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February 9, 2026

Dear Family, Partners, and Friends,

This year I am writing this letter as I will be restructuring EL2 Capital and its funds. With much reluctance I need to make this change for success in the next five years. The goal is to have a lower cost structure while managing assets. Therefore, this will involve the closure of our limited partnerships to outside investors and over time the plan is to shift into separately managed accounts in a registered investment advisory structure. It also allows for more flexibility. Already some of partners have expressed interest.

In the next few pages, I will discuss what transpired during the quarter and offer some investment ideas that we have been exploring in depth.

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

Best regards,

Edwin Lugo
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International Small Cap Focus Fund (*ending December 31, 2025*)	**Gross**	**Net**	**MSCI EAFE Small Cap Index**
Quarter	-0.92%	-0.37%	+2.73
Year-to-Date	+15.46%	+13.57%	+32.51%
Since Inception Cumulative*	+70.72%	+57.78%	+33.13%
Since Inception CAGR*	+15.27%	+12.89%	+ 7.91%

**Performance is for 3 years and 9 months - Start Date as of April 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.

Global Opportunities Fund was closed November 30, 2025.

Portfolio Update

We decided to close the Global Opportunities Fund to outside investors on November 30, 2025. From a business perspective after three years, we thought it became uneconomic to continue running the fund in its current state. The fund will be repurposed with a different strategy for family assets. For the International Small Cap Fund, we will hopefully transition to separately management accounts, which will require partners to exit the fund and reinvest if they wish to do so if the fund is relaunched.

As of the end of December, we had 12 companies in the International Small Cap Fund with 18% cash. The cash accumulated after we reduced our exposure to vertical market software companies.

Though our companies such as Topicus and Lumine continue to produce good figures and are on pace to achieve our return goals fundamentally, the market's negative sentiment remains. After speaking to industry insiders and professionals the conclusion remains that there is a low probability the Ai will disrupt the industry. Nevertheless, we continue to look for evidence of disruption. In the meantime, we have reduced our exposure which generated extra cash in the portfolio despite remaining optimistic. Going forward, we plan to reinvest and hold these companies in the future and possibly increase our exposure over time after we transition the fund. Interestingly the negative sentiment on these serial compounders have affected similar companies, such as our holdings in Swedish-based Bergman & Beving AB, and Roko AB, and Australian-based Kelly Partners Group.

Traditionally, at year-end we like to discuss some of our favorite companies to give you a sense of how we invest. Below we explore three businesses that represent some of the larger positions in our portfolio at the end of December.

Asseco Poland

Asseco Poland (Asseco) was started in 1989 as Softbank S.A. in Poland, growing through acquisitions for over 30 years. Today it is Poland's largest publicly traded software company with about PLN 17bln ($4.7bln) in sales. It is in the vertical market software (VMS) space developing proprietary software solutions in mainly infrastructure (25% of sales), public institutions (24%), finance (23%), and Enterprise Resource Planning (10%) as of 3Q25. About 60% of the company's revenue is recurring from licenses and maintenance. Overall, Asseco is comprised of over 100 subsidiaries and multiple partnerships around the globe. Similar to Constellation Software (CSU), Adam Goral, founder and largest shareholder, built the company through acquisitions across Eastern and Central Europe. Moreover, after acquiring its 27% stake in Israeli -based Formula Systems in 2010, the company has a meaningful geographical presence in Israel and North America. Today, the company is divided into to three segments Asseco Poland, Asseco International, and Formula Systems. Growth areas include cloud, cybersecurity, defense, and artificial intelligence (Ai). Other services and software include solutions for the energy, telecommunications, and healthcare industries.

Asseco Poland is the smaller segment representing about 12% of sales but the most profitable in terms of margins. It maintains an earnings before interest, taxes and amortization (EBITA) margin of about 20%. It constitutes mostly their Polish operations, and a large part of this business is recurring revenue from public institutions and Polish banks. This segment also specializes in enterprise resource planning (ERP) software for the local market to help entrepreneurs run their business, along with cybersecurity, cloud, and artificial intelligence services.

Asseco International represents 24% of sales with an EBITA margin of 12%. This holding company generates most of its revenues in Central Europe, Southeastern Europe, and parts of Western Europe. It has a large focus on ERP with its subsidiary Asseco Enterprise Solutions. Customers include private businesses across the region that implement Asseco International's proprietary ERP software. There is also a meaningful exposure to finance through its unit, Asseco Eastern Central Europe, with solutions for banks and payment providers. Additionally, through its business units, Asseco International include services for the healthcare, public, and utility sectors. Finally, Asseco International also provides end-to-end IT infrastructure services offering computing and communication services.

Formula Systems represents 64% of Sales with an EBITA margin of about 10%. As mentioned, it was acquired by Asseco Poland in 2010 through a controlling 27% stake. The remainder of the shares are publicly traded on the NASDAQ and Israeli exchanges. Revenues are generated mostly in Israel but also including Europe, Asia, Africa and North America. This segment of Asseco Poland creates software and offers solutions to banks. In fact, its publicly traded subsidiary, Matrix IT is one of the largest IT companies in Israel servicing banks and the public sector. Other industries for Formula Systems include insurance companies, hospitals, energy and telecommunications companies, defense, high tech, and healthcare sectors.

We invested in Asseco Poland (Asseco) in the earlier part of 2025 when it was announced that Total Software Solutions (TSS), a subsidiary of Constellation Software took a 25% stake in the business and subsequently announced that TSS will be working closely with Chairman and founder Adam Goral to improve the business. We know from our research that TSS has a great track record of bringing best practices and improving software businesses. In October, TSS confirmed that the focus of the partnership will be margin expansion, recurring revenue growth, and disciplined capital allocation. Thus, we believe over the long term that Asseco offers TSS a panacea of software businesses around the globe that can be improved, discarded, and added, generating value to shareholders directly owning Asseco Poland and indirectly through Topicus.com, which owns TSS.

Bergman & Beving

Bergman and Beving AB (B&B) is the original serial acquirer in Sweden. Started in 1906 with Arvid Bergman and Fritz Beving, both engineers who had a passion for technology. The objective was to help foreign companies distribute their technology products to Northern Europe for the industrial sector. Distribution was important because it made it easier for international companies to sell their products into Northern Europe, especially given the diverse languages and cultures in the region. After the war, B&B decided to move into value added distribution where it also offered technical help and it started this with Danish company Radiometer in the 1940s with electronic measuring equipment. Around

the same time, they made their first acquisition into the lab and diagnostics markets. Thereafter, acquisitions accelerated during the 1960s because there were many small and medium-sized businesses for sale at the time combined with general pessimism in the market. The company saw it as an opportunity. What was unique about their strategy was that there were no synergies between acquisitions. For instance, they acquired Johan Langercrantz AB in 1967 to get into the electronics technology field. By the time the 1980s came around they had a strong market position with distribution rights for over 300 companies with 15% share in Sweden[1].
After 2001, the B&B went from decentralization in the B2B distribution space to centralization in a competitive response to Ahsell, its key competitor in the Nordics. Between 2003 and 2008, B&B followed the same vertical integration strategy and acquired customers including the TOOLS chain of franchisees and resellers. It had some success but after 2008, B&B was unable to recover lost sales and in 2017 decided to spin-off the TOOLs business into Momentum Group. In that same year, new CEO Pontus Boman, the head of ESSVE, B&B's branded fastener business, tried to improve the business but ultimately didn't satisfy the controlling families and by 2021 the Borjesson and Hedelius families brought in Magnus Soderling from Lagercrantz (LAGR) with a proven record of success. Previously, he was deputy CEO and head of the M&A team at LAGR. There he completed 60 acquisitions, averaging 4 to 5 acquisitions per year for over 15 years, helping to achieve a 20x increase in the share price with CEO Jorgen Wigh. Today, Magnus and his team focus on acquiring companies that develop specialty industrial products which have higher margins (>10%), strong market shares, and are low in capital intensity. At the same time his team prefers to sacrifice the scale in their distribution business to improve returns by eliminating exposure to unprofitable customers. Magnus has claimed that he had a similar challenge when he joined LAGR in 2007 when it was an electronics distribution business. In fact, he claims that it was in worse condition, and he successfully turned it around. For B&B he plans to do the same and has set targets for improvement. In particular, the management has a goal to increase Earnings Before Interest Taxes and Amortization (EBITA)/Working Capital to 45% by 3/31/27 (currently 33%). This metric was put in place because as a distribution business it mainly has working capital as its capital base with little in other forms of capital such as property, plant, and equipment. Another objective is to achieve a minimum 10% EBITA margin (11.8% in 9/30/25) with SEK 500mln in EBITA by 3/31/26, which looks like he will surpass with a current run rate of about SEK530mln based on the first 9 months of this fiscal year (on about an estimated SEK5bln in sales). This will be the 23rd consecutive quarter of improvement since Magnus started. He runs a decentralized structure for their acquired businesses, with due diligence, finance, and the M&A team at HQ. B&B also has one of the best boards in Sweden for serial acquirers. Essentially, the board is comprised of proven value creators from LAGR and Addtech. The chairman of the board for B&B is Jorgen Wigh, and he is still the CEO of LAGR. Under Jorgen Wigh's leadership, LAGR created a 28% annual total return since it was spun out of B&B in 2001. Basically, it was a 100-bagger. In addition, B&B has Fredrik Borjesson as a director, and he is the current chairman of the board for LAGR. Finally, B&Bs board also includes Niklas Stenberg from Addtech. Since 2018 he has returned over 30% annually to his shareholders. He is known for further decentralizing the acquisition process. Notably, Addtech was spun out of B&B in 2001. Already, we have seen a turnaround at B&B under Magnus. Since 3/31/21 EBITA margins have improved from 5.9% to a run rate today of 10%+, while EBITA/Working Capital has improved from 20% to 33%. We expect there is more to come, which we believe will provide excellent long-term returns, as Magnus reaches his goals of building B&B into one of the great serial acquirers in Sweden, much like he successfully did with LAGR.

Happy Belly Food Group

One of the best opportunities we find is when there is a manager that has high integrity, believes in his business, is well-versed in capital allocation, and has a long growth path ahead. At the same time the shares are not well-recognized by the market because of their size. That is one way to describe Happy Belly Food Group (HBFG) and its CEO Sean Black. HBFG is a franchisor of quick service and fast casual restaurants based in Vancouver, Canada. The secret sauce is that Sean specializes in revitalizing brands – he buys them cheap and then develops the business with the intention of franchising the brand. Today HBFG has 10 brands including Rosie's Burgers, Heal Wellness, IQ Foods, Via Cibo, and

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[1] Oddbjorn Dybvad, Kjetil Nyland, & Adnan Hadziefendic. (2025). *The Compounders: From Small Acquisitions to Giant Shareholder Returns*, The Book Press, p.84

Smiling Tiger Coffee. Sean is targeting up to 15. Thus far, the company has 55 franchisees, 18 company-owned stores, and 1 consumer product company. Moreover, Sean and team have signed agreements for over 600 franchises across Canada and has just entered into the US, specifically Texas, Colorado, and Florida. The company has only recently become cash flow positive with sales at $19mln, which we believe can be over $100mln in sales with EBITDA margins expanding from 10% to 40% over the next few years. This will be driven by the 80%+ margins on franchise royalties and benefits from vendor rebates and volume discounts. The company plans to have 90% of the store base franchised.
Sean owned his first restaurant at 19 years old. Later he became a franchisee of Extreme Pita and eventually became a partner of Extreme Brandz, the owner of the Extreme Pita brand. They built Extreme Pita to over 100 franchisees and started the fast casual brand called Mucho Burrito. Along with the third brand PureBlendz, the parent company grew to 340 franchised stores with a pipeline to 400 units before it was sold to MTY Group in 2013 for $45mln. He had a short stint at MTY revitalizing brands with founder and CEO Stanley Ma. Sean left and decided to build Crave-It Restaurant Group, which includes the brands Burger Priest and Fresh Plant Powered. Interestingly he grew it to 25 company-owned stores and started working with Paul Rivett, president at Fairfax Financial. Paul was the chairman of the board for Crave-It Restaurant Group and Recipe Unlimited. This is where Sean learned the benefits of capital allocation and how to compound the value of the business. In 2021, Sean sold Crave-It to Recipe Unlimited, which Fairfax took private the following year. In 2022, Sean joined Plant & Co to move the business toward being more restaurant agnostic and renamed it HBFG. Almost immediately the management started acquiring brands with 3 to 10 restaurants in a disciplined manner, focused on return on capital. Thereafter, the team implements best practices, improves profitability, and then scales, targeting over 100 units per brand.
Finally, the management is an experienced team that has largely worked together at Extreme Brands and Crave-It Restaurants. This includes board members Alex and Mark Rechichi, cofounders of both Extreme Brandz and Crave-It. Randell Papineau, president of Emerging Brands, who spent time at Recipe Unlimited. In addition, both David LeBlance, director of Design and Construction, and John Delutis, Chief Restaurant Officer, spent time together at MTY.
The risks include the rapid growth that could lead to poor food quality, challenging customer conditions, and low store quality. However, the team has done this before and understands what it takes to successfully scale. The other main risk is a slower macro environment which would make eating out less attractive despite the lower price points. However, this is mitigated because the royalty fees come off the revenue line before the costs, which will help preserve profitability and cash flow. All told we see a successful future with HBFG as it starts scaling up over the next couple of years in Canada and the US.

“We are just getting started” – Sean Black, CEO Happy Belly Food Group.

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. At least from today's perspective the environment is more belligerent, and we can almost be assured that government debt around the world will continue to climb, making the world economy more vulnerable to shocks. This makes our current business model increasingly fragile. Thus, proactively we felt that the most prudent action for the benefit of our investors is to close our funds to outside investors so that we can transition our business to a more durable and scalable operation over time, offering different services and products to our clients that can help during challenging economic times.

We will keep updated as we progress.

Sincerely,

Edwin Lugo
Founder and Managing Partner
EL2 Capital LLC

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