

August 2025

Dear Partners,

For the second quarter, 1 Main Capital Partners, L.P. (“1MC”) returned 13.3%, compared to 10.9% and 8.5% for the S&P 500 (SPX) and Russell 2000 (RTY), respectively.¹

	2025 YTD	Inception	
		Cumulative	Annualized
1 Main Capital Partners - net	9.2%	306.4%	20.8%
S&P 500	6.2%	148.6%	13.1%
Russell 2000	-1.8%	52.0%	5.8%

ITD is from the Fund’s inception, February 1, 2018.

Stocks saw a resurgence in the back half of the quarter as the market’s perception of Liberation Day shifted from end-of-the-world to nonevent. As has been the case since the beginning of 2023, the largest technology companies and most meme-worthy stocks are commanding outsized attention and valuation multiples, while small boring businesses are ignored. At quarter end, profitable companies in the RTY sold for 16x forward earnings, compared to 22x for the SPX and 27x for the Magnificent 7. 1MC’s strategy of buying good businesses with aligned management at attractive prices typically causes us to miss euphoric upswings but leaves us well-positioned to capitalize on volatility created by reversals. I look forward to the opportunities created by the next downswing when it occurs.

1MC’s largest contributors in Q2 were International Workplace Group (IWG LN) and Basic-Fit (BFIT NA), appreciating 23% and 37%, respectively. We continue to own both in size, and I am optimistic that they will continue to perform well.

We also experienced a permanent capital loss of 2%, for both the quarter and year from an opportunistic investment, Superior Industries International (SSUP), that we exited after it announced the simultaneous loss of its two largest customers. Our rapid exit of the position saved us an additional 1%, which would have been wiped when the company’s lenders took control in an out-of-court restructuring. This loss is frustrating, because I expected significant near-term appreciation after management indicated that the new business pipeline was strong and that it was in advanced discussions to take out its preferred equity at a significant discount, addressing nearing maturities. I always demand significantly higher returns from opportunistic investments exactly for this reason – our wins need to be much bigger to make up for the potential losses.

The Fund continues to be highly concentrated in our top three holdings, which account for 55% of capital and have all the characteristics I seek in core investments, very much resembling some of our past winners. My confidence in these positions at current prices gives me optimism that our future is bright.

Types of Alpha

To outperform the market, fund managers must generate alpha over time, which can largely be served in two ways: i) leveraging it up or ii) layering it on top of beta. Each approach has its own risks and benefits.

¹ Performance data are presented for 1MC’s Class A Interests and net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in 1MC’s Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year-to-date 2025 are un-audited estimates. For investor-specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely.

Levered alpha is a spread game that requires isolating it and managing volatility. This is because margin loans can be called in at any time, and temporary losses are made permanent if one is forced to unwind positions at the wrong time. However, levered alpha is attractive because it can deliver consistent returns regardless of which direction the market moves over the short run.

Layered alpha is an absolute return game that requires good security-selection and the embracing of volatility. If equity beta typically delivers investors 10% annualized over long stretches, picking and concentrating in the better stocks leads to outperformance. Of course, while unleveraged layered alpha is not exposed to margin calls, it does leave investors exposed to market drawdowns every so often.

I prefer layered alpha over levered alpha because I trust my ability to pick good securities more than I trust my prime broker to not deliver a margin call at an inconvenient time. Without leverage, I expect that a disappointing outcome would be to slightly underperform the market over time, rather than permanently impairing our capital.

Current Positioning

At quarter-end, 1MC's top five positions were Basic-Fit (BFIT NA), dentalcorp (DNTL CN), International Workplace Group (IWG LN), MasterCraft Boat (MCFT) and Water Intelligence (WATR LN), which together accounted for 70% of capital.

MasterCraft Boat

Three years after our exit, 1MC has re-initiated an investment in MCFT, a business we know well and have owned profitably several times in the past. I've long believed this to be a good business, but the last several years were challenging while the industry worked through a painful period of dealer inventory destocking. I believe this has finally run its course.

MCFT has a loyal customer base and strong brand, while the current valuation is not reflective of its true normalized earnings power. The re-establishment of a position here is a classic example of our strategy in action: buying a great business at an attractive price when the market has given up on the name.

The company is a leading manufacturer of water ski and wakeboard boats, an end market that benefits from volume growth driven by the secular trend toward more active, experience-based lifestyles. Importantly, waterski and wakeboard boat buyers are extremely brand-loyal, with the top three manufacturers controlling 2/3 of the market. This allows MCFT to compete primarily on features rather than price.

Over the last few years, I have watched from afar as retail demand for boats declined substantially while dealers ordered even fewer new boats than they were selling to reduce inflated inventory. To put some numbers around it, MCFT should sell around 2k boats in FY'25, compared to anticipated retail demand of around 3k. This level of production is approximately 50% below the five-year average leading up to the pandemic, and 60% below FY'22. Impressively, the company will likely still be profitable and generate free cash flow.

While it's tough to time the exact bottom in terms of retail demand, I believe we are at or near the end of dealer destocking. Because of this, MCFT should benefit from volume and earnings growth next year even if the retail environment remains challenged. There is a very long way to go before we get back to mid-cycle earnings of \$3.50 per share or more today, before any reduction in share count.

Investor fatigue with MCFT's depressed earnings and lack of near-term visibility is punishing the stock price. However, I am happy to look forward rather than back. This is a business that, despite its cyclical

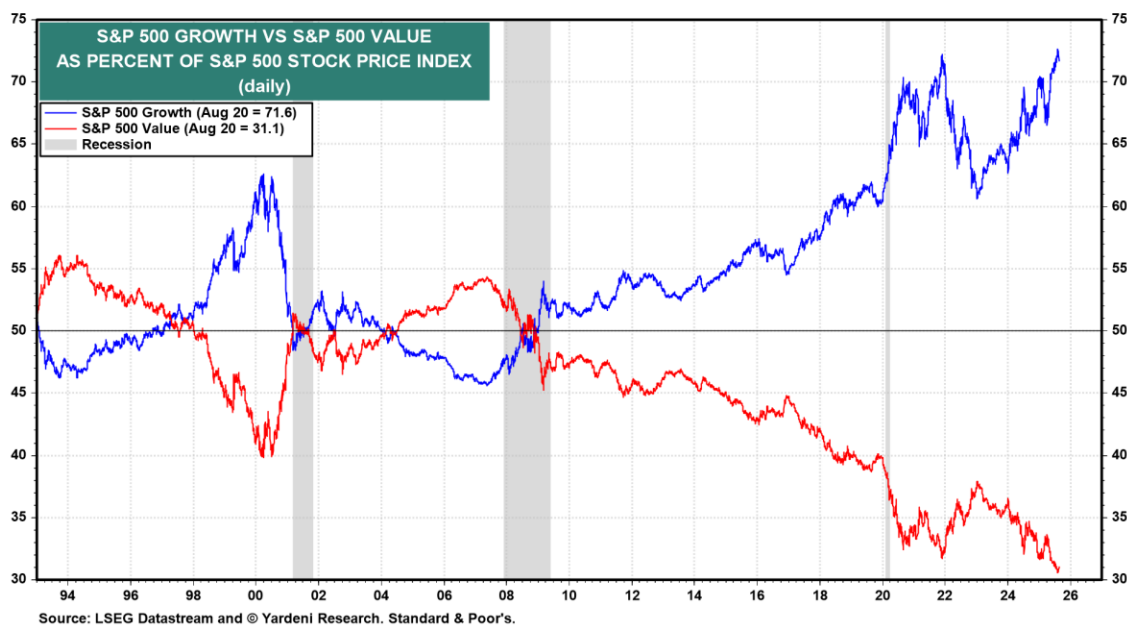
nature, has consistently demonstrated attractive returns on capital. Additionally, its net cash balance sheet provides a margin of safety while allowing MCFT to reduce the share count over the next few years, driving mid-cycle EPS even higher. I am confident that as the earnings power normalizes and the market recognizes the strength of the business and its valuable brands, we will be well-rewarded for being a bit early and looking forward.

Outlook

As we move into the second half, the outlook remains murky. Despite all the recession talk, data shows an economy that remains resilient. Consumer spending continues to increase while the labor market is showing signs of normalization from overheated levels, allowing wage growth to continue decelerating.

At the same time, trade and tariff tensions have caused consumer sentiment to remain cautious. The worry of inflation resurfacing pushed the Fed to pause rate cuts as it tries to balance inflation risk with the desire to support growth. Fed chairman Jay Powell's comments at Jackson Hole suggest this pause could soon be over.

The confusion over continued economic growth and resurgent inflation has resulted in continued market bifurcation. Large cap growth and speculative assets have demonstrated significant strength, while the Russell 2000 and other value-oriented, small-cap names have lagged. This is the very dynamic that creates the opportunities we seek. When the market is fixated on a narrow set of themes and willing to pay an ever-higher price for them, it inevitably creates bargains elsewhere.



This environment is ideal for disciplined, long-term investors. It's our job to ignore the noise and identify high-quality businesses that the market has abandoned. The re-initiation of our MCFT position is a perfect example of this philosophy. We are buying a business with a pristine balance sheet and a strong franchise at a valuation that assumes its earnings are permanently impaired, just as its business cycle is bottoming. I believe this patience and a focus on fundamentals will serve us well and remain confident that our portfolio of high-quality, undervalued businesses will continue to compound capital over the long run, regardless of short-term market volatility.

Other Updates

I was recently featured in the [July edition of Value Investor Insight](#), where I described the firm's investment strategy in more detail. I also discussed a few of 1MC's larger investments. If you haven't had a chance to read it yet, I encourage you to do so.

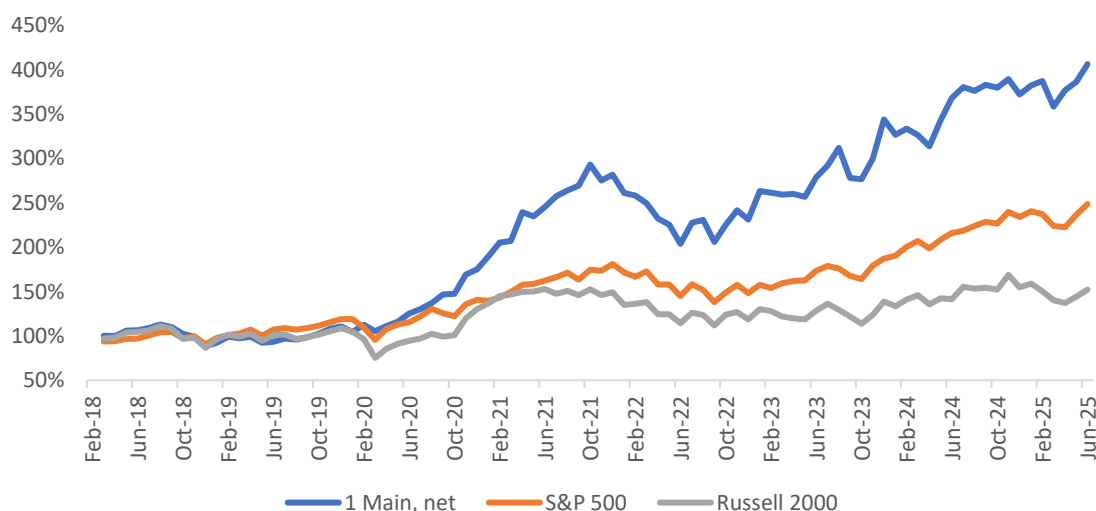
The Founder's Class also remains open with approximately \$25 million of capacity remaining. Please reach out with any thoughts or questions. Thank you for your support and confidence.

Sincerely,
Yaron Naymark

Performance Summary²

2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
1 Main Capital Partners - Gross	3.5%	1.7%	-8.1%	5.2%	3.1%	6.5%							11.7%
1 Main Capital Partners - Net	2.8%	1.4%	-7.5%	5.1%	2.5%	5.2%							9.2%
S&P 500 index - incl dividends	2.8%	-1.3%	-5.6%	-0.7%	6.3%	5.1%							6.2%
Russell 2000 - incl dividends	2.6%	-5.4%	-6.8%	-2.3%	5.3%	5.4%							-1.8%

	One Year	Three Year	Five Year	Since Inception	Inception Annualized
1 Main Capital Partners - Gross	13.3%	30.1%	33.6%	473.3%	26.5%
1 Main Capital Partners - Net	10.4%	25.9%	26.6%	306.4%	20.8%
S&P 500 index - incl dividends	15.1%	19.7%	16.6%	148.6%	13.1%
Russell 2000 - incl dividends	7.7%	10.0%	10.0%	52.0%	5.8%



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