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Moor Funds Year-End 2025 Investor Letter

19th March 2026

Dear Investors, thank you for your continued investment with Moor Funds. For this year-end 2025 investor letter and outlook, we briefly discuss Moor's strong 2025 relative and absolute performance across our range of strategies. We follow this with a discussion on Artificial Intelligence (AI) and labor displacement with a data-led analysis of the current dynamic and what we perceive to be policy and market responses over the next 24-months. We see the irony of an investment firm, launched with an AI driven investment IP in 2019, opining on AI labor replacement; on this point ChatGPT found me an excellent quote "An expert is a person who has made all the mistakes that can be made in a very narrow field" (Niels Bohr).

Our core IP helped ALL strategies to outperform* their benchmarks... Again.

For calendar year 2025:

- **Moor US Select Equity returned +18.7% gross, outperforming** its benchmark (S&P 500 Index) **by +1.9%.**
- **Moor International Select Equity returned +36.6% gross, outperforming** its benchmark (MSCI World ex-USA Index) **by +10.1%.**
- **Moor US Equity Market Neutral returned +2.2% gross, outperforming** its benchmark (Dow Jones U.S. Equity Market Neutral Index) **by +8.2%.**
- During the year we introduced **Moor Global Select Equity**, a model portfolio with cash launch set for 2Q 2026. The strategy combines 70% Moor US Select Equity and 30% Moor International Select Equity. The model portfolio **returned +24.1% gross in 2025, outperforming** its benchmark (MSCI World Index), **by +4.8%.**

Over the last 3-years **68% of US Long Only institutional managers fail to beat the S&P 500 Index (S&P Inc. Indices Versus Active report); conversely, all Moor Funds active cash portfolio strategies have beaten their benchmarks both annually and cumulatively across 3-years** (strategy factsheets available at moorfunds.com).

Our multi-year, real-money track record is built on a systematic artificially intelligent approach to portfolio management. We aim to identify companies exhibiting strong, persistent operating momentum, combined with disciplined risk management to deliver consistent alpha. We do not follow a thematic investment approach; we aim to utilize our experience assisted by IP on a repeatable and scalable basis across our portfolios to capture observable company operating momentum before it is fully reflected in prices.

* Outperformance represents past performance and does not guarantee future results. Returns are gross of management fees. Investment returns and principal value will fluctuate. Periods of double-digit returns are uncommon and typically occur during favorable market conditions.

Worried AI will take your job? Not likely. The taxman really needs you at your desk.

Most people do not enjoy paying income tax. Even fewer people, especially high-rate income taxpayers, rejoice at ever increasing government spending that never seems to benefit the taxpayers carrying the bulk of the tax burden. However, what if being the metaphorical 'tax donkey' is likely to keep you in your office job (and it will be in an office) because no G20 government has found a replacement for its human ATM's. In the best traditions of financial research, we take a single-chart (Exhibit 1.) and a narrow set of self-serving data-points, to deliver a wide-ranging and thoughtful analysis of an issue and settle on a clear and obvious conclusion (heavy sarcasm).

Exhibit 1.

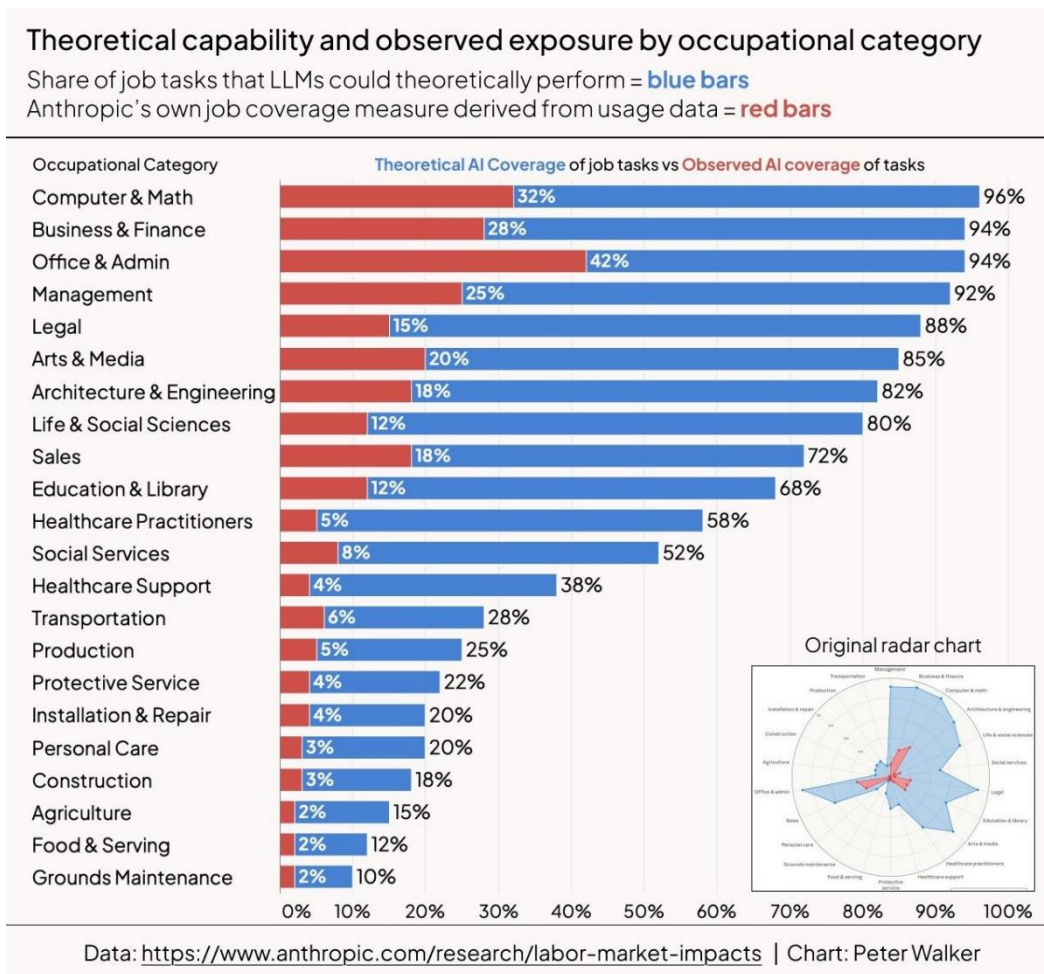


Exhibit 1. is a self-explanatory chart sourced from Anthropic, a leading AI company, presumably part of their pitch-deck to investors highlighting how screwed the 'knowledge workforce' is about to be. Anthropic's 'not-so-smart' mission to remove as much service labor as possible inherently kills the core customer of the very corporates they are pitching. To keep this investor letter interesting, we assume Anthropic's projections are accurate and reflect the collective impact of the current generative-AI arms race. We attempt to identify probable outcomes of the current trajectory.

AI Labor Displacement = Less Tax Revenue = Government Policy Response.

Hypothesis: The short-term objectives of the self-styled tech-bro overlords is at odds with the current model of tax-led government spending. **Using the USA as an example:**

- **US Govt spending contributes 40% of GDP; funded 90% by taxes:** FY 2024, Bureau of Economic Analysis (BEA) data shows that US Federal, State and Local government spending contributed 40% of U.S. GDP; US Treasury data also shows that ~90% of government spending is funded through taxation. Any meaningful disruption to tax revenues directly impacts GDP.
- **Income/Payroll Taxes are 85% of Federal receipts; top-10% contribute 75% of total tax:** FY 2024, IRS data shows total Federal tax receipts were approximately \$4.9 trillion; individual income tax contribution was \$2.4 trillion (~50% of receipts), payroll taxes contributed \$1.7 trillion (35% of receipts), and corporate taxes contributed \$523 billion (11% of receipts). IRS data also shows that the top-decile of US income taxpayers account for 75% of income tax receipts.
- **Anthropic et al targeting displacing top-decile of income taxpayers:** Bureau of Labor Statistics (BLS) data for May 2024 shows median annual wages of \$122,090 for management occupations, \$105,990 for computing and IT roles, \$99,990 for legal occupations, and \$80,920 for business and financial operations, versus a \$49,500 median across all occupations. The three occupations listed look suspiciously like the functions at the top of the list on Exhibit 1.
- **AI labor substitution is great for founders/CEO's; bad for everyone else:** For Generative AI firms the easiest pitch to corporates is not "let me help you innovate or grow productivity", its actually "we can replace your most expensive people with generative AI". Short-term win for founders, VC and CEOs but who else wins? Displaced executives will NOT all retrain as plumbers (price of plumbing services would collapse!) AI-led labor substitution benefits two narrow owner/shareholder groups whilst shifting labor costs from the corporate balance-sheet to the Federal purse through lost taxation and consumption.
- **Top-10% contribute \$1.8 trillion in income tax; what is the impact of firing 20% of them?** The answer is straightforward; a \$360 billion hole in federal income taxes; that is just the beginning if we ignore lost payroll tax and consumption.

How could governments respond?

1. **Increase Corporate Tax Rates:** rapidly declining tax receipts would require a shift in tax burden to the primary beneficiary of the AI labor displacement i.e., corporations. Corporate tax receipts are \$523 billion, offsetting a \$360 billion shortfall would require an increase in the US corporate tax rate from 21% to 35% (from 1986 to 2017 US Corporate tax rate was ~35%); not likely under the current administration coupled with the threat of corporate flight from US.
2. **Aggressive Labor Protection Legislation: i.e., French style labor laws aimed specifically at protecting knowledge-based sectors** or workers; making it extremely expensive for corporates to displace labor in key income-tax paying segments. It is easy to implement, a bipartisan vote winner all whilst ensuring corporate investment in AI is focused on improving productivity and innovation rather than replacing tasks and labor.

Market impact of government policy to stem labor disruption of Generative-AI

Of the two hypothetical policy options highlighted above we summarize below a hypothetical impact based on simple assumptions:

- 1. Policy: Increase US Corporate Tax Rates to 35% (pre-2017 levels):** S&P 500 ended 2025 at 5,950 with a FactSet consensus EPS of \$205 which implies 29x Price-to-Earnings (P/E) within a corporate tax environment of 21% although effective tax rate was 15%. Adjusting 2025 consensus EPS for a 35% corporate tax environment produces \$168 of EPS. Applying the same 29x P/E multiple implies a year-end 2025 S&P 500 index level of 4,872 or approx. -20% lower. This does not consider P/E multiple contraction on reduced EPS trajectory but a good base to extrapolate for future policy impact.
- 2. Policy: Impose 'French Style' labor laws on US Corporates:** To keep things simple we will stick with comparing easy S&P 500 data-points to a domestic proxy like the CAC 40 (French primary index). Again, for ease of discussion we will focus on 'French style labor laws' correlating directly with corporate margins. FactSet shows FY 2025 S&P 500 consensus Revenue-per-share was \$1,600; for the CAC 40 consensus revenue per share was €1,300 with EPS of €100. Consequently, S&P 500 net margin of 13% (\$205 EPS / \$1,600) is significantly higher than CAC 40 at 8% (€100 EPS / €1,300). For impact let's assume that half of the 40% spread between S&P 500 and CAC 40 corporate margins are solely down to differing labor law regimes; lowering US S&P 500 net margins to 10% would lower EPS to \$160; at a 29x P/E implies a year-end 2025 S&P 500 level of 4,640 or approx. 22% lower.

Conclusion: This is all highly speculative, not investment advice and hypothetical; the analysis is rudimentary and does not consider several mitigating factors. We simply aim to open a discussion on the current trajectory of AI disruption and the implications to policy and markets. By sheer coincidence, our back-of-envelope calculations show that 1% reduction in the top-decile of federal income taxpayers equates to a 1% reduction in the S&P 500 level. We conclude that nothing good will come from short-term fixation on feeding generative AI business models at the expense of an economic system for which we currently have no credible alternative.

Thank you for reading; I am off to press the button to have the machine pick our next quarters portfolio!

Sincerely,

Edwin Hagan, Managing Partner

IMPORTANT DISCLOSURE

In considering investments investors should carefully consider the fund's investment objectives, risks, charges, and expenses. For further details on the funds presented in this document please request a summary fund brochure by contacting Moor Funds LLC by email at invest@moorfunds.com or by telephone at +1 800 819-5185.

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