

# Q4 2025 Update



## Fund & Market Recap

Q4 2025 was another volatile quarter for the markets. November saw a mid-month selloff driven by stretched valuations, questions around AI adoption, reduced expectations for falling interest rates and the government shutdown. However, after the Federal Reserve lowered interest rates, the markets adopted a more optimistic view, ending the quarter modestly higher across most indexes. With respect to the fund, we ended the quarter slightly down as some of our investments in the consumer discretionary sector did not recover as quickly as the market.

## Economic Performance & Outlook

Domestic economic performance remained relatively steady during the fourth quarter. Reasonable growth and stable employment have kept Wall Street strategists cautiously optimistic about the economic outlook. Inflation, though, remains above target and will continue to present a hurdle to lower interest rates going forward. The interplay among economic growth, employment conditions, and inflation will be important as we move through 2026. Changes in Federal Reserve leadership and its approach to this dynamic will also be a focus.

## Market Expectations

Elevated valuations and emerging cracks in the AI investment theme are likely to present challenges for markets as we move through 2026. Even so, a strong economic backdrop continues to support expectations for reasonable earnings growth over the year. This environment is expected to result in low double-digit returns over the next 12 months, with continued volatility along the way.

## Fund Positioning

During the quarter, several positions were monetized. Two companies were acquired, and we exited one position that did not meet our performance expectations. We also took advantage of the November volatility to increase our exposure in the Aerospace industry, as our investment there looks to accelerate its operational improvements in 2026. While we are evaluating several opportunities, we are waiting for performance catalysts to move closer or valuations to improve. We will continue to look for pockets of volatility to make additional investments.

### Q4 2025 Return Information

Q4 2025			Full Year 2025		
LPG Cap Part <sup>1</sup>	HF Comp Ind <sup>2</sup>	Russell 2000	LPG Cap Part <sup>1</sup>	HF Comp Ind <sup>2</sup>	Russell 2000
-2.01%	2.06%	1.86%	28.68%	11.14%	11.28%

1. Certain expenses are estimated for quarterly returns; annual returns are actual

2. Hedge Fund Composite Index the hedge fund index ticker EHF1251 as reported by Bloomberg

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## Investment Updates

### TELECOM / MEDIA / COMMUNICATIONS

Both positions in this industry were sold as they reached target prices due to acquisition.

### AEROSPACE

Our investment completed year one of a multi-year turnaround ahead of expectations. Commercial production is accelerating, and they continue to win new orders across commercial aviation, defense, and space business segments. This momentum has led to improving cash flow, that is expected to accelerate as we move through 2026. As these milestones are achieved, we anticipate continued strong returns from securities of this company.

### OUTDOOR RECREATION

Operations at our investment in the boating industry finished stable in the fourth quarter as inventories are low and new product launches build momentum for 2026. Attractive returns are expected as conservative financial management allows the company to continue shareholder-friendly activities as they generate excess cash flow.

We liquidated our position in the Motorcycle industry, as operating performance improvement at the company is further away than expected.

### FINANCIALS

Healthy economic performance provides a good foundation for accelerating financial performance in the banking industry. Consolidation and deregulation trends should further support operating performance. Interest rates look to be on a gradual path lower, though the speed of which they fall remains unknown. Regardless of the interest rate trajectory, we expect improving financial performance to lead to good returns over the course of 2026.

### Outlook

Economic backdrop and interest rate flexibility provides a good setup for continued positive performance from the financial markets. While high valuations are expected to lead to heightened volatility in 2026, another year of double-digit returns is expected.