Minot Light
Capital Partners

July 2025

	1Q 2025	2Q 2025	YTD	Since Inception
Minot Light Capital Appreciation Fund (Gross)	**-11.5%**	**19.8%**	**6.0%**	**13.3%**
Minot Light Capital Appreciation Fund (Net)	**-11.5%**	**18.1%**	**4.5%**	**9.9%**
iShares Micro-Cap ETF (IWC)	-14.7%	15.4%	-1.6%	4.3%
Russell 2000	-9.5%	8.5%	-1.8%	-1.5%
S&P 500	-4.3%	10.9%	6.2%	8.8%

Dear Partners,

The second quarter of 2025 was reasonably strong for Minot Light Capital, as our gross and net returns were 19.8% and 18.1%, respectively. These results exceeded those of all our relevant benchmarks, and most importantly made us money on an absolute basis. The same is now true for year-to-date returns and our results since inception nine months ago. Importantly, when we assess returns since inception, we have been able to generate outperformance over a 9-month period that involved a number of unprecedented policy moves from our government and a wide variety of highly volatile market environments, both up and down. Though this is a small sample size, we continue to gain confidence that our strategy is highly differentiated in what we deem to be the most inefficient segment of the domestic public equity markets. We believe the strategy offers substantial potential for meaningful capital appreciation and alpha-generating opportunities, while seeking to manage downside risk during periods of severe volatility.

Our holdings continue to fall into three buckets:

1. We are seeking emerging high-growth companies at their earliest possible stage. Our small and highly liquid asset base provides us with the ability to purchase names that have market capitalizations well below $100mm, and in some cases, falling below $50mm and $25mm. This remains an area where the vast majority of institutional small-cap investors are either unable or unwilling to explore.

2. We are seeking to build an ever-expanding roster of longer-term core growth holdings. These are usually companies that are slightly more mature than our earliest stage holdings, but have developed attractive business models while remaining sub-$500mm in market cap. In a limited number of cases, we will own companies in the more traditional small/mid-cap market cap ranges of $1bln-$30bln if their growth profiles remain long-duration and we have a strong differentiated perspective relative to the Street.

3. Finally, we hold a number of names that have at least reasonably good business models, but have experienced violent declines due to one-off issues and a general lack of liquidity in the small/micro-cap segment of the market. In these cases, we are not just looking for pullbacks, but rather true dislocations that drive the stock price significantly below our assessment of intrinsic value.

While you may hear other managers talking about similar strategies around hunting for emerging growth stocks and buying pullbacks, what we believe truly separates us and generates a sustainable edge for this partnership is our ability to take those strategies to their logical extremes due to our smaller asset base, focus on the small-end of small and micro-cap segments of the market, and our decades of experience in handling such situations. We are able to find growth at the absolute earliest possible stage for publicly-traded companies, and when you are right on a long-duration growth story, that is where the highest potential return is achieved. On the flip-side, we are not seeking to buy small pullbacks, but rather true liquidity-based violent dislocations. Those extreme moves simply do not happen in more liquid segments of the public equity market and certainly don't happen in private markets. Furthermore, if the dislocation happens to a fundamentally sound company, which we require, it likely will not last long. We will continue to remain very nimble and liquid to fully capitalize on these dislocations and maximize the IRR of our stock purchases. Larger funds are simply unable to do this.

The table below highlights the top 10 contributors and detractors to our portfolio. I will make brief comments on the top three of each category:

Portfolio Movers	
Top Performers	***Bottom Performers***
ThredUp (TDUP)	Lakeland Industries (LAKE)
Legacy Education (LGCY)	Informa TechTarget (TTGT)
Outset Medical (OM)	RxSight (RXST)
Arq (ARQ)	Liquidity Services (LQDT)
API Group (APG)	Neogen (NEOG)
Limbach Holdings (LMB)	Mister Car Wash (MCW)
NPK International (NPKI)	Xponential Fitness (XPOF)
Cryoport (CYRX)	Torrid Holdings (CURV)
Alpha Cognition (ACOG)	Clearwater Analytics (CWAN)
Journey Medical (DERM)	RealReal (REAL)

Top Contributors

ThredUp (TDUP): ThredUp is a leading online marketplace for second-hand clothing with a unique infrastructure that we believe is very difficult to replicate. We accumulated many shares of this company at prices below $1.00/share. As was also the case with Outset Medical (OM) (comments below), we saw trading become somewhat irrational due to technical factors when the stock fell below $1.00/share, which provided us with a great opportunity. ThredUp has worked very hard over the past several years to become free cash positive and accelerated this effort with the divestiture of its money-losing business in Europe. Simultaneously, they began to see several key KPI's meaningfully improve due to increased adoption of artificial intelligence that led to a step-up in search and conversion results. Finally, they benefitted from the implementation of tariffs, which has served to improve the relative value-proposition of second-hand apparel and reduce online customer acquisition competition from international apparel manufacturers. All these positives came together soon after the stock fell below $1.00, which has led to strong capital appreciation to over $7.00/share.

Legacy Education (LGCY): Legacy Education is a relatively recent IPO that is a for-profit education company focused on the healthcare vertical. The company is poised to capitalize on a large supply/demand gap of trained healthcare workers over the next decade, which we believe provides a long-duration growth opportunity for Legacy. The company maintains very strong incremental returns on capital as it builds new campuses, expands programs across its growing campus base, and makes selective acquisitions. Furthermore, due to the unique regulatory nature of the education vertical, it is one of the few industries that has seen little competition from private-equity backed companies. Regulatory dynamics also slow the pace of expansion for existing competitors. We believe the combination of these dynamics should extend the duration of this growth opportunity beyond what you would normally see in most industries experiencing a supply/demand gap and attractive economics for supply expansion. These positive industry dynamics are not unrecognized by the stock market, as larger peers Universal Technical Institute (UTI), Lincoln Educational Services (LINC) and Adtalem (ATGE) have performed very well. However, with a market cap of around $150mm and current revenue base of around $65mm, we believe LGCY will benefit from being able to grow off a much smaller base. It is also trading at a substantial multiple discount to its larger peers. We view LGCY as a classic core growth holding.

Outset Medical (OM): Outset Medical is a company that we made a large position when it fell below $1.00/share due to dilution from a very constructive financing with several high-quality healthcare investors, which essentially prevented a liquidity crisis for the company. Outset provides dialysis equipment and consumables for healthcare facilities and the home. We believe the company is reasonably well positioned with a recurring revenue model and good growth prospects. Our ability to purchase the stock at highly attractive valuations was due to several technical inefficiencies endemic to the micro-cap cap market, which is what we love about the space. The choppy trading of shares after the stock fell below $1.00 cumulated when they announced a reverse stock split via a press-release in March, which sent the stock down over 30% in the pre-market that day, even though the company had already announced its intention to authorize a reverse stock split on its 4Q24 earnings call in February. Due to our liquid asset base and belief in the company's long-term prospects, we were able to buy aggressively in the pre-market and the stock has more than tripled since then. Yet again, this is a classic case of us gaining confidence in an early-stage growth company through our fundamental research, which allowed us to rapidly take advantage of a temporary and unusually attractive entry point due to a trading dislocation in the micro-cap market.

<u>Top Detractors</u>

Lakeland Industries (LAKE): Lakeland was the top detractor in our portfolio this quarter. We bought the stock due to our belief that new CEO Jim Jenkins will use his M&A experience, honed as a corporate lawyer and head of corporate development at Transcat, Inc (TRNS) (a true micro-cap success story that we greatly respect) to leverage Lakeland's legacy capabilities in protective clothing and build a much larger company focused on the more advanced and profitable segments of protective gear within the fire and industrial markets. Our belief is that these are attractive end-markets, and when Lakeland builds ample scale in its business, the company should generate substantial earnings power, which could drive the stock to a price that is multiples of its current level. Lakeland has gone from being a contributor to a detractor in our portfolio due to two sub-par quarterly reports. The narrative I just described led to a large increase in the stock prior to the most recent quarters. However, a combination of slower than expected growth, missed margin expectations, tariff issues, acquisition integration issues, investor communication issues, and IT weaknesses has led many investors to question whether CEO Jenkins is actually an “operator” that can execute on this vision or is he just a “deal guy”, which can only take you so far. Hence, a powerful narrative-driven story focused on out-year earnings power and potential multiple expansion has rapidly moved to a show-me story trading at troughish near-term multiples, which is not all that unusual in the micro-cap space. We continue to believe that over the longer term, CEO Jenkins and Lakeland will successfully execute on the vision, and we therefore continue to hold the stock.

Informa TechTarget (TTGT): Informa TechTarget was the second largest detractor in our portfolio this quarter. We originally purchased the stock for two primary reasons. First, our belief that TechTarget, which has a very strong competitive position in technology-related B2B marketing, was approaching a fundamental trough in its business due to a pullback in spending by its customers. Standalone TechTarget had been through these cycles before and has always come out the other side with strong rebounds. We also thought the merger with Informa would be highly accretive and expand earnings power, even if the current downcycle persisted, based on projections put out by management upon the merger announcement. Unfortunately, after the merger closed, the combined company revised numbers meaningfully downward from the original projections and provided little hope of achieving those numbers in the near to intermediate term. There is also a chance that we may have misread the duration of this downcycle, potentially due to new potential threats from AI to its core business, along with overestimating the financial benefits of this merger. Because we are now forced to question both of the fundamental precepts behind our investment, we chose to sell our TTGT position and redeploy the proceeds into companies in which we have more confidence in future outcomes.

RxSight (RXST): RxSight is a provider of premium IOLs known as Light Adjustable Lenses (LALs), which allow physicians and patients to make adjustments following an initial cataract surgery to optimize their vision. RXST is a classic razor and blade model, as the LALs are used in conjunction with the company’s Light Delivery Devices (LDDs). Shares of RXST have fallen significantly due to a severe moderation in the company’s growth in the past few quarters, as well as projections going forward. This slowdown is the result of a combination of slowing consumer discretionary spend (premium IOLs are highly discretionary), potential penetration issues in the US, and some trialing of new multifocal IOLs that are not directly competitive with the LALs. We believe the market has severely overreacted to these issues and RxSight remains a strategic asset in the space with a private market value well above the current stock price. Our downside is anchored by about $220mm of net cash on its balance sheet (about $5.50/share) vs the current stock price of $7.50. We think with the recent slowdown of LDD sales, the more consumable LALs could represent about 75%-80% of their current revenue base of $100-$125mm or $80mm. We would estimate LAL lenses also carry a gross margin in excess of 80%. Whether we value downside at 0.5x total revenue, below consensus revenues of $100mm + $220mm cash ($6.70), or 1x $80mm of 80% GM LAL revenues + cash ($7.50), we would deem fairly hard downside support to be around $6.50/share. We do believe RXST will maintain at least 10% of the premium IOL market in the US, which is now about 100,000 lenses per year. That market share could go to 15%, but probably not too much higher. However, even a low-single digit market share of the ex-US premium IOL market, which the company has not yet penetrated, would represent at least another 100,000 lens potential. We think any strategic acquirer that already has a fully built-out global distribution network for cataract surgeries would see real value in RXST on the lens revenues alone. We would estimate that if RXST held its 100k lens volume in the US and was able to generate another 100k-120k of lens volume ex-US, they could generate at least

$150mm of LAL revs that would generate a 50% contribution margin to a strategic acquirer or $75mm x 15x multiple is $1.1bln + $200mm cash is $1.3bln of potential enterprise value or over $30/share. As a stand-alone company with modest penetration of international and using a $150mm of out-year companywide revenue estimate, we think RXST should be worth at least $15-$20/share. With the stock trading at $7.50 and our current estimate of downside support around $6.50, we think the company represents an attractive risk/reward and have increased our position in RXST.

As we have done in each of our quarterly letters, we will highlight one stock in the portfolio to help our Limited Partners better understand our investment process. This quarter we will highlight Torrid Holdings (CURV). From a process perspective, CURV is yet another company, like TDUP, OM, RXST and others, where we owned an initial position prior to major drop in the stock price. One reason that we run a highly diversified portfolio is we cannot always get the timing right on a stock's bottom and the massive volatility that takes place on disappointments often leads stocks to dramatically overshoot our original estimate of downside protection. With smaller positions, we can absorb those losses, continue to think rationally, and determine whether we want to increase, hold, or exit our positions. One reason some of our biggest winners have come from initial losers is the fact that we already know those names very well and can very quickly decide whether our core thesis is broken or not. If it is not broken, we can step in and take advantage of the volatility to significantly increase our position size, which allows us to more than overcome initial losses and generate some of our biggest positive contributors to portfolio performance. It is much more difficult to move that quickly or aggressively on a brand new name.

We were initially drawn to Torrid due to the company's aggressive effort to optimize its physical store base. As a legacy mall retailer, which went through a rapid store expansion phase a decade ago, Torrid has been forced to deal with the fact that traffic patterns have shifted, outdoor lifestyle malls are now more attractive destinations, and many old enclosed malls have suffered substantial traffic declines. This is an issue many retailers are grappling with. However, Torrid has now announced they will be closing around 1/3 of their stores to focus their highest-returning and most productive locations. They are able to do this because 60% of their stores are coming up for lease renewal this year, so there are no exit costs to these leases. Furthermore, Torrid is able to retain a majority of the sales from closed locations, as those customers will often go to another Torrid store in the region or go online, where Torrid generates 70% of its sales and has a strong loyalty program. The company expects 150-250bps of margin expansion from these store closures. We believe that, in aggregate, the remaining stores are comping positive, as is its online business. Other things we like about Torrid are the fact that they are the leader in a unique market niche of apparel for plus-sized women, they demonstrate strong customer loyalty, they are having success with a private-label sub-brand strategy (which could also increase margins another 100bps over time), they have very strong customer acquisition economics, and they are less fashion sensitive than many other women's apparel retailers. Finally, from an incremental ROIC standpoint, whether it be opening a new store, retrofitting an existing store, or acquiring a customer online, we believe they achieve a cash-on-cash payback in 2 years or less for each of these drivers of future growth.

From a valuation perspective, whether we use a 20% p/fcf yield or 5x EV/EBITDA metric on near-term projections, we think the stock's downside is close to $2.50/share on $40-$50mm of fcf and $90-$100mm EBITDA. The biggest delta between EBITDA and FCF is $30mm of interest expense, as CURV does have about $280mm of net debt on its balance sheet. However, we believe the potential exists, if the store closure strategy plays out as the company expects, sub-brands continue to grow and we get modest leverage on positive comps, for the company to take EBITDA from $100mm to $180mm and fcf from $50mm to over $100mm over the next 3-4 years. In this case, with a strong focus on using fcf to de-lever, the company could be debt-free after year four while generating in excess of $100mm of fcf. With Torrid's current market cap of around $270mm, that would lead to a possible 4-5x in the stock over that time period to $14.00/share. With the stock now trading around $2.70, we think estimated downside of $2.50 and upside to $14.00 represents an attractive risk/reward.

CURV also represents a unique case study for our strategy due to the stock-trading dynamics that provided us with this opportunity. Due to the fundamental factors I described above, we were attracted to CURV and bought a small position between $5.00-$6.00/share. We wanted some exposure, but the risk/reward was not yet what we could consider compelling enough to make it a large position. Soon after buying this small stake, their largest private equity sponsor and owner of over 50% of shares outstanding, Sycamore Partners, announced a secondary offering to sell a portion of their stake. Sycamore has been in the process of exiting this investment after multi-year holding period. This secondary did not increase shares outstanding, as it was simply Sycamore selling to the public. In fact, the company bought back shares on this secondary to reduce its overall share count. However, the stock fell from $5.10/share to its current level of $2.70 in the weeks following this secondary due to a lack of liquidity in the market and lack of demand for leveraged micro-cap legacy retailers. This essentially presented us with an immediate 50% off sale for a company that we actually liked quite a bit before this secondary announcement. Hence, we have taken CURV from one of our smallest positions to one of our largest positions. Similar trading dynamics occurred in September, 2024 when Sycamore executed a secondary and the stock more than fully recovered in the ensuing quarters. This is another great example of the type of dislocation that can commonly occur in publicly-traded micro-cap stocks, but rarely occur, if ever, in the broader public market or private markets that make micro-caps such a compelling area for alpha-generation.

As we go through these examples, we hope you start to see several recurring themes that come up again and again in our investment process:

1. Periodically we are able to capitalize on technical trading events unique to the micro-cap segment that provide us with great entry points, such as the sub-$1.00 trading dynamics in OM and TDUP, or the massive decline following the Sycamore secondary with CURV. By no means does this happen for the majority of our holdings, but when it does happen to a name we know well, it can provide us with the opportunity to substantially increase our position size and become a meaningful driver of performance within the portfolio.

2. Upside cases are often driven by the self-reinforcing convergence of a strengthening balance sheet, improving free cash generation, steady to accelerating revenue growth, and operating margin expansion on a fixed-cost base that can now be effectively leveraged with revenue growth. When this convergence does play out, it leads to not only an out-year earnings number well above expectations, but also multiple expansion, as the company is effectively "de-risked" by the market. Though this convergence can happen across all market caps, the magnitude of potential improvement in both financial results and multiple expansion for a micro-cap company, and its consequent impact on stock price, is far more impactful and can lead to outsized returns.

3. A consistent focus on investing in names that have a highly attractive risk/reward skews, with a process that equally emphasizes quantifying downside protection and gaining exposure to potential multi-bagger optionality in a bull-case. Being directionally right on both risk and reward is important for our strategy to succeed.

4. A recognition that we will never be right on all of these investments. In fact, we will be wrong on many of them with severe consequences. This expectation is built into the strategy. That is why we run a highly diversified portfolio. If we make enough investments with a risk/reward that skews in our favor and spread them across a diversified portfolio, the math (or "n") should work in our favor over time. In other words, if we put enough of these asymmetric bets together in a portfolio that can absorb the inevitable volatility, we should be able to generate a sustainably positive expected value while limiting exposure to permanent capital loss or the risk of ruin.

What you may have noticed in these shareholder letters is we are not generally highlighting the smallest and most illiquid micro-cap growth stories that do represent an important component of our portfolio. We tend not to discuss those because, on a one-off basis, they are uniquely risky and illiquid. However, in aggregate they are an important part of our strategy. That said, we will discuss one or two of those names on our quarterly LP call to help our partners better understand that portion of the portfolio.

One further note to keep in mind. In this letter we have highlighted some successful and unsuccessful investments. In re-reading the letter, I noticed we do spend a fair amount of time talking about trading events that provide opportunities to move fast. It is important to understand that over 95% of what Eddie and I are doing with our time is the analysis required to find new ideas, understand earnings power, growth potential and competitive positions, along with ongoing due-diligence such as management calls and channel checks. In other words, classic fundamental research. Only through these activities can we have any hope of assigning reasonable probabilities to bull and bear cases, as well as determining whether we even like a company well enough to actually purchase it for the portfolio. Phrased differently, over 95% of what we do is the necessary preparation or "practice" to allow us to act when the "game" is actually on and a buying opportunity occurs. In this regard, I would encourage you to think of these letters as both a continual education on our investment process and a "highlight reel" for the quarter. Our day-to-day existence is generally not full of "highlights", but rather the far more mundane, but absolutely necessary, process of ongoing fundamental research.

Thank you again to all of our initial Limited Partners for your support. It truly means a great deal to Eddie and myself. We will continue working hard to grow your capital over the life of this partnership.

Our full holdings list is available to Limited Partners upon request.

Sincerely,

Tom Wetherald and Eddie Reilly

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