Edwin Lugo
EL2 Capital, LLC
1555 Post Road East, Suite 207
Westport, CT
06880

July 23, 2025

Dear Partners, Friends, and Family,

Enclosed you will find our quarterly update of our funds and our business. This letter is five pages, including some discussions on our holdings.

We welcome any constructive feedback or comments that you may have on our letter.

Best regards,

Edwin Lugo
Founder and Managing Partner
EL2 Capital LLC
elugo@el2capital.com

International Small Cap Focus Fund (*ending June 30, 2025*)	**Gross**	**Net**	**MSCI EAFE Small Cap Index**
Quarter	+19.14%	+16.26%	+16.76
Year-to-Date	+21.68%	+18.38%	+21.24%
Since Inception Cumulative*	+79.95%	+64.46%	+21.67%
Since Inception CAGR*	+19.70%	+16.46%	+6.21%

**Performance is for 3 years and 3 months - Start Date as of April 1, 2022.*

Global Opportunities Fund (*ending June 30, 2025*)	**Gross**	**Net**	**MSCI World Index**
Quarter	+5.48%	+4.78%	+11.62%
Year-to-Date	+6.47%	+5.53%	+9.75%
Since Inception Cumulative**	+51.74%	+48.77%	+62.35%
Since Inception CAGR**	+15.80%	+15.00%	+18.60%

***Performance is for 2 years and 10 months - Start Date as of September 1, 2022.*

CAGR = Compound Annual Growth Rate since the inception of the fund.
Please note that performance among different partners may vary depending on their initial investment time.
Fees are calculated using our management fee of 1% and performance fee of 15% after a 6% return.

Any performance discussed in this letter represents past performance, which does not guarantee future results. Current performance may differ from the figures shown. The Fund's investment return and principal value will change with market conditions.

Portfolio Update

As of this writing, we have 11 companies in the International Small Cap Fund, and 12 companies in the Global Opportunities Fund, with 7% and 5% cash, respectively.

As prices fluctuated in response to both US debt concerns and tariffs, we were able to add to both portfolios. For the international small cap fund, we added Bergman & Beving AB (B&B) and Roko AB (Roko), both Swedish based companies that are serial acquirers. Both are buying high quality asset light industrial businesses across Europe. B&B has been around since 1906, starting as a distribution company. It was the first serial acquirer in Sweden. Fast forward to 2000 and it spun out two distributors, Langercrantz and Addtech, which became some of the most successful equity investments in Sweden since 2000, up 80x and 126x in value, respectively. Today, Magnus Soderling, who was the head of M&A and led much of the success behind Langercrantz, is now running B&B since 2017. Prior, B&B underperformed for many years as a poorly run tool and safety equipment distribution business. Magnus is now CEO and has implemented best practices to right size the operation and implement a disciplined M&A program, buying 4 to 6 small, niche industrial businesses yearly, targeting a 13%+ operating margin in these businesses before amortization (EBITA), paying 4x to 5x EBITA, and seeking a return of capital of greater than 20%. During the quarter B&B was trading at a very attractive price given its potential to grow from a small base with just over $500mln in revenue combined with improving margins and returns on capital (22 quarters in a row of improvement since Magnus took over).

For Roko, it recently became public in March of 2025 run by another successful manager and serial acquirer, Frederik Karlsson, the former CEO of Lifco. Looking at Lifco, it focused on acquiring businesses in dental, demolition and tools, and systems solutions. Frederik played a significant role in multiplying shareholder value 100x over 20 years. He is implementing a similar but more refined methodology at Roko when buying small industrial businesses across Europe. For instance, he found that letting the entrepreneur of the target company retain a minority ownership yielded better results than acquiring 100%. He started Roko in 2019 alongside his partner Tomas Billing, who was also a successful CEO at Nordstjernan, a private investment company which beat the market by about 2x. Both have worked together in the past, and when Frederik was fired at Lifco over his compensation, they decided to start Roko. Today, the volatility in the market allowed us to buy Roko at an attractive price. It is estimated to generate 20% returns on capital. Roko is still small, producing only $650mln in revenue in 2024, thus it has a chance to multiply in value over the next 10 years. Separately, in the Global Opportunities Fund, tariff angst allowed us to add both Ferrari and Hermes. Both businesses fell -20% from their highs. After following these two companies for more than a decade and resisted due to their valuations, we decided to add as their fundamentals remained strong while having the pricing power to overcome tariffs. In addition, we started a small position in Fairfax Financial, the Canadian insurance company run by Prem Watsa. Prem is a successful value investor, nicknamed the “Warren Buffett of the North”. He models his business after Berkshire Hathaway. Fairfax normally generates a profit from its insurance operations, which is then used to purchase both public and private equities to yield a higher return on the firm’s capital. Prem and his management team have successfully grown Fairfax over the last 40 years into a global insurance operation, while producing above average returns for shareholders.

US Dollar Depreciation and the Benefit to Our Partners

The US debt situation is our biggest macro concern going forward. There is an unwillingness to reduce the deficit by both parties and the least painful way to address the deficit without raising taxes and cutting spending is to let the dollar fall in value and keep interest rates low. This cuts the real cost of debt for the US. But according to Ray Dalio, this is a short-term solution. In the long term the interest on the debt will likely be unsustainable, the US government at some point may no longer be able to pay its interest, leading to a debt restructuring (a default by some definitions). In the meantime, as a partner in our funds, you are essentially hedged against a dollar decline as our positions are held in the local currencies outside the US. We don’t know which way currencies will trend, sometimes they help and sometimes they hurt. However, with the US debt a key macro issue, the dollar over the next few years has a higher probability of continuing its decline. During 2Q25, a proportion of our recent gains in our International Small Cap Fund came from currencies outside the US, increasing in value relative to the dollar. In addition, our Global Opportunities Fund is now 65% invested outside of the US and is well positioned if this trend continues.

The Importance of Our Execution Strategy

Many managers talk about their investment process but rarely discuss their execution strategy – what to do when their investments fall in value and when to sell when they have a gain. We have implemented an execution strategy that is simple, and we believe it will add value over time. An interesting study (and subsequent book) was conducted by Lee Freemen-Shor. He managed over $1bln in hi-alpha and multi-asset strategies at UK-based Old Mutual Global Investors in 2016. The study involved picking 45 of the world’s top investors and investing between $20mln and $150mln in each, telling them to invest in their top 10 ideas from June 2006 to October 2013. The study examined 1,866 investments representing 30,874 trades during that time frame. What was shocking was that these great investors when combined had a 49% success rate when picking investments. Their well-researched ideas with high levels of confidence in essence had only 50/50 odds. In fact, some were successful only 30% of the time. One would think of a higher success rate given the caliber of the investors. Nevertheless, almost all of them didn’t lose money. In fact, they were able to make lots of money. The conclusion was that it was less about being right and more about how great ideas are executed[1].

[1] The Art of Execution, Lee Freeman-Shor, pp 7-9

“…successful property investing is about location, location, location, success in equity investing is all about execution, execution, execution.” - Lee Freemen-Shor, The Art of Execution

Starting with a losing position Lee found that managers fell into three basic categories, what he called Rabbits, Assassins, and Hunters. Rabbits did not act when the share price fell, they were the worst performers. They fell in love with the stock and instead further backed their thesis, claiming that the story was not broken, seeking biased information to further justify their investment. In other words, they tended to dismiss negative information about their companies. Mentally, it is easier to hold onto a losing position than realizing a loss.

The Assassins sold after losing -20% to -33% on average – taking their losses and moving on to the next investment. The Hunters doubled down after the share price fell. Both the Assassins and the Hunters were the most successful managers. The key was that action was proven to be better than no action.

On the selling side Lee found two types of investors that he dubbed Raiders and Connoisseurs. Raiders would take profits quickly while Connoisseurs would hold for the long term. You can probably guess that the Raiders did worse. The key is that great investments are rare. If there is a great company, then having a long-term view produces a more successful outcome.

What is our execution strategy?

The main element is that our execution strategy must fit within our investment strategy and our firm’s culture. We use both an Assassin and Hunter approach when it comes to losing positions. We establish an execution plan for each company before we invest. The first question we ask is, “if the price falls by -50% will we double down?”. If the answer is yes, based on the fundamentals and the capital allocation skills of the management team, then it becomes a full position of 5%. The strategy around the position is that if the shares continue to fall, we will add to the position monthly on a dollar cost average basis, bringing the position back up to 5%. We do not know where the bottom is and find that dollar cost averaging is the best strategy for us.

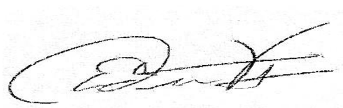
Positions where we have lower convictions, thus a smaller position size, are labeled differently. Here we sell after losing -20%.   The taking of a -20% loss is an admission that we are likely wrong, reminding ourselves that it will take a 25% gain on another investment to recover the loss. We have the belief that we will continue finding great businesses. They will more than make up for the loss eventually.

On the selling side we invest with at least a ten-year view. Being a Raider (taking profits quickly) is not in our DNA. We constantly monitor and learn more about our investments over time. However, if we do not make money in three years. We sell the position. The clock is ticking, and we are losing to the time value of money. We did this with IMCD and Mainfreight recently. These are two positions where we had high conviction but after two to three years they made us no money, or very little – much below our expectations. Both were sold and the money allocated to better investments with a higher capacity to compound.

Business Update

We added a new partner and welcomed him on board. Moreover, we had one of our original investors add more, doubling their commitment. We are honored and humbled by our partners' support. We certainly plan to work hard and stay focused on delivering the returns they expect with our assets working alongside theirs. Going forward, we will continue building strong relationships with potential partners.

Sincerely,



Edwin Lugo
Founder and Managing Partner
EL2 Capital LLC

P.S. For more details, please visit our website at www.el2capital.com. You can access recent quarterly reports and our annual letters. For serious inquiries and/or documents to invest into the International Small Cap Focus Fund or the Global Opportunities Fund please email me at elugo@el2capital.com or text me anytime at 410-258-1452.

Any performance discussed in this letter represents past performance, which does not guarantee future results. Current performance may differ from the figures shown. The Fund's investment return and principal value will change with market conditions.

Not for distribution to the public.