

	Buckley Capital Net ¹	iShares Russell 2000 Value	iShare Russell 2000
Q1 2026	-4.6%	4.9%	0.9%
2026 YTD	-4.6%	4.9%	0.9%
Total Return since Inception	812.2%	289.7%	322.9%
Annualized Return	12.9%	7.7%	8.2%

¹The performance results herein are presented net of a 1% management fee and 20% performance fee. From January 1, 2008, through December 31, 2010, the results reflect a proprietary trading account managed by the principal of Buckley Capital. Performance from January 1, 2011, onward reflects the results of Buckley Capital Partners, L.P.

Introduction

The first quarter of 2026 was challenging across small and mid-cap equities. While near-term market conditions were volatile, we have seen a meaningful shift in performance as we moved into April. As of the end of April, the fund is up approximately 13.8% net MTD and 8.6% net YTD, reflecting strong underlying performance across a number of our core positions as fundamentals have begun to assert themselves. That strong performance has continued through May.

In this letter, we highlight several positions that we believe exemplify our approach of investing in high-quality businesses at deeply discounted valuations. We discuss our investment in Acadia Healthcare, where the return of a proven operator is driving a turnaround in a fundamentally strong asset base; Sezzle, a high-growth buy now pay later platform that we believe is mispriced relative to its earnings power and growth trajectory; and Hilton Grand Vacations, a market leader with a resilient, recurring revenue model trading at a significant discount to intrinsic value.

These investments reflect a common thread across the portfolio: we are finding opportunities in situations where the market is myopically focused on near-term uncertainty and underappreciating normalized earnings power and long-term value creation. We have used the volatility in Q1 to further refine the portfolio and allocate capital into what we believe are some of the most compelling risk-reward opportunities we have seen in recent years.

Acadia Healthcare (ACHC)

Acadia has been our largest contributor to our 2026 performance thus far, and at today's prices, we have been trimming the position. However, we thought it was appropriate to go into more depth given the success of the position. We are highly attracted to special situations where a proven, high-caliber CEO returns to lead a fundamentally strong collection of assets suffering from recent neglect. Debra "Debbie" Osteen's recent

reappointment as CEO of Acadia Healthcare—the leading pure-play behavioral health provider in the United States, with a large network of psychiatric facilities and substance-abuse clinics—provided exactly this catalyst.

Osteen’s 35-year tenure at Universal Health Services (UHS) established her as the premier operator in the behavioral health industry, with a unique ability to scale high-barrier healthcare businesses organically and through complex M&A while maintaining rigorous operational discipline. During her tenure as president of the Behavioral Health division of UHS from 1999 to 2018, growth in its network and profits helped drive a share price increase of ~1,500%

In 2018, Osteen began her first tenure as CEO of Acadia. During that period, she executed a massive turnaround by shifting the company’s strategic focus toward portfolio optimization and efficiency, notably divesting the UK business for \$1.35 billion to dramatically reduce the company’s debt-to-EBITDA ratio. This deleveraging, combined with a focus on high-yield joint ventures and consistent organic bed-count growth, resulted in a ~140% return in stock price during her three-year leadership.

By contrast, the tenure of the subsequent leadership, from 2022 through 2025, was marked by a severe deterioration in fundamental performance that essentially eroded the gains of the prior era. Under Osteen’s successor, Chris Hunter, the company focused on a record volume of new facility construction and de novo projects, resulting in a spike to \$690 million in capex in 2024 and \$572 million in 2025. Meanwhile, operational efficiency and profitability buckled, with adjusted EBITDA falling from \$709 million in 2024 to \$609 million in 2025, while same-facility volume growth stalled to a near-static 0–1% forecast and professional liability reserves mounted. In 2025, Acadia reported a staggering \$1.1 billion net loss, largely due to a massive \$996 million non-cash goodwill impairment. Predictably, shareholder value was decimated, with the stock plummeting from a high near \$89 in late 2022 to a low of approximately \$14.50 by the end of 2025. What was once a high-flying sector leader had become a distressed asset.

Multiple activists pushed for a change, and the board eventually responded. On January 20, 2026, Acadia announced that Osteen would return as CEO. On that same day, we purchased a meaningful position. At our purchase price of around \$14 per share, the value of the company’s real estate covered its entire enterprise value, so there was very little downside. Moreover, the best CEO in the behavioral health industry was now back running the company, in a situation in which the investment community was underestimating how important new management would be in revamping the business.

Finally, you had a wonderful collection of assets. Acadia operates a sprawling national footprint of 277 behavioral health facilities across 40 states. The company provides a comprehensive continuum of care for approximately 84,000 patients daily through four primary service lines: Acute Inpatient (the largest division, at 55% of revenues), Specialty Treatment, Comprehensive Treatment Centers (CTCs) for opioid use disorder treatment, and Residential Treatment Centers (RTCs). In addition to its scale and scope, the company further differentiates itself through an extensive network of 21 joint ventures with major medical health systems, which helps address the acute shortage of psychiatric beds while freeing up medical capacity for its partners.

The behavioral health industry is currently defined by a significant supply-demand imbalance, with a massive unmet need for services that should serve as a primary driver of future growth. Independent estimates indicate that approximately 30 million Americans with mental illness currently receive no treatment. On the supply side, there is a national deficit of more than 75,000 additional inpatient psychiatric beds required to reach optimal care levels. Furthermore, critical public health trends, such as a 32% increase in annual deaths by suicide between 2009 and 2024, continue to escalate the urgency and demand for high-acuity behavioral health interventions. As a result, industry forecasters believe the behavioral health industry is expected to grow at a mid-single-digit to high-single-digit annual rate over the next decade.

The industry is highly fragmented. More than 50% of all inpatient psychiatric beds in the United States are still located in small, independent facilities, and even the top three providers in the opioid treatment space hold a combined market share of only about 20%. However, structural tailwinds should favor established, large-scale providers such as Acadia. Historically, the sector has suffered from a lack of technology investment, largely due to its exclusion from over \$25 billion in HITECH Act funding that modernized other healthcare segments. Acadia is a rare exception, having aggressively deployed capital over the last few years into a proprietary technology suite—including Electronic Medical Records (EMR) across all facilities and real-time clinical dashboards—that allows for superior patient-outcome tracking and data-driven staffing models. These investments create a significant competitive advantage by providing the granular quality metrics and operational visibility now required to secure favorable reimbursement rates from increasingly sophisticated Medicaid MCOs and commercial payors. Acadia’s technological advantage, combined with its near-unique ability to provide integrated “whole-person” care through its diversified service lines, creates a significant opportunity to improve outcomes and drive operational efficiencies, and thereby to consolidate the industry and gain further market share.

Upon assuming the role of CEO of Acadia for the second time, Osteen’s plan was simple: to combine Acadia’s in-place strategic advantages with a sophisticated “operator’s playbook” focused on clinical excellence, standardized protocols, and the “blocking and tackling” of execution: stabilizing staffing, clearing permitting hurdles for recently opened facilities, and leveraging data-driven dashboards to improve occupancy and patient-day yields across the roughly 12,500 existing beds.

Osteen also immediately executed a significant “capital-light” pivot, prioritizing operational discipline within the existing portfolio of facilities over the aggressive, capital-intensive expansion of her predecessor. By slowing the development pipeline and shifting toward a joint-venture (JV) structure for new beds, the company is reducing its direct capital risk.

This shift is designed to transform ACHC’s financial profile by dramatically improving free cash flow (FCF) through 2027. Guidance indicates a rollback of growth capital expenditures by at least \$300 million annually compared to 2025 levels, targeting a total cap-ex of approximately \$300 million for 2026. This reduction, combined with the phase-out of high startup losses from 2025’s aggressive expansion, is expected to pivot the company from a reported FCF deficit of \$424 million in 2025 to a surplus of approximately \$140 million in 2026. Osteen aims to strengthen the balance sheet and reduce leverage toward the 3x–4x range, providing a

more sustainable path for shareholder value as the company navigates possible legal and Medicaid reimbursement headwinds.

The stock has already almost doubled from our purchase price approximately 3 months ago. While we did not expect Osteen's improvements to materialize as fast as they did, we still believe we are capturing a "gold-standard" executive at a significant valuation inflection point. ACHC could generate \$4/share in EPS in the next 3-4 years and trade at between 12-20x earnings, which would make it a \$48-\$80 stock vs our average cost of around \$14/share.

Sezzle (SEZL)

Sezzle is a mispriced buy now pay later (BNPL) business that we believe will earn approximately \$5.20/share in earnings this year and \$7.00/share next year, vs. our purchase price of \$66/share. We believe paying 12.7x this year's and less than 10x next year's earnings is highly attractive for a business that can compound earnings at a 20%+ clip with a long growth runway.

The BNPL space is growing at 20% per year, and SEZL has the best business model within the industry. While its stock is highly sensitive to market perceptions around consumer credit, given how quickly the company's book turns over, it can easily pull back on credit or tighten its lending standards (as it did in Q4 2025, for example) and see meaningful improvements in credit performance. This makes Sezzle a much lower-risk business model from a credit standpoint than its stock volatility would imply, and a very high-quality business given how quickly it is able to grow and the growth runway ahead of it.

Historically, Sezzle has traded for closer to 20-25x forward earnings, and we believe the IRR will be north of 25% given earnings growth combined with multiple expansion. We also believe the company is being very conservative with its financial guidance and is likely to exceed consensus expectations.

Hilton Grand (HGV)

We re-initiated a position in Hilton Grand Vacations (HGV), the market leader in the timeshare industry and a stock we have followed for a number of years.

The company earns revenue in four different ways. The most familiar, sales of new timeshare contracts and contract upgrades, account for nearly 40% of adjusted EBITDA. This is, of course, cyclical and can be economically impacted during a recession. However, HGV has demonstrated sales resilience through multiple cycles. Over the last 20 years, HGV has had a track record of steady growth in "tours," which are two-day stays given for almost free to families in exchange for watching a two-hour sales presentation. Its close rate of converting these leads into timeshare contract sales has held steady within a tight range, averaging 15% during this period.

Almost 60% of HGV's segment-adjusted EBITDA is from sources that are substantially recurring: club membership fees, resort management fees, and financing fees. This gives the company a very resilient overall

business model across multiple economic downturns—even during 2008-2010, HGV maintained very consistent credit metrics.

Further stability is provided by HGV's happy members, who tend to purchase upgrades to their initial timeshare contracts over time. Sales after the initial timeshare contract purchase drive ~80% of lifetime value. Additionally, newer member cohorts are upgrading at faster rates than their predecessors.

The timeshare industry overall has grown mid-single digits annually since the 1970s. However, over the last few decades, the industry has matured from an individual-property model to a property network model, a shift which has favored large, strong, branded players that can offer members the security of their ownership into the future and access to a very broad, geographically diverse portfolio of worldwide properties. As a result of these favorable competitive dynamics, the large hotel brand-affiliated players—HGV, Marriott Vacations Worldwide, and Travel & Leisure—have been gaining share. This secular tailwind makes the business even more resilient to downturns. During the Great Financial Crisis, HGV's revenue only declined 3% vs. 35% for the overall industry, and it eventually grew its market share from 5% in 2007 to 13% in 2017. To highlight another example, following the COVID shutdowns, HGV's sales rebounded to pre-pandemic levels quickly.

We have owned HGV in the past, and ended up selling due to concerns about future growth. But the stock is now in a very interesting place. At this point, the business is trading at just 6x FCF. Moreover, management is buying back at least 15% of the company per year at today's prices. Either the company will grow earnings per share at a very rapid rate if the valuation remains extremely low (at current prices, low mid-single-digit revenue growth can translate into 20%+ EPS growth), or at some point the stock will begin to re-rate. There is no reason why this business should not trade at 10-15x FCF given the consistency and longevity of the growth profile. Even when we model an exit at just 10x FCF, at today's prices, we still see an IRR north of 30% on this investment. The entry point is so attractive that, unless HGV has serious missteps in execution, it is hard not to see an attractive return.

Conclusion

In periods like the first quarter, it is easy to focus on short-term price movements. However, our process remains grounded in underwriting businesses over a multi-year time horizon, with a focus on normalized earnings power, free cash flow generation, and management execution.

The portfolio today is concentrated in businesses where we see clear paths to value creation, supported by identifiable catalysts and improving fundamentals. The strength we have seen in April and May provides early evidence that many of these theses are beginning to play out, and we believe the opportunity set remains highly attractive.

Dislocations across small and mid-cap equities continue to create inefficiencies, particularly in situations involving management change, misunderstood business models, or temporary operational headwinds. We remain focused on deploying capital into these opportunities with a disciplined underwriting framework,

targeting investments that can generate attractive returns over a three to five-year horizon while limiting downside risk.

As always, we appreciate your continued support and partnership. Please do not hesitate to reach out with any questions or if you would like to discuss the portfolio further.



Zack Buckley

Founder and Portfolio Manager

Appendix – Returns by Year

Year	Buckley Net
2008	(35.5%)
2009	119.3%
2010	6.4%
2011	49.5%
2012	10.6%
2013	22.0%
2014	25.7%
2015	(2.6%)
2016	(5.2%)
2017	17.1%
2018	(18.4%)
2019	2.3%
2020	60.6%
2021	32.9%
2022	(19.9%)
2023	31.4%
2024	2.0%
2025	21.4%
2026 YTD	(4.6%)
Annualized Return	12.9%
Total Returns Since Inception	812.2%

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The results presented herein represent performance returns of a proprietary trading account managed by the principal of Buckley Capital Advisors LLC from January 2008 through December 2010, with the results from January 1, 2011, onwards being reflective of BCP. The results shown were prepared by the account's administrator and the fund's administrator, respectively. Results for the fund reflect the deduction of: (i) an annual asset management fee of 1.0%; (ii) a performance allocation equal to 20% of each investor's ratable share of Fund profits, subject to a "high water mark"; and (iii) transaction costs actually incurred. The results shown for the managed account do not reflect the deduction of certain organizational and operating expenses common to investment funds, which would serve to decrease profits or otherwise increase losses. The information provided herein is for illustration purposes only, confidential, and proprietary, and is intended only for use by the recipient. Performance figures are not audited and were obtained through an independent third-party provider.

The BCP benchmark is the iShares Russell 2000 Value ETF, a managed ETF that measures the performance of the small-cap segment of the U.S. equity universe. The holdings of the fund may differ significantly from the securities in the benchmark. Smaller capitalization securities involve greater issuer risk than larger capitalization securities, and the markets for such securities may be more volatile and less liquid. Specifically, small capitalization companies may be subject to more volatile market movements than securities of larger,

more established companies, both because the securities typically are traded in lower volume and because the issuers typically are more subject to changes in earnings and prospects.

The monthly returns presented are calculated to show net returns that an investor would have received had the investor invested for each period, since the start of the fund. BCP may use leverage as part of its investment strategy. Derivatives are not generally used. BCP may use market and other hedges as part of its investment strategy.

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The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios, and lower forecasted growth values.

The Russell 1000 Index is a capitalization-weighted index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index. As of 31 December 2022, the stocks of the Russell 1000 Index had a weighted average market capitalization of \$381.3 billion and a median market capitalization of \$12.2 billion.

The Standard & Poor's 500 (S&P 500) Index is a free-float weighted index that tracks the 500 most widely held stocks on the NYSE or NASDAQ and is representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.