



October 2025

	Merion Road Small Cap Fund	IWM (Russell 2000)	Barclay Hedge Fund Index		MRCM Long Only Large Cap	SPY (S&P 500)
Annualized Since Inception	15.3%	9.7%	6.6%	Annualized Since Inception	14.5%	14.1%
Q3 2025	5.0%	12.4%	5.3%	Q3 2025	10.1%	8.1%
2025	0.6%	10.4%	10.6%	2025	9.6%	14.7%
2024	17.4%	11.4%	9.4%	2024	32.4%	24.9%
2023	11.5%	16.4%	9.3%	2023	38.7%	25.7%
2022	(16.9%)	(20.4%)	(8.5%)	2022	(34.9%)	(18.2%)
2021	42.5%	14.5%	10.0%	2021	20.4%	28.7%
2020	29.5%	20.0%	11.0%	2020	54.3%	18.3%
2019	17.9%	25.4%	10.6%	2019	25.2%	31.2%
2018	15.7%	(11.1%)	(5.2%)	2018	(6.0%)	(4.6%)
2017	35.7%	14.6%	10.3%	Dec 18 - Dec 31	0.1%	(0.5%)
2016 (Jul-Dec)	1.3%	18.7%	5.4%			

Note: All returns are net of management and performance fees. Past performance is not indicative of future results. Returns for the Merion Road Small Cap Fund for the period prior to fund launch (01/13/22) reflect a basket of SMAs.

The Long Only portfolio gained 10% in the quarter. The portfolio was most impacted by the strong performance of Kratos (“KTOS”), a position I initiated in Q2. The stock nearly doubled in Q3 driven by positive industry developments and company specific releases. In July, Defense Secretary Pete Hegseth announced that the U.S. would ramp production and fielding of drones. In August the company released their Q2 earnings which beat consensus; but the real mover here was commentary around their future outlook. Management identified several large wins post quarter end that will boost Q3 bookings and give increased confidence on their guidance for 2026-2027. They also noted that additional upside lies in tactical drones, which are currently being discussed by customers and would immediately increase revenue and profitability since they are already in production. I have reduced our position into this strength to ensure that it is not oversized.

During the quarter I re-established a position in Victory Capital (“VCTR”). VCTR has closed their acquisition of the Amundi US business and now boasts over \$300bn in assets under management. Net flows for the acquired business were positive in 2024 and for 2025 YTD. On a consolidated basis, there is upside to flows should VCTR be able to realize the immense cross-selling opportunity at hand. As a reminder Amundi globally manages over \$2 trillion in assets, has a 15-year distribution agreement with VCTR, and economic exposure to VCTR with ownership of 23mm equivalent shares (worth about \$1.5bn). Management increased their cost synergy target to \$110mm and have historically exceeded their guidance. I believe that the company can achieve at least \$7.00 / share next year in free cash flow, putting them at about 9x. This level is at a discount to comparable asset managers and does not give the company credit for operational upside and strong capital allocation.

The Small Cap Fund gained 5% in the quarter. I was quite active during the period and initiated several new positions.

I bought shares in American Woodmark (“AMWD”) following their announced merger with Masterbrand (“MBC”). AMWD & MBC are two of the largest US manufacturers of residential cabinets. What stood out to me were the identified synergies relative to their current earnings power. Specifically, the companies have identified \$90mm in cost synergies relative to ~\$490mm in EBITDA, an 18% increase. Importantly, MBC management is already 1 year into acquiring Supreme and have stated that the integration progress is on track relative to their initial estimates. Unlike Supreme, which has many high-end and customized products, AMWD has a more standardized product offering; as such any rejiggering of manufacturing locations with AMWD should be a lot easier.

MBC is run by Dave Banyard who will remain as CEO of the combined company. Having previously worked in senior roles at both Danaher and Roper, he has a lot of experience in acquisitions and operational excellence. Keeping in mind that this is a highly cyclical industry, from 2019 to LTM, Dave was able to grow revenue at MBC by 5.7% organically; this compares positively to AMWD which grew 0.2% during the same period. From a margin perspective, MBC performed favorably as well. MBC expanded its EBITDA margin from 11.1% to 12.5% (+1.4%) while AMWD compressed from 13.9% to 11.1% (-2.8%). I expect that the combined entity will benefit from Dave’s leadership.

We are now more than three years into the pullback in new housing starts and are running at pre-covid levels. Interest rates have already started to come down and the consensus is that they will move lower over the next year. At some point housing activity will pick up again and sentiment will improve. Furthermore, President Trump has put in place a 25% tariff on imported cabinets with a scheduled increase to 50% on January 1st 2026. Of course this could change at a moment’s notice, but for the time being this protectionist act will greatly benefit the clear-cut #1 domestic manufacturer. AMWD/MBC currently trade at 6.6x / 9.7x their depressed EBITDA / free cash flow.

I also established a capital structure arbitrage in Bel Fuse (“BELFA” / “BELFB”). As you may recall, I previously owned BELFB based first on new management improving sales and profitability and subsequently on the acquisition and integration of Enercon. That investment worked out wonderfully for us, though in hindsight I sold too early as the company posted banner Q2 results. In revisiting the name, I noticed two things. Firstly, the discount in the price of the Class A shares versus the Class B shares had materially widened and was approaching historic levels. Secondly, Gabelli, a large holder of the Class A shares updated his holdings report to note that he is considering resubmitting a shareholder proposal to collapse the share structure.

Gabelli had previously submitted similar proposals in 2018 and 2020. At the time those proposals did not pass as the company’s governance documents suppress the voting rights of Class A shareholders who own more than 10% of the outstanding Class A; and with approximately 21% of the outstanding Class A, Gabelli was not able to fully exercise its voting rights. At the 2020 shareholder meeting, the Gabelli proposal received 567k votes in favor and 921k votes against. Had Gabelli been able to vote their 463k shares the proposal would have passed. In the years since, however, Gabelli has sold his Class A shares down to 7.966% and should be able to vote for any proposal.

The largest Class A shareholder is Daniel Bernstein, who is allowed to vote his shares through an exemption. Daniel is the son of the company’s founder and former CEO. Since 2020 we have seen Daniel slowly release the reigns of the company as he brought in an outsider as CFO to effect change and

ultimately decided to promote him to CEO effective this year. This decision has been incredibly beneficial to Daniel and all shareholders, as the stock price has increased about 10x. Given that 90% of Daniel's holdings are in Class A which are trading at a material discount to the more liquid Class B shares, Daniel is no longer involved in the day-to-day operations, and has demonstrated the willingness to put ego aside for the greater good, I would not be surprised if he changes his stance on the matter. Collapsing the structure would be a win-win as it would improve corporate governance and provide liquidity to all shareholders.

My base case is that the shares revert to parity, while downside is relatively limited. The icing on the cake would be if the Class A shareholders are able to negotiate some control premium given that they have voting rights and Class B do not.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron Sallen", with a stylized, flowing script.

Aaron Sallen

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