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April 28, 2026

Dear Family, Partners, and Friends,

For EL2 Capital the restructuring continues as we contemplate the next stage of investing. The goal going forward is to compound capital safely for the family and to have friends and partners rejoin under a new structure. In the meantime, during this transition, I will work toward further enhancing the current investment process. In the next few pages, I will discuss what transpired during the quarter.

Overall, I am grateful for your trust over the last few years. Going forward, I will keep you informed on how we transition and, as always, I appreciate your interest.

Best regards,

Edwin Lugo
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Portfolio Update

In January 2026 we started the process of giving money back to investors which was successfully completed by the end of February. It was an opportune moment as we avoided the recent decline in the market, particularly with our holdings in software companies. Part of it is clearly luck, but also the quick actions of portfolio management. Our lessons historically told us to exit quickly, especially when the market environment is stable and relatively quiet, which occurred during the first week in January, providing liquidity and efficiency.

In terms of the remaining money in the fund, it is only family money, and it will be managed in a similar manner but with further enhancements to the research process. The lesson we learned was that we needed to be more sensitive to valuation with better diversification. Although we avoided much of the decline in our software investments by exiting quickly. We found that investing in great businesses with high prices can lead to a period of severe underperformance, essentially through the risk of a de-rating. We realized this was a mistake on our part and we felt that this is where we can improve. Today we are mostly in cash after returning money to our partners as we look to reinvest the funds. We also have some exposure to gold and oil companies during this transition. Nevertheless, we are slowly investing back into some our high-quality businesses at much more favorable prices. Over the next year, the objective is to have a stronger investment process that we can apply to ourselves and our future clients.

Asset Allocation Strategy

Given that we are moving to a Registered Investment Advisory (RIA) structure, in addition to our international small cap product, we will create and test an "All-Weather" portfolio for those who would prefer steadier returns over the cycle. It will be more risk-focused, giving us an opportunity to invest in various asset classes on behalf of our clients given their risk tolerances. We hope our returns will be satisfactory.

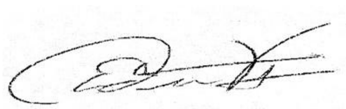
Generally, we never know where markets will go but the risk is growing over the possibility of a US debt restructuring. We have a high confidence level that our national debt of $39 trillion will continue to grow. This year we should see $1 trillion in interest payments. Our debt has an average maturity of six years with about a third maturing in 12 months. Thus, the biggest danger that we see is interest rates going up. The average rate of interest the US government is paying is about 3% which is low relative to 1980s and 1990s where rates were closer to 6% and 8%. For every 1% increase in rates, we pay an additional $300bln to $400bln in interest payments. At some point it will be untenable and the US will likely need to restructure. As a result, we are designing a portfolio that should survive and hopefully deliver a positive return during a "soft" default – the US government cutting its coupon rate on treasuries and/or extending the due date for payment of principle. Yes, certainly unthinkable, but for us we believe it is the most likely outcome unfortunately (unpredictable as to when). This scenario is avoidable, but it is almost impossible for our representatives in Congress to raise taxes and cut spending simultaneously. Therefore, the market will likely push us into the financial discipline that we need. The hope is that our "All-Weather Portfolio" will help many of our clients through this difficult period.

Conclusion

Though we have always invested with optimism and an overall disregard for the economic outlook, in our business planning we feel that over the next five years it will be much different than in the past five years. We hope to offer clients better portfolio returns in an increasingly fragile environment. Thus, we must think differently from an all-equity perspective to survive a possible debt restructuring. It is unique in our lifetimes but not from a 100-year view where country defaults occur with regularity along with currency devaluations. Thus, in January we proactively felt that the most prudent action for the benefit of our investors is to close our funds so that we can transition our business to a more durable and scalable operation over time, to help our clients and partners during a possibly more challenging economic period.

We will keep updated as we progress.

Sincerely,



Edwin Lugo
Founder and Managing Partner
EL2 Capital LLC

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.

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