



October 20, 2025

Dear Partner:

Arquitos returned 29.6% net of fees in the second quarter of 2025, bringing the year-to-date return to 66.8%. Individual returns will vary based on timing of investment. Please check your statement for specific results. See page five for more detailed performance information.

I have always tried to invest on an absolute basis rather than a relative one. Over the long term, my goal is to generate strong, positive performance regardless of what the broader markets are doing. If markets decline, my objective isn't simply to lose less, it is to make money.

That said, it is important to think about opportunity cost in your allocations the same way I think about opportunity cost when selecting individual investments. While I have historically avoided benchmarking the Arquitos portfolio, conversations with several of you have helped me better appreciate an investor's desire to compare our results to a relevant index.

The question, of course, is which market benchmark makes sense? In the past, I have said that if you want a simple comparison, you can always look to the S&P 500. But given the types of holdings in our portfolio, that is not an appropriate point of reference.

It is worth noting that we have been in an unusually long stretch of exceptional performance by large-cap companies. Since our launch in April 2012, the S&P 500 has returned 14.4% annually. This is well above its long-term historical average, and not something that is likely to continue for another 13½ years. Over that same period, small caps have lagged behind with the Russell 2000 Index returning 10.0% annually.

We could also consider the HFRI Hedge Fund Index, which naturally produces lower returns but with much less volatility. Or perhaps a microcap or special situations index might be relevant. Ultimately, the comparison that matters most is the one that helps you frame Arquitos within your broader allocation.

Going forward, I will use the Russell 2000 Small Cap Index as our primary point of comparison. It is not a perfect benchmark, but it best reflects the universe where I spend most of my research time and where our investments tend to reside. It also presents a healthy challenge, as small caps are likely to outperform large caps over the coming decade, reversing the trend of the past one. So, if you need to categorize the fund within your portfolio, consider Arquitos part of your small-cap allocation.

As a reminder, Arquitos Capital is an unconventional hedge fund invested in a small number of unique companies. I focus my research on company-specific situations, generally in smaller companies. Unlike

most investment funds focused on special situations, we are willing to hold companies for many years, sometimes even decades, as their businesses evolve and the market ultimately recognizes their value.

Below is an update on our primary holdings:

Liquidia Corporation (LQDA)

Liquidia's share price rose to \$22.74 at the end of the third quarter, up from \$11.76 at the start of the year. Our exposure is primarily through long-dated call options, reflecting my conviction in the company's long-term potential.

In May, Liquidia received FDA approval for its flagship product, Yutrepia, an inhaled formulation of generic treprostinil used to treat Pulmonary Arterial Hypertension (PAH) and Pulmonary Hypertension associated with Interstitial Lung Disease (PH-ILD). Yutrepia utilizes Liquidia's patented PRINT® production technology, which creates precise, uniform drug particles. Clinical studies and now real-world experience show that PRINT improves treatment efficacy by delivering treprostinil more effectively to the deep lung with less patient effort and fewer side effects.

Yutrepia's commercial launch has been exceptional. FDA approval came in late May 2025, and Liquidia's Q2 2025 corporate update reported more than 900 unique patient prescriptions and more than 550 patient starts within the first 11 weeks. CEO Roger Jeffs, who has previously stated that he believes Liquidia could capture 80% to 90% of the market, said that "initial demand has exceeded even [his] own high expectations."

My own channel checks, corroborated by other investment managers, suggest that Yutrepia's launch has significantly outpaced sell-side analyst forecasts. At this stage, there is little for us to do but wait for the official data to validate what we are already seeing in the field.

Despite this progress, Liquidia shares remain mispriced. The disconnect stems from two factors:

1. Overly conservative patient adoption estimates from sell-side analysts
2. Uncertainty surrounding ongoing litigation with United Therapeutics over the '327 patent

The next month should be particularly interesting for Liquidia's share price as the company has several corporate updates scheduled, including their Q3 report. I also expect a ruling in the '327 case shortly.

Regarding the '327 patent dispute, the outcome will affect only Yutrepia's PH-ILD indication, not its PAH sales. The most likely scenario is a complete win for Liquidia. Other potential outcomes include a modification to Yutrepia's label or a royalty arrangement. While a favorable verdict is expected, and the judge already denied United Therapeutics' attempts to block the PH-ILD launch at the preliminary injunction stage, legal outcomes are inherently unpredictable.

Back in early 2024, I estimated a bull case of \$100 per share and a base case of \$75 per share by 2027. I continue to stand by those targets. Once the litigation is resolved and patient data are publicly confirmed, the door opens further for potential M&A activity.

ENDI Corp (ENDI)

ENDI's share price rose to \$17.50 at the end of the third quarter, up from \$11.43 at the start of the year.

The company is essentially composed of two primary components: Its CrossingBridge asset management subsidiary, and a portfolio of cash and investments.

CrossingBridge continues to perform exceptionally well. Assets under management grew to \$4.2 billion at the end of the third quarter, up from \$3.4 billion at the beginning of the year. Over the past twelve months, EBITDA totaled \$9.2 million, with \$3 million generated in the most recent quarter alone.

On the balance sheet, ENDI holds approximately \$53 million in cash and investments and \$10 million in debt.

At the current share price, ENDI's market capitalization is about \$95 million. Adjusting for net cash and investments and applying a forward annualized EBITDA run rate, the implied EBITDA multiple is roughly 4x.

As you know, ENDI remains a highly concentrated position for us, though it now represents a smaller allocation than earlier in the year. I'm comfortable with this exposure for several reasons:

- My direct involvement as a board member,
- The company's clear undervaluation, and
- Its built-in diversification at the corporate level.

On that last point, a look-through analysis shows that, at the end of ENDI's most recent publicly reported quarter, it was as if Arquitos held roughly 38% of its portfolio in cash and highly liquid short-term investments, a meaningful buffer that reduces overall portfolio risk.

Finch Therapeutics (FNCH)

Finch's share price rose to \$12.28 at the end of the third quarter, up from \$11.30 at the start of the year.

As a reminder, Finch won a jury trial in August 2024 against Ferring Pharmaceuticals, with the jury finding that Ferring infringed three of Finch's patents. The verdict awarded Finch approximately \$30 million in a one-time licensing fee and pre-trial interest, plus ongoing royalties to be determined by the judge and post-trial interest. Importantly, the jury also found willful infringement, opening the door for enhanced damages up to three times the jury award.

When I first discussed Finch in January, I had expected a post-trial decision by the end of the first quarter. That obviously hasn't happened yet, but the potential outcome makes the wait worthwhile. Even under the worst-case scenario, without any enhanced damages, Finch shares are worth at least double their current price.

I won't speculate further on timing. What I can say is that this is a situation worth waiting for, and we are content to do so.

As you can see from the positions discussed above, patience is a critical ingredient in our strategy. For instance, our investment in Liquidia detracted roughly 10% from portfolio performance last year, yet it has been a major contributor this year. That temporary decline actually worked to our advantage. It gave me the opportunity to materially increase our position at attractive prices, which ultimately enhanced our long-term returns. The key was maintaining conviction, re-underwriting the thesis, and adding when other investors hesitated.

I do not focus on year-to-year fluctuations in any single holding. What matters is the total return over the entire holding period evaluated against the current opportunity set. I encourage you to view your investment in Arquitos through the same lens.

While I am pleased with the fund's performance so far this year, I believe each of our core holdings remains significantly undervalued. I am particularly excited about the financial results that these companies will provide in November.

Thank you, as always, for your patience, trust, and commitment to Arquitos.
Best regards,

Steven Kiel

Arquitos Performance Since Inception

| | Arquitos (Gross) | Arquitos (Net) | Russell 2000 |
|-------------------|-------------------------|-----------------------|---------------------|
| 2025 YTD | 71.5% | 66.8% | 10.4% |
| 2024 | 30.9% | 29.6% | 11.5% |
| 2023 | 23.3% | 22.1% | 16.9% |
| 2022 | -52.5% | -52.9% | -20.5% |
| 2021 | 56.5% | 54.9% | 14.8% |
| 2020 | -1.3% | -2.3% | 19.9% |
| 2019 | -13.8% | -14.7% | 25.5% |
| 2018 | -30.6% | -31.3% | -11.0% |
| 2017 | 80.8% | 64.0% | 14.6% |
| 2016 | 65.4% | 54.9% | 21.3% |
| 2015 | -14.0% | -14.8% | -4.4% |
| 2014 | 72.8% | 57.8% | 4.9% |
| 2013 | 58.7% | 46.6% | 38.8% |
| 2012* | 9.0% | 7.2% | 6.9% |
| Annualized | 18.0% | 14.1% | 10.0% |

*Founded April 10, 2012

Disclaimer

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Performance returns presented above are for Arquitos Capital Partners, LP and reflect the fund's total return, net of fees and expenses, since its April 10, 2012, inception. They are net of the high water mark and the 20% performance fee, applied after a 4% hurdle, as detailed in the confidential private offering memorandum. Arquitos Capital Offshore, Ltd. was launched on March 1, 2018. Returns from Arquitos Capital Offshore, Ltd. may differ slightly and are not presented here.

Performance returns for 2025 are estimated by our third-party administrator, pending the year-end audit. Actual returns may differ from the returns presented. Positions reflected in this letter do not represent all the positions held, purchased, or sold.

This letter in no way constitutes an offer or solicitation to buy an interest in Arquitos Capital Partners, LP, Arquitos Capital Offshore, Ltd., or any of Arquitos Capital Management's other funds or affiliates. Such an offer may only be made pursuant to the delivery of an approved confidential private offering memorandum to an investor.