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Letter to Limited Partners Fourth Quarter 2025

The cover image shows a Hickok Jumbo 4922, an instrument for measuring small electrical currents, voltage, and resistance. This device was manufactured by the Hickok Electrical Instrument Company, originally founded in Atlanta, Georgia in 1910 and then relocated to Cleveland, Ohio a few years later.

Throughout its long corporate history, Hickok has continued to evolve its offering, pivoting—often via mergers and acquisitions—to maintain its relevance in the competitive marketplace. Products produced and sectors served range from tube testers for TVs and Hi-Fis to diagnostic equipment for the automotive industry to gauges and indicators for nautical and aerospace customers. The company, now known as Crawford United Corporation, currently focuses on engineering large-scale air handling systems, as well as providing a range of hoses and coatings and other industrial products.

So what has Crawford, a long-time Alluvial fund holding, been up to lately? Keep reading this letter to find out.



Dear Partners,

What a year. I am pleased to report that after a strong fourth quarter, Alluvial Fund finished up 41.2%, making 2025 the best year in our fund’s nine-year existence. It was one of those rare years in which nearly everything we owned did well. The market backdrop was supportive with most indexes producing healthy gains. However, these gains were heavily concentrated in a small set of companies: big tech, artificial intelligence plays, and anything in the AI value chain. The sources of Alluvial Fund’s returns could not be more different. We earned our money in laundry soap, canned corn, mid-tier shopping malls, air conditioning, useful rocks (limestone and cement), and widget distribution. Oh, and by selling mobile and internet service in Spain. More on that one in a bit.

TABLE I: Alluvial Fund LP Returns (%) as of December 31, 2025

	2025	2024	2023	2022	2021	Cumul.	Annual.
Alluvial Fund LP NET	41.2	16.4	15.1	-14.9	31.0	278.1	15.9
Russell MicroCap TR	23.0	13.7	9.3	-22.0	19.3	107.4	8.4
Russell 2000 TR	12.8	11.5	16.9	-20.4	14.8	106.1	8.4
MSCI World Sm+MicroCap NR	20.7	8.0	15.1	-19.1	15.8	117.4	9.0

Partnership began operations 01/01/2017

On one hand, returns are returns. On the other, I like that our returns came largely from boring companies in defensive industries. It is still possible to make money using plain vanilla value investing principles and ignoring the market’s shiny objects. There is a lot of discussion on the topic of whether the AI industry is in a bubble. I don’t have a particular view, believing the answer depends greatly on the time horizon in question, but I do sleep well knowing that if the answer is “yes,” the ensuing washout will likely have limited impact on our portfolio besides the general effects any broad economic slowdown would have.

I cannot promise that this year’s returns will look anything like the last, but I do commit to spending each day looking for opportunities. I am confident that our portfolio represents a collection of good quality, deeply undervalued companies. I greatly appreciate your willingness to entrust your capital to Alluvial, and I will do all I can to deliver in 2026 and beyond.

Portfolio Updates

Zegona Communications was Alluvial Fund's best performer this year, and it wasn't a close contest. We originally purchased shares of Zegona on the thesis that the leveraged buyout of Vodafone Spain, completed in May 2024, would be a success. Specifically, that Vodafone Spain, under Zegona's management, would sell its valuable fiber networks, reduce operating costs, return to customer growth, and return capital to shareholders. If Zegona had accomplished only 3 out of 4, I would have called it a successful year, but Zegona did it all and the stock responded accordingly. Late last year, Vodafone Spain concluded a partial sale of its fiber joint venture with MasOrange, receiving proceeds of €1.4 billion. Combined with the €400 million from its other fiber joint venture sale, Zegona generated a total of €1.8 billion in cash. The company immediately rewarded shareholders with a €1.4 billion cash distribution, reserving €200 million for debt reduction and another €200 million for share repurchases. The shareholder distribution also had the happy effect of canceling 69% of Zegona's shares outstanding, as the distribution to shares held by Vodafone UK essentially extinguished the seller financing they had provided in the Vodafone Spain buyout. Following the distribution, Zegona has been very active in its share buyback program. The company also achieved a reduction in the interest rate on its term loan. I don't know if there is an annual award for "Leadership in European Telecommunications" but if so, consider this my nomination for Zegona CEO Eamonn O'Hare.

Much of the move in Zegona's share price was the result of the market reclassifying Zegona from "speculative" to "investable." I think the market erred in the first place by classifying Zegona as the former, and I think the market continues to err in valuing Zegona at a discount to other large-scale European telecoms. Further upside for Zegona will come from additional asset sales, likely of the company's data centers and wireless network assets, as well as continuing momentum in top-line revenue growth and margin improvements. Zegona's position in our portfolio is, of course, dependent on the company's performance and how the market reacts to that performance. There is a price at which owning Zegona would no longer offer strong potential for attractive returns, but we are not there yet.

Zegona wasn't our only holding making waves in December. **Crawford United**, our scrappy Ohio industrial conglomerate, announced an agreement to be sold to SPX Technologies for \$300 million, or \$83.42 per share. This was the culmination of an extremely successful investment for Alluvial. We purchased our first Crawford United shares in late 2018 and continued to add in 2019, paying an average of \$12 per share. When the sale completes in a few months, we will have earned 7x our investment, or about 32% annualized. I can scarcely complain. Nevertheless, I intend to! The headline price for Crawford United is not unreasonable at a mid-teens multiple of trailing earnings. And yet, I believe the company could have gone on to achieve a much higher valuation in just a few years. The company's air handling unit is a true gem, with revenue and earnings set to keep growing at double-digit rates. The industrial and transportation products segment is less impressive, but showing signs of life after a difficult post-COVID adjustment. The acquirer, SPX, thought the same; the merger proxy reveals that SPX originally sought to buy only the air handling segment, but that Crawford was not amenable. That's the trouble with being a tiny conglomerate. While many would-be acquirers may covet one or more of your segments, very few are interested in buying all of them. So, SPX struck a deal to buy the whole company. In my view, SPX is paying fair value for the air handling segment and getting the industrial and transportation segment for a

song. I wish the company had hired an advisor to run a full sales process, but they only engaged with SPX.

Family-controlled companies like Crawford United are their own animal with an attending set of risks. At their best, they demonstrate the power of a long-term perspective and alignment. Crawford quietly built a small industrial empire, caring little for distractions like quarterly results and focusing on its long-term objectives. In the process, they made quite a bit of money for insiders and outside investors alike. But outsiders like Alluvial were poorly served in the final act. Sometimes the interests of the family and the interests of outsiders diverge, and when it does, it's obvious who usually wins. I don't know why the Crawfords thought this was the right time or the right price to sell. I am happy that we were along for the ride, even if the final reckoning leaves me a just bit glum.

Fellow industrial **Garrett Motion** had a remarkable 2025. The company repurchased 9% of its shares outstanding, initiated a dividend, and committed to returning 75% of its free cash flow to shareholders, all of which caused the share price to double. Looking ahead, Garrett Motion will continue to produce copious free cash flow and reduce its share count aggressively. Alluvial Fund still hold the shares we subscribed for in the company's 2021 recapitalization, making Garrett Motion another of our long-tenured investments. Unfortunately, for years, these shares traded mostly sideways, held down by two factors: a large share overhang and fears of product obsolescence. The share overhang has largely dissipated. In 2022, four hedge funds controlled almost 80% of Garrett Motion shares. As of year-end, these funds are down to less than 10% ownership, freeing up millions of shares for ownership by others, including the all-important index funds. Even better, the market has gradually re-evaluated its assessment of Garrett's long-term prospects. Electric vehicles will eventually predominate, but it turns out the transition will take lot longer than investors were pricing in a few years ago.

McBride plc was a strong contributor to this year's returns, even if the company caused some heartburn along the way. I have written before about how cultural differences and recent stock market histories combine to give different national markets unique "personalities." American investors are perhaps the world's most unfailingly optimistic, believing that nothing but good returns lay ahead and that every market dip should be bought with both hands. British investors are the complete opposite, seeming to think that disappointment is just around the corner and that every company experiencing prosperity is on borrowed time. Accordingly, investors spent most of the year punishing McBride for any tiny bit of disappointing news and ignoring the

TABLE II: Top Ten Holdings, 12/31/25 (%)

Zegona Communications plc.	15.3
McBride plc.	6.1
Net Lease Office Properties	5.3
Talen Energy Inc.	5.2
Crawford United Corp.	4.5
NewPrinces S.p.A.	4.3
McDermott International Ltd.	4.1
Garrett Motion Inc.	3.9
Fitlife Brands Inc.	3.8
EACO Corp.	3.4
Total, Top Ten	55.8%

company's repeated insistence that trading conditions were healthy and would remain so for the foreseeable future.

Rather than leave its valuation in the hands of melancholy UK investors, McBride management took action, choosing to reward shareholders with an aggressive share repurchase plan and by reinitiating its dividend. The market welcomed these moves, and shares ended the year up 35% from the September lows. Even after this appreciation, McBride shares change hands at less than 7 times this fiscal year's estimated earnings. Dare I suggest that a defensive consumer staples producer with industry tailwinds should be worth at least 10x? McBride has reduced its leverage to sustainable levels and is set to continue rewarding shareholders by returning capital. As the company continues to report solid earnings, I expect investors to become increasingly confident that these results are the new normal, not a temporary reprieve. Perhaps, with the UK stock market recently turning up after a long period of mostly sideways movement, capital will begin flowing to London? An investor can dream.

Our largest holding in the "unpopular real estate" category, **Net Lease Office Properties**, has been active, selling several properties in recent months and making multiple large distributions to shareholders. The increased pace of dispositions gives me confidence that the liquidation process will be substantially complete by the end of 2026. However, there is no denying that the prices achieved in recent property sales have been underwhelming. The current price represents a large discount to the value of the company's remaining properties, so I continue to believe shares are attractive here. It is likely that the total distributions we receive from our Net Lease Office Properties investment will be toward the bottom of the range I had projected at the time of investment, but we will almost certainly achieve a handsome rate of return when all is concluded. With the company's February cash distribution of \$6.75 per share, we will have received our entire cost basis back. That's the power of buying really, really cheap real estate.

New Holdings

In the fourth quarter, Alluvial Fund purchased shares of **Sylvamo Corp**, a manufacturer of uncoated freesheet paper—think printer paper. In Sylvamo, I see an opportunity to buy a fundamentally sound company facing short-term headwinds. Sylvamo, spun off from giant International Paper in 2021, has a strong history of profitability and free cash flow generation. However, 2025 and 2026 results are being weighed down by a confluence of negative factors. The company's long-term supply agreement with its former parent is expiring as International Paper converts a production line from freesheet to cardboard. Paper pricing is down. And Europe, a major market for Sylvamo, is experiencing poor demand. Difficult times. However, there is good reason to believe these factors will alleviate over the course of this year, setting Sylvamo up to return to healthy free cash flow generation. The company is working to replace its lost supply via a major investment in its Eastover and Sumter

TABLE III: World Allocation, 12/31/25 (%)

United States	59.8
United Kingdom	23.5
Eurozone	8.7
Poland	3.9
Denmark	1.6
Sweden	1.4
Other	1.1
Total	100%

mills in South Carolina. The project will increase capacity by 60,000 short tons annually. Elsewhere in the industry, the International Paper conversion and the closure of a Pixelle paper mill in Chillicothe, Ohio will reduce supply and support paper pricing. Sylvamo expects that its South Carolina investment program will yield a 30%+ internal rate of return, and that the company can return to producing \$300 million in free cash flow annually in 2027 and beyond.

I expect Sylvamo shares to respond positively as cash flow production inflects higher in 2027. However, there's a chance we won't have to wait that long. Late last year, Sylvamo's top shareholder, an industrial holding company with extensive involvement in the paper industry, abruptly withdrew its two directors from Sylvamo's board and voided the cooperation agreement that had prevented it from buying additional Sylvamo shares. These actions may indicate a potential transaction in the works.

We also began a position in **Itafos Inc.**, a small producer of phosphate fertilizers. Itafos is two-thirds owned a private equity firm, the sole remaining holding of the firm's former natural resources strategy. Years back, the company was rescued from near bankruptcy by its current majority owner. Following the takeover, new management focused on reducing debt and upgrading operations. Today, Itafos is extremely profitable, has nearly zero net debt, and has multiple options on the table to increase production and extend its mine life by decades.

Let me stop right here and say I don't like investing in commodity producers. It takes a lot for me to even look at one and I certainly don't invest in them based on current profitability or the short-term outlook. But Itafos is trading at around 4 times operating cash flow based on 10-year average phosphate prices, and its cost structure should allow it to remain profitable even if phosphate prices suffer a severe correction. There are several good reasons to think phosphate prices will remain elevated in coming years.

Despite the critical role phosphates play in crop nutrition, American phosphate production has been in steep decline, falling by more than half since 1980. Florida accounts for about 75% of American production, but reserves are beginning to dwindle. Big American producers like Mosaic have been criticized for underinvesting in their phosphate operations, resulting in reduced production. China is the world's largest producer, but the country has been reducing its exports in order to ensure strong domestic availability, both for agricultural and increasingly, for use in the burgeoning lithium battery industry. It is increasingly clear that the world is structurally under-supplied in many critical materials. I think phosphates are one of these, and that a high-quality producer like Itafos could be a choice acquisition for a larger operator.

TABLE IV: Sector Breakdown, 12/31/25 (%)

Communications	21.2
Consumer Staples	17.6
Real Estate	11.5
Materials	10.2
Information Technology	9.9
Financials	8.8
Consumer Discretionary	8.0
Industrials	5.8
Utilities	5.3
Energy	1.1
Health Care	0.5
Total	100%

I have not forgotten the “iron law of commodities.” The cure for high prices was, is, and always will be the same: high prices. An extended period of high phosphates prices would result in increased supply as idled mines restart and exploration activity increases, and prices would return to baseline or worse. But Itafos is cheap enough that it could earn its enterprise value in free cash flow before this increased supply could arrive.

In our last letter, I mentioned I was buying shares of a post-bankruptcy energy engineering and construction business. I thought I was being sufficiently cryptic, but multiple readers correctly identified the company as **McDermott International**. Alluvial has continued buying shares, and McDermott is now a core position for the fund. 2026 will be a watershed year for McDermott. The company is working to refinance its debt, to resume SEC reporting, and to return its shares to a major exchange. Operating trends are all pointing in the right direction. The company’s 2025 adjusted EBITDA should exceed \$400 million, up more than 70% from 2024. Recently, McDermott has secured billions in new contracts for Middle Eastern national oil companies. Encouragingly, the company is also having success in energy transition projects like liquified natural gas facilities and green jet fuels.

McDermott is not without its challenges. The company must demonstrate that its return to profitability is sustainable, and it must continue to strengthen its balance sheet. However, if the company can maintain its current strong trajectory, improving margins and growing its project backlog, I see upside to \$60 or higher versus current trading in the mid-\$20s.

Wrapping Up

The annual audit process has commenced, with Cohen & Company providing their services for a ninth year running. We will share the audited financial statements when the opinion is finalized in a few months. We are also working with the fund administrator to move the tax process along. Just as before, you can expect to receive your K-1 forms in mid-to-late March. Net realized gains were moderate again last year.

I mentioned before that Alluvial Capital Management, LLC graduated to the “big leagues” this year, transitioning from state registration to SEC jurisdiction. The Commonwealth of Pennsylvania gave us a nice parting present in the form of a routine examination on our way out. I am pleased to say the examination was closed with a no-action letter from the PA Department of Banking & Securities.

The firm now has total assets under management of \$180 million, due in no small part to this year’s strong investment performance and a warm reception for our new fund, Tactile. I keep watching for signs that we are starting to “size out” of our investment sweet spot, but I don’t see any. Alluvial’s typical ideas continue to be opportunities where we can invest \$3-\$10 million, so our asset base can grow considerably before opportunities of this size will no longer move the needle. Over our 12-year history, Alluvial has gradually shifted its focus from the “truly tiny” (think companies worth less than \$100 million) to the merely “very small” with market values from \$100 million to \$2 billion or so. Part of the shift is a simple response to changing market conditions; there are far fewer good quality tiny public companies than there were a decade ago. But the bigger reason is the steady growth in our analytical capabilities and accumulated experience as a firm. For my part, I have found these “very small” companies to be no less neglected and overlooked than the “truly tiny,”

and on average, better-managed and more financially robust. You won't see Alluvial buying shares of Alphabet or JP Morgan or Pfizer, but you can expect to see more companies like Sylvamo and CBL in the portfolio.

Thank you for reading, and for patronizing Alluvial Capital. Managing money on your behalf is both a joy and a privilege. Best of luck to those of you who, like me, are still digging your way out from a foot or more of snow. My kids certainly enjoyed a few days off school, but I can't say it was conducive to finishing this letter in timely fashion. Please do not hesitate to reach out with questions, and I look forward to writing to you again in April.

Best Regards,

Dave Waters, CFA
Alluvial Capital Management, LLC

Disclosures

Investment in Alluvial Fund are subject to risk, including the risk of permanent loss. Alluvial Fund's strategy may experience greater volatility and drawdowns than market indexes. An investment in Alluvial Fund is not intended to be a complete investment program and is not intended for short-term investment. Before investing, potential limited partners should carefully evaluate their financial situation and their ability to tolerate volatility. Alluvial Capital Management, LLC believes the figures, calculations and statistics included in this letter to be correct but provides no warranty against errors in calculation or transcription. Alluvial Capital Management, LLC is a Registered Investment Advisor. This communication does not constitute a recommendation to buy, sell, or hold any investment securities.

Performance Notes

Net performance figures are for a typical limited partner under the standard fee arrangement. Returns for partners' capital accounts may vary depending on individual fee arrangements. Alluvial Fund, LP has a fiscal year end of December 31, 2024 and is subject to an annual audit by Cohen & Company. Performance figures for year-to-date periods are calculated by NAV Consulting, Inc. Year-to-date figures are unaudited and are subject to change. Gross performance figures are reported net of all partnership expenses. Net performance figures for Alluvial Fund, LP are reported net of all partnership expenses, management fees, and performance incentive fees.

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