

July 2026

Dear Partners,

For the second quarter, 1 Main Capital Partners, L.P. (“1MC” or the “Fund”) returned 15.0%, compared to 15.2% and 21.6% for the S&P 500 (SPX) and Russell 2000 (RTY), respectively.¹

	2026 YTD	Inception	
		Cumulative	Annualized
1 Main Capital Partners - net	9.7%	390.3%	20.8%
S&P 500	10.2%	204.1%	14.1%
Russell 2000	22.7%	114.2%	9.5%

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

The SPX and RTY had their best quarter since 2020, as the Iran conflict stalled (at least temporarily) and oil once again began flowing through the Strait of Hormuz. The strong performance was largely driven by AI infrastructure and bottleneck beneficiaries, who are seeing strong datacenter capex and robust demand for memory chips. Accordingly, the Philadelphia Semiconductor Index (SOX) gained 88% in the period, its best quarterly performance since its 1994 inception.

Unfortunately for 1MC, we had no direct exposure to this AI theme. The commodity AI beneficiaries, such as memory chip manufacturers, lack the quality and durability characteristics I typically look for in core holdings, while the differentiated and specialized AI beneficiaries have been selling for multiples that I am uncomfortable paying, especially for rapidly evolving technologies.

While the memory bottleneck theme fit the characteristics I seek in catalyst-driven opportunistic positions — asymmetrically cheap on book value with a very strong pricing upcycle — I failed to identify it before the parabolic moves. At this point, these bets are significantly less attractive, as they require strong conviction on the duration of the current commodity pricing cycle while economic theory practically guarantees that capital will chase returns right into a glut. Some public tech investors that I have great respect for, and know the space much better than me, have suggested this cycle may run longer than typical technology booms due to the discipline shown by the key players involved. However, I am not eager to bet our capital on the idea that this time is in fact different.

Despite what appears to be a speculative fever in some pockets of the AI trade, I remain optimistic that the technology will indeed drive sufficient long-term productivity gains to justify sustained infrastructure investment and support strong real GDP growth in the years ahead. This would bode well for our portfolio.

In markets showing increasing signs of such momentum, it is tempting to chase the hot thing of the day. Rest assured, 1MC will maintain its longstanding strategy: ignoring the noise, not chasing the crowd, and staying true to our mission of investing in good businesses trading at reasonable multiples of cash flow, and supplementing our core holdings with a few high-convexity, catalyst-driven opportunistic positions when available.

I remain excited about the business prospects across the Fund's holdings, as well as upcoming catalysts for our opportunistic positions, and look forward to seeing what the future holds.

¹ Performance data for the Fund’s Class A Interests is net of any accrued incentive allocation, management fees and sundry expenses (as disclosed in the Fund’s Confidential Private Offering Memorandum) and assumes an investment from inception. Returns for month-end and year-to-date 2026 are estimated. For investor specific returns, please refer to your capital statements. Past performance is no guarantee of future results.

Current Positioning

At quarter-end, the Fund's top five positions were Basic-Fit (BFIT NA), Hilton Grand Vacations (HGV), International Workplace Group (IWG), KKR & Co (KKR), and MasterCraft (MCFT). Together, these accounted for approximately 65% of capital. LMB sits just outside of the top five and represents a high-single-digit percentage of capital.

Hilton Grand Vacations (HGV)

Earlier this year, the Fund initiated a position in Hilton Grand Vacations (HGV), a global timeshare company that develops, markets, sells, manages, and operates timeshare resorts primarily under the Hilton Grand Vacations brand. HGV spun out of Hilton Worldwide in 2017 and has since acquired several other operators, growing to more than 200 properties and over 700,000 Club members.

The company's vacation ownership interests (VOIs) allow customers to advance-purchase a lifetime of stays — either at a specific location, or, through a points-based platform, at any resort of their choosing — with a median purchase price of around \$30k. VOIs allow buyers to split the total cost of ownership of a vacation property with other owners. Most HGV resorts offer amenities well-suited for families—multiple rooms, kitchens, washers/dryers—making them more attractive than standard hotel rooms. Furthermore, the points-based platform offers flexibility by adapting to members' changing vacation needs over time.

While cyclical, HGV's new contract sales have grown consistently over time, including through the GFC. Better yet, roughly 60% of the company's segment adjusted EBITDA comes from capital light and highly recurring sources such as management fees charged to owners for resort operations and from financing.

On the financing front, two out of three HGV buyers finance their purchases with 10-year fixed-rate secured loans at an average rate of roughly 15%. These loans are packaged and sold as non-recourse ABS at a weighted average cost of 5%, allowing HGV to earn a 10% net interest spread in a highly capital efficient manner. These prime borrowers (average FICO score above 700) are willing to pay subprime rates to borrow small sums (average balance of just over \$20k), as they are effectively buying a monthly payment plan rather than focusing on the sticker price.

Because of the ongoing property management fees, financing spread, and likely unit upgrades, approximately 80% of a customer's lifetime value comes from sales after the initial timeshare purchase.

While the timeshare industry carries a somewhat-deserved negative reputation, due to a history of high-pressure and unethical sales tactics, large, branded players like HGV maintain higher standards to comply with brand license agreements. Branded players like HGV also make it easier for members to sell their VOIs back to the company, which then resells them to new members for a profit.

The industry's negative reputation and inaccurate investor perceptions of cyclicity are the primary reasons the shares trade at a single-digit free cash flow multiple. HGV generated over \$750mm of adjusted free cash flow in 2025 — a high teens FCF yield on the current market cap. Even when normalizing for recent above-average securitizations the company should convert 55–65% of EBITDA to FCF in the coming years.

HGV has been capitalizing on its depressed valuation. The company repurchased \$600mm of stock in 2025 and plans to repurchase another \$600mm in 2026. At the current valuation, these repurchases should allow the company to reduce its share count by 15% this year, on top of a similar percentage last year. Given our expectations for free cash flow to keep growing, HGV has the potential to generate close to its entire current market cap in free cash flow over the next five years — all funded without increasing corporate leverage.

As the market gains comfort with the quality and durability of HGV's cash flow, the multiple should re-rate higher over time. Until then, the company will aggressively reduce its share count, allowing free cash flow per share to compound at an attractive rate in the coming years.

DiaMedica Therapeutics (DMAC)

The Fund holds an opportunistic position in DiaMedica Therapeutics (DMAC), a clinical-stage biotechnology company that has developed DM199, a recombinant (synthetic) form of the naturally occurring tissue kallikrein-1 (KLK1) protein — a critical molecular trigger for blood-vessel dilation.

Stroke Indication (\$10 Billion US Market Opportunity)

Naturally derived KLK1 is extracted from human urine and has treated more than a million stroke patients annually in China, with a consistent safety profile across more than a decade of real-world use at scale. In fact, a 2021 Chinese Phase 4 study of over 1,200 stroke patients showed clinically meaningful efficacy, and a pooled analysis of 16 trials across 1,300+ patients showed KLK1-treated patients achieving significantly better long-term function — speaking, walking, and living independently — reflected in a meaningful shift on the modified Rankin Scale (mRS), the global standard for measuring stroke recovery. While this data doesn't support US approval on its own — it's largely published without FDA-caliber trial rigor, and the drug isn't molecularly identical to DM199 — it represents a much stronger starting point than most Phase 2 biotech theses.

Additionally, DMAC's own Phase 2 U.S. trial (ReMEDy1, n=92), which was placed on a clinical hold in 2022, adds further reason for optimism. Across the full study, DM199 failed to show clear benefit over placebo. However, when the company excluded patients who'd also received a mechanical thrombectomy (MT) — the catheter-based clot removal procedure used in under 10% of severe strokes — a stark divergence emerged: non-MT patients showed a highly meaningful improvement in functional outcomes and zero recurrent strokes, versus four fatal recurrences on placebo, while MT patients showed no incremental benefit. The rationale is coherent: MT patients already have large-vessel blood flow mechanically restored by a surgeon, leaving little room for a microvascular vasodilation drug to add value.

Consequently, DMAC redesigned its ongoing pivotal trial (ReMEDy2) to exclusively enroll non-MT patients. Post-hoc subgroup pivots, especially those of modest sample size, deserve skepticism. However, I am reassured by the fact that this one appears science-driven rather than a data-mined coincidence and is directionally consistent with the Chinese longitudinal data, which shows a roughly 40% reduction in stroke recurrence at 12 months. By isolating non-surgical patients, both the massive Chinese datasets and the U.S. Phase 2 trial converge on the same signal: KLK1 significantly improves long-term neurological recovery by opening collateral blood vessels to feed oxygen around a clot.

Preeclampsia Indication (\$5 Billion US Market Opportunity)

The preeclampsia (PE) program is earlier stage but comparably compelling. Preeclampsia is essentially a crisis of restricted blood flow to the womb; a starved placenta triggers a toxic systemic surge that raises the mother's blood pressure to dangerous heights. Because the only existing "cure" is to deliver the baby prematurely, it remains a leading cause of maternal and infant mortality worldwide.

The connection between these two seemingly unrelated indications is blood flow. Just as stroke starves brain tissue of oxygen, preeclampsia starves the placenta — and the same underlying biology appears to govern both. Ischemic (oxygen-deprived) tissue upregulates the receptor site that KLK1 binds to, suggesting the body's own attempt to compensate for restricted blood flow. The limiting factor, however,

is supply. The human body doesn't naturally produce enough KLK1 to fully engage that receptor and achieve the optimal vasodilatory effect. This is precisely the gap that DM199 is designed to fill.

The strongest case for KLK1 in PE does not come from company marketing materials, but from an independent [NPR profile](#) featuring Dr. Cathy Cluver at Tygerberg Hospital in South Africa — a high-risk facility managing 9,000 intense deliveries annually. Dr. Cluver, a world-renowned maternal-fetal specialist, openly admitted she entered the trial deeply skeptical because the preeclampsia field is historically a graveyard for failed drug treatments.

The early clinical data reveals a striking, dose-dependent breakthrough. For the first fifteen patients treated at lower doses, the research team saw little to no effect. But when the sixteenth patient received the next highest therapeutic dose, the results were instantaneous—her dangerously elevated blood pressure rapidly normalized and stayed down. According to Dr. Cluver, the team's reaction was "We don't believe this. This is impossible!"

In subsequent patients, this optimal dose consistently stabilized and relaxed the lining of the mother's blood vessels, improving blood flow directly to the placenta. Crucially, tests confirmed that the protein drug does not cross into the placenta or breast milk, protecting the baby from direct drug exposure while providing the womb with the vital oxygen and nutrients it needs to safely delay early delivery. This is not a minor safety footnote; the risk associated with exposing the fetus to drugs has historically been the primary reason the pregnancy pharmacology space is a drug development graveyard, and DM199 cleanly clears that bar.

An unconflicted, initially doubtful trial investigator becoming a vocal proponent after watching patients stabilize in real time is an exceptionally high-conviction signal for an early-stage asset.

The Opportunity & Structural Backstop

To meet Western regulatory and purity standards, DMAC developed a recombinant, cell-line-manufactured version of the KLK1 protein (DM199). It can be produced to Western global GMP standards without human biological sourcing, while perfectly preserving the underlying biology validated in China.

The company's corporate structure and leadership add to our conviction. The company originated as a Canadian academic spinout, and its current CEO, Rick Pauls, is a former life-sciences venture capitalist who co-founded CentreStone Ventures and led the fund's initial investment in DMAC. Having transitioned from chairman to CEO in 2009, Pauls has now spent nearly two decades tied to this single company and its underlying science.

This unusually long, concentrated commitment provides a powerful alignment signal: Pauls is a capital allocator who underwrote this specific biology as an investor and has continued to double down on it as an operator. Consistent with that background, management has been explicit that the strategic endpoint here is an outright sale, not standalone commercialization.

Positioning the company as an acquisition target for a larger pharma player once the data reads out is the correct capital allocation choice for a 35-person organization with no sales force. It ensures that our exit is driven by institutional M&A rather than an expensive, multi-year commercial ramp.

Importantly, each indication functions as an independent shot on goal; because the shared underlying biology is being validated across two distinct disease states, the asset behaves as a functional hedge against single-trial binary risk.

The balance sheet cleanly supports this timeline without near-term dilution risk: DMAC holds \$51 million in cash with zero debt, providing an operational runway extending through the second half of 2027. This capital buffer safely funds operations well past the highly anticipated stroke interim analysis expected by the end of 2026, as well as the upcoming preeclampsia Phase 2 readouts. Should DMAC choose to raise additional capital ahead of these catalysts, its largest institutional holders have consistently demonstrated a willingness to support the company by backing equity raises at market prices.

With its current \$400 million market capitalization, DMAC trades at a small fraction of its potential value should DM199 succeed in either indication. Heading into the end of the year, the company is expected to deliver several significant clinical milestones, offering a deeply asymmetric risk-reward profile over a relatively short period. As always, opportunistic positions usually have a much higher risk profile than core investments. The position is sized accordingly (3% of capital, at cost).

Outlook

The economy remains on decent footing despite an on-again, off-again war in the Middle East and a still-elevated inflation environment. While the AI investment boom has been the dominant driver of market returns this year, I expect its impact on our portfolio to show up less through direct participation in the trade and more through the broader productivity gains and GDP growth it supports.

I remain confident that we own a solid collection of resilient, cash flow generative businesses. More importantly, these companies continue to deploy capital intelligently — through organic investment, accretive M&A, and share repurchases at attractive valuations — which should drive durable, long-term per-share value growth.

While some of our largest and highest conviction investments have underperformed recently, they continue to report strong fundamental results. As investors come to recognize the value of these companies, I expect their stock prices to re-rate higher, driven by both earnings growth and multiple expansion, particularly given how modest their starting and current valuations remain. As such, I remain excited for what the second half and beyond hold for the portfolio.

Other Updates

After spending 15 of the last 18 years in the northeast, I am moving back home to Miami, FL next month. Other than our mailing address, nothing else will be changing.

On July 1, we took on our first university endowment capital, bringing AUM to \$120 million. Accordingly, the Founder's Class will close at the end of the third quarter.

The Fund remains open and we continue to appreciate introductions to long-term, like-minded partners. Please reach out if you would like to connect at or around any of the above, or with any other thoughts or questions.

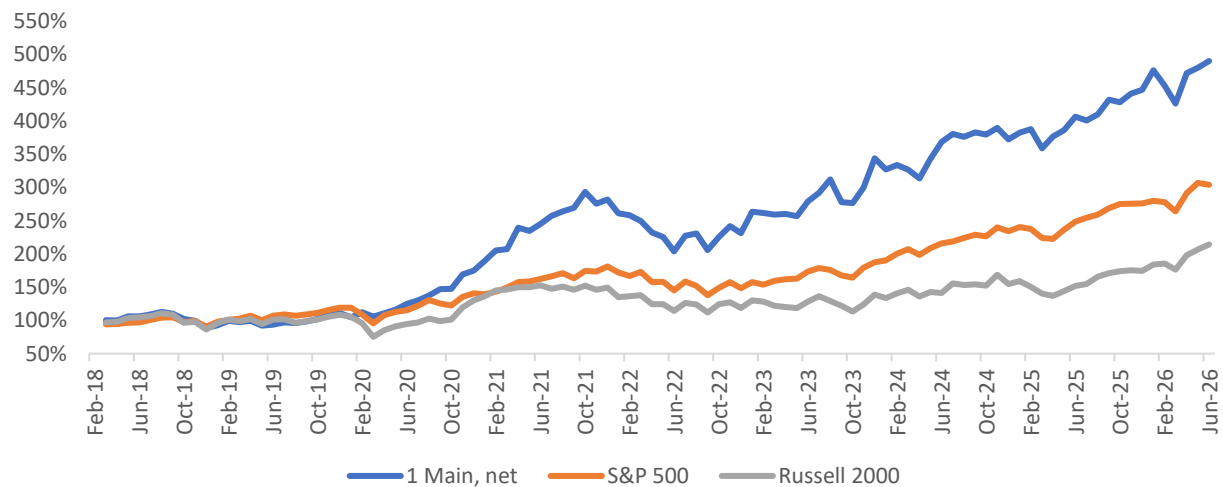
Sincerely,

Yaron Naymark

Performance Summary

2026	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
1 Main Capital Partners - Gross	8.2%	-6.0%	-5.9%	11.9%	2.2%	2.6%							12.3%
1 Main Capital Partners - Net	6.6%	-4.9%	-5.9%	10.7%	1.8%	2.1%							9.7%
S&P 500 index - incl dividends	1.4%	-0.8%	-5.0%	10.5%	5.3%	-1.0%							10.2%
Russell 2000 - incl dividends	5.4%	0.8%	-5.0%	12.3%	4.4%	3.7%							22.7%

	One Year	Three Year	Five Year	Since Inception	Inception Annualized
1 Main Capital Partners - Gross	26.4%	26.1%	19.1%	624.5%	26.5%
1 Main Capital Partners - Net	20.6%	20.7%	14.8%	390.3%	20.8%
S&P 500 index - incl dividends	22.3%	20.6%	13.4%	204.1%	14.1%
Russell 2000 - incl dividends	40.9%	18.6%	7.0%	114.2%	9.5%



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Past performance. In all cases where historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision.

Risk of loss. An investment in the Fund will be highly speculative, and there can be no assurance that the Fund’s investment objective will be achieved. Investors must be prepared to bear the risk of a total loss of their invested capital.

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