

KATHMANDU CAPITAL

July 4, 2025

Dear Partners,

In the second quarter of 2025, the fund generated a return of 17.22% gross of fees and 16.64% net of fees. This compares to 10.56% for the Standard & Poor's 500 Total Return Index and 11.52% for our MSCI ACWI Total return benchmark. Since inception, we have realized a return of 6.72% gross of fees and 1.44% net of fees, versus 38.76% for the Standard & Poor's 500 Total Return Index and 38.21% for our MSCI ACWI Total Return benchmark.

Please refer to your individual investor statements for an accurate view of your return, as investor returns may vary by class and the timing of your investment.

Time Period	Kathmandu (Gross*)	Kathmandu (Net*)	S&P 500 (SPXTR*)	MSCI ACWI (ACWI TR*)
2023	0.41%	-0.62%	6.99%	7.36%
3 rd Quarter (Inception)	7.56%	6.46%	-3.79%	-3.64%
4 th Quarter	-6.65%	-6.65%	11.20%	11.03%
2024	-7.73%	-10.95%	22.99%	17.49%
1 st Quarter	21.42%	17.80%	10.09%	8.20%
2 nd Quarter	0.13%	-0.40%	3.85%	2.87%
3 rd Quarter	-14.99%	-14.99%	5.48%	6.61%
4 rd Quarter	-10.72%	-10.72%	1.99%	-0.99%
2025	15.20%	14.63%	5.45%	10.05%
1 st Quarter	-1.72%	-1.72%	-4.62%	-1.32%
2 nd Quarter	17.22%	16.64%	10.56%	11.52%
Since Inception	6.72%	1.44%	38.76%	38.21%

*Data provided by NAV Consulting, TR = total return index

Over the past quarter, our portfolio experienced a ~30% swing, driven by heightened market volatility stemming from tariff worries. Despite this turbulence, we delivered a positive quarter, supported by capital flows seeking opportunities outside the U.S. and a rebound in domestic equities as tariff worries began to ease. We will continue to approach the market with caution and remain focused on delivering satisfactory long-term absolute returns.

Market Commentary

The market has looked past tariff risks and resumed its fury. With expectations of three Fed rate cuts and the “Big Beautiful” bill passing the House, it seems, as far as the market is concerned, that all risks are once again off the table.

What we see, however, is a fragile economy with little cushion to absorb future shocks. The U.S. debt-to-GDP ratio now stands at 120%, an all-time high, and is on track to rise further as the “One Big Beautiful Bill” adds trillions more in debt. The dollar has declined roughly 10% against a basket of major currencies, inflationary pressures continue to build, and consumer confidence is weighing down. All this is happening amid lingering tariff uncertainties and a stock market reaching all-time highs in both price and valuation.

If we had to place a bet, I would say the probability of the party stopping is higher than the opposite. What if the bond market begins to question America’s creditworthiness? Should we enter a recessionary environment, what tools would we have left to stimulate the economy?

I do not have a good answer to that. Nor do I know when the economic downturn will materialize, if ever, as policymakers continue to extend the current upcycle and defer consequences to future generations. However, I do believe our international focus bodes well with the current environment. Rather than diversifying only across industries and sectors, diversifying across geographies, into businesses with pristine balance sheet and revenue visibility, may prove to be a sound strategy in a world where globalism is fading, American exceptionalism is being questioned, and contagion risk is, at least theoretically, diminishing.

We are starting to see early signs of convergence between U.S. equities (S&P 500 TR Index +5.45% YTD) and its international counterpart (ACWI World TR Index +10.05% YTD). We anticipate this to continue as we patiently wait for unreasonable mispricing to emerge in what remains an extraordinarily volatile market.

Portfolio Update

After shifting approximately 35% of our portfolio into cash and cash equivalents earlier in the quarter, we were fully invested in the holdings listed below by quarter end. We expect to continue leveraging the fund’s nimble size to adjust our cash balance swiftly, as we view cash and cash equivalents as a safer hedge in this volatile environment than shorting.

Deep Value Gems

NagaCorp (3918.HK)

Long-tenured chairman and former FBI agent Tim McNally has retired, succeeded by deputy chairman Philip Lee. Mass-market gaming continues to grow for Naga. With the COVID recovery entering a later stage and ongoing geopolitical tensions with Thailand, much attention is focused on whether the new airport can help restore traffic from China. We have continued to trim our position to reallocate capital toward more attractive opportunities.

Gigacloud Technology (GCT.NASDAQ)

1Q25 results came ahead of market expectations, driven by continued momentum in the 3P marketplace, which is successfully attracting more sellers to the platform. The integration of Noble House is also progressing well with positive profitability. While we suspect some order volumes may have been pulled forward due to tariff concerns and will likely moderate in the coming quarters, we remain bullish on the long-term outlook and believe the business offers a compelling margin of safety.

Cyclical/Secular Gainers

Ubiquiti (UI.NYSE)

The share price has been volatile over the past quarter but has trended upward, despite ongoing concerns around tariffs. We remain confident that UI will ultimately benefit from the BEAD program, especially following the Trump administration's announcement that the program, though delayed, will continue by adopting a more technology-agnostic approach rather than focusing exclusively on fiber. This shift could work in UI's favor, as its equipment is better suited for fixed-wireless access deployments.

ACM Research (ACMR.NASDAQ)

This quarter, we have initiated a new position in ACM Research (NASDAQ: ACMR), the leading Chinese Semi-Cap Wafer Cleaning Equipment Manufacturer. ACMR stands to benefit from China's semiconductor supply chain localization amid growing trade and geopolitical tensions with the United States. Recent trade restrictions on the exports of both semiconductors and semiconductor capital equipment to China have accelerated their efforts to achieve full self-sufficiency - China is the world's largest consumer of Semiconductors, amounting to 35% of global consumption, but only produces 7% domestically.

The WFE Cleaning market in China is especially vulnerable to foreign competitors, as ~60% of the market is dominated by international companies, but have recently been rapidly losing share to ACM. The WFE market in China is ~\$35Bn growing at ~7.5% while the cleaning market comprises ~6% at \$2Bn, of which ACMR has 14% share, behind foreign competitors such as Tokyo Electron and LAM Research. As China moves towards self-sufficiency, ACM's momentum in taking share should accelerate, driving up earnings – share gains from 14% to 25% by 2030 represents an incremental \$7Bn in Revenue. Despite being positioned as the dominant domestic cleaning supplier, ACMR trades at a discount to both domestic and foreign peers despite growing sales in 2024 as fast as domestic Chinese peers, and 3x faster than Western Peers while having a consistent track record growing 20% topline CAGR for the past decade.

Beyond the core business, ACMR is structured as a Delaware incorporated HoldCo, owning 83% of Shanghai listed ACM Research Shanghai (SHA: 688082). Despite ACMR and ACMR Shanghai being virtually identical companies, ACM Shanghai trades at 250%+ Premium (~35x EBIT) to its US listed shares. While we believe that the valuation gap substantially closing is unlikely, any management action to unlock the value of their Shanghai shares to US investors acts as a free call option. Overall, ACMR acts a highly asymmetric opportunity to play the secular trend of Chinese supply-chain onshoring and fab buildout while being protected by a US incorporated company with a free call option on the valuation gap closing.

Grupo Aeroportuario Centro Norte, S.A.B. de C.V. (OMAB.NASDAQ)

Grupo Aeroportuario del Centro Norte (OMAB) is a leading airport operator in Mexico, founded in 1998 as part of the country's airport privatization initiative. The company operates 13 airports under a 50-year concession granted by the Ministry of Communications and Transportation (SCT), with the possibility of a 50-year extension. Under this agreement, OMAB must pay a concession tax (up recently from 5% to 9% of gross revenue beginning in 2024), provide continuous and non-discriminatory services, maintain infrastructure, and fulfill investment obligations under its Master Development Program (MDP). These MDPs are reviewed every five years, during which the SCT establishes minimum capital spending requirements for the next period.

Our investment thesis for OMAB is threefold. First, airports are typically considered regional monopolies because they are the exclusive providers of aviation infrastructure within a given geographic area. High capital requirements, strict regulatory frameworks, land constraints, and environmental concerns make it impractical to build competing airports. This structural exclusivity creates substantial and durable barriers

to entry. Airlines and passengers are also captive to use the existing facility, making the business especially sticky with pricing power.

Second, OMAB benefits from a highly predictable, capital-efficient cash flow model. Operating under a concession structure, OMAB outsources most services to third parties while generating steady cash flow from regulated passenger fees. With capital expenditures predetermined every five years through MDPs, the business enjoys strong visibility into future spending and margins. This capital-light model underpins OMAB's 41% free cash flow margin. Because passenger fees are fixed and regulated, passenger throughput is the only variable and key driver of performance. With significant exposure to Monterrey, Mexico's industrial heartland, we believe OMAB is uniquely positioned to benefit from nearshoring tailwinds as global manufacturers seek to mitigate tariff-related risks.

Third, we view the upcoming MDP renewal as a potential upside catalyst. OMAB's current MDP covers the period from 2021 to 2025. Given the headwinds from COVID-related recovery, tariff uncertainty, domestic airline engine issues, and recent increases in concession taxes and airport usage fees, we believe the government may offer more favorable terms in the next renewal cycle.

Quality Compounders

Kaspi.KZ (KSPI.NASDAQ)

Geopolitical headwinds, domestic policy changes, and a high-interest rate environment continue to weigh on the company. We remain patient and supportive of management as they work to execute on their Turkish expansion strategy. While the move into Turkey is facing short-term challenges, we believe it will ultimately prove to be a smart decision in hindsight, as it helps the company diversify its geographic footprint into a country with higher growth ceiling.

VusionGroup, formerly SES-imagotag SA (VU.EPA)

As expected, VU continues to win new deals and expand its value-added services segment. On June 30th, Walmart sold 650,000 VU shares acquired through a convertible warrant issued as part of its store rollout agreement. This represents approximately 37% of Walmart's warrant holdings and was executed via a private placement, increasing the public free float.

"Although this led to a roughly 10% sell-off, we are not overly concerned by the divestment, as revenue visibility remains strong and Walmart has a history of trimming non-controlling stakes in its portfolio companies, most notably exiting its JD.com position near a bottom.

Closing

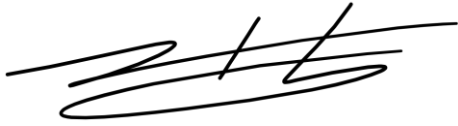
We would like to thank our partners once again for your continued support as Kathmandu Capital marks its second anniversary. It is a true privilege to manage your capital and to have your trust as both Kathmandu Capital and I continue to develop and grow.

Over the past two years, I have faced my fair share of personal distractions, and we have made our share of mistakes. Yet not once did any of you express doubt, show concern, or consider redeeming capital. Instead, you offered support, encouragement, and affirmation. I could not ask for a better group of partners to share this journey with, and I am deeply grateful to be considered both your partner and steward of capital.

Although Kathmandu Capital is still young and subscale, I believe this is a journey of a lifetime – literally. I will continue dedicating my life to generating satisfactory long-term absolute returns and will always keep your interests at heart as your lifetime partner.

As always, if you have any questions, please feel free to reach out to me at vlo@kathmandupartners.com.

Sincerely,

A handwritten signature in black ink, consisting of stylized, overlapping loops and a long horizontal stroke extending to the right.

Vincent Lo, CFA, MBA
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