment) passive publicly and appears supportive of the current leadership and corporate direction. While we cannot know what is being messaged behind the scenes, we feel confident that Elliott's operational expertise and advice, combined with WDAY's strong leadership could be a mutually beneficial relationship. We welcome Elliott to the investor class and hope it messages credibility and validation of WDAY's strategy to the broader market.

Meta Platforms (META) has also had an active year. It has continued to ramp-up its AI infrastructure with both in-house projects and external partnerships such as Google ($10 billion / 6-year deal with Google Cloud announced in August). They also hosted their Meta Connect event where they unveiled new smart glasses in collaboration with Oakley and Ray-Ban. The event unfortunately gained internet notoriety not because of the innovative products but rather the number of technical errors they encountered during the demo. It could have made for a witty SNL skit but thankfully it was passed over. Alas, not all launches go off without issue – even Steve Jobs had his occasional difficulties (e.g., iPhone 4 launch) – but it was Steve Jobs that showed us the value that comes with owning the hardware, and we applaud Meta's continued push to be on the cutting edge of the consumer wearables space.

MercadoLibre (MELI), which continues to be our largest holding, is in a battle for Brazil as competition intensifies. The company announced a nearly $6 billion investment (April 2025) in Brazil as it looks to maintain its foothold in the market that makes up over half of its revenue. The investment, which is expected to be spent over the course of the year, is earmarked for several areas including logistics, technology upgrades, loyalty programs and additional marketing and staffing. It was then announced over the summer that MELI would be expanding the threshold for free shipping, effectively making free shipping available to all items. These initiatives, while encouraging, are cause for some concern when it comes to near-term margin pressure, as well as the heat MELI is feeling to maintain their lead. As a reference point, in Q3 2025, MELI missed earnings estimates despite a topline beat, as margin pressures weighed on the bottom line (as a reminder, MELI does not provide formal guidance, so earnings misses and beats are purely relative to analyst estimates). We continue to monitor the competitive dynamics in the region and still believe, despite short-term challenges, MELI will continue to be a top player in the long-run.

The other major holding that was noteworthy over the course of the quarter and the subject of our prior letter is Cleveland-Cliffs (CLF). While there wasn't a ton of company specific news over the course of the quarter, the stock was up significantly (though we would caution that CLF is known to experience significant short-term volatility). We attribute CLF's Q3 performance to several factors that are being driven by tariff policies and the prospect of lower interest rates. These include accelerating domestic auto sales / production, an uptick in construction activity, and generally higher prices across commoditized steel products.

We look forward to continuing to update you on our portfolio and progress. We wish you and your loved ones a happy holiday season.

Warm Regards,

Lucy and Nate

10/01/2025

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Appendix – Performance Since Inception

	Q4 2021	CY 2022	CY 2023	CY 2024	Q1 2025	Q2 2025	Q3 2025	YTD 2025	Since Inception
Luna Partners (Net)	5.6%	-24.6%	36.7%	-3.4%	-4.0%	19.4%	7.3%	23.1%	**29.4%**
Luna Partners (Gross)	5.8%	-23.7%	38.7%	-1.8%	-3.5%	20.0%	7.8%	24.8%	**37.3%**
S&P 500	10.6%	-19.4%	24.2%	23.3%	-4.6%	10.6%	7.8%	13.7%	**55.3%**
S&P MidCap 400	7.6%	-14.5%	14.4%	12.2%	-6.5%	6.3%	5.2%	4.6%	**23.6%**
S&P SmallCap 600	5.3%	-17.4%	13.9%	6.8%	-9.3%	4.4%	8.7%	2.9%	**8.8%**
Russell 3000	8.9%	-20.5%	24.0%	22.1%	-5.0%	10.6%	7.8%	13.3%	**48.6%**

Note: Equity market returns above based on underlying index prices. Index prices are sourced from Koyfin, Yahoo Finance or other publicly available sources. S&P 500 is a popular stock market index representing 500 large companies. S&P MidCap 400 is a stock market index representing 400 mid-sized companies. S&P Small Cap 600 is a stock market index representing 600 small-sized companies. The S&P indices are composed of companies on the US stock exchanges, and each S&P index has distinct constituents. Russell 3000 is a stock market index representing the 3000 largest companies on the US stock exchanges.

Luna Partners' inception date is October 1, 2021. Luna's net performance is based on net asset value calculations provided by Interactive Brokers and calculated net of expenses and fees. Luna's gross performance is calculated before fees to Luna. Luna's portfolio typically consists of 10-15 long, US based public equity positions. Returns are presented on a time-weighted basis to be comparable to the index returns in the table. Past performance is not indicative of future returns.

Luna Partnership LLC is a state registered investment adviser located in Miami, Florida.

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