



Dear Partners,

The Apis Flagship Fund was up 10.0% net in Q4 2025 and gained 55.1% for the year. During the past quarter, our longs contributed 11.9% (gross) and our shorts contributed 0.8% (gross). At the end of December, the Fund was approximately 68% net long with the portfolio 97% long and 28% short.

PERFORMANCE OVERVIEW

December 2025 capped off a very successful year all around. For the month, quarter, and year, the Apis Flagship Fund outperformed the MSCI ACWI global benchmark by roughly 2.0%, 7.0%, and 33.0%, respectively. While small-capitalization stocks slightly lagged large-cap benchmarks (up about 19.3% versus 22.3% for large-caps), this represents a sharp reversal from last year when small caps underperformed by nearly 10.0%.¹ Additionally, international equities significantly outperformed U.S. markets, returning 32.4% compared to 17.3% in the U.S.² We view the outperformance of non-U.S. markets very positively, as it aligns with our bottom-up assessment of relative growth and valuation opportunities. This framework continues to drive our portfolio's structural bias outside the U.S., particularly in select Asian markets.

Stock selection was the primary driver of performance in the fourth quarter, with long positions generating returns more than three times benchmark levels, while short positions also contributed modestly. All regions and sectors were positive – North America and Asia accounted for the majority of gains, while Europe contributed less but generally in line with its regional weighting. From a sector perspective, Technology and Healthcare led quarterly performance, followed by Basic Materials, which also posted strong results.

The top contributor in Q4 was Celcuty, a healthcare name highlighted in our last quarterly letter, which added 3.8% during the quarter and 4.4% for the full year. Memory semiconductor companies were another notable source of strength, contributing more than 5.0% to returns, led by Japan-based Kioxia Holdings, which we also highlighted in the Q3 letter. Offsetting these gains, UniQure detracted about 1.1%, while several of our Korean defense-related holdings collectively detracted approximately 2.5% in Q4. We attribute this weakness to a technical pause following strong prior performance rather than any deterioration in fundamentals. Notably, three of the top 10 contributors for the year – Hyundai Rotem, Poongsan, and Hanwha Aerospace – collectively added over 11.0% to annual performance.

On the short side, the fourth quarter was particularly strong, with small absolute gains despite rising equity markets. C3.ai was among the top contributors, which is highlighted in the accompanying *Value Investor Insight* article, and ranked among the top short-side gainers for both the quarter and the full year. The largest detractor in the short book also appeared in both periods – a “quantum computing” name that captured retail investor attention.

PORTFOLIO OUTLOOK AND POSITIONING

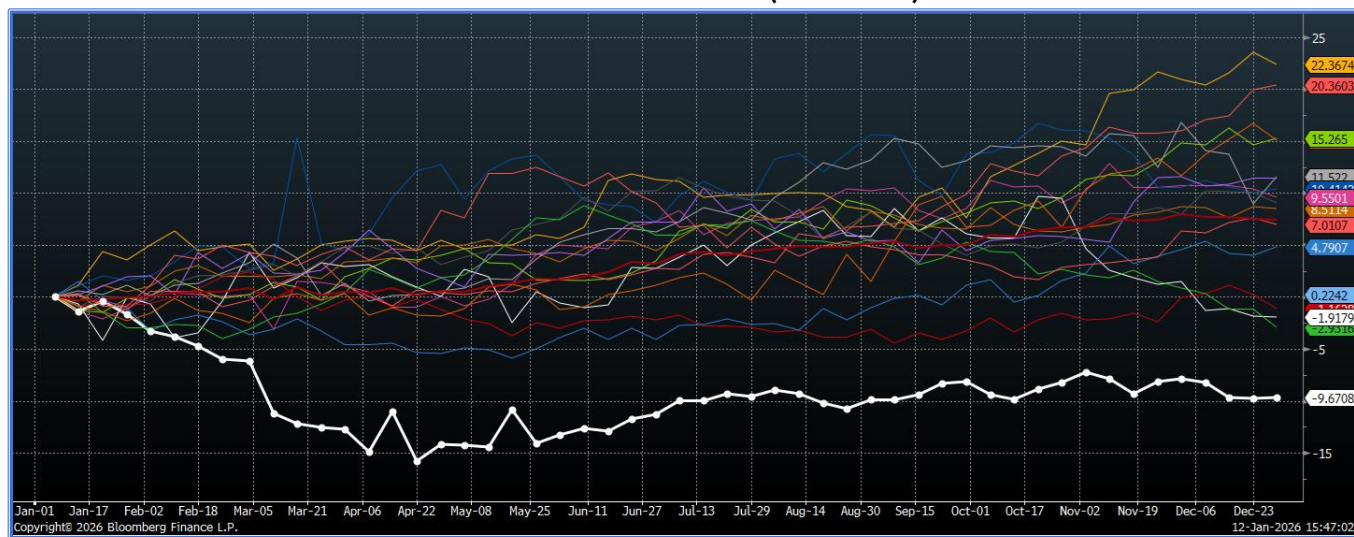
Long-time readers of our letters are familiar with our emphasis on the relative merits of smaller-cap companies and the attractive opportunity set, especially outside the U.S. markets. For the first time in many years, this perspective was reflected in market performance, as U.S. equities underperformed and saw their worst relative performance versus the MSCI World ex-U.S. in more than 15 years (prior years are illustrated by the colored lines, with 2025 performance shown by the white line below).

¹ MSCI ACWI vs. MSCI ACWI SMID Cap index (FY24 and FY25).

² MSCI ACWI ex-USA vs. MSCI USA index (FY25).



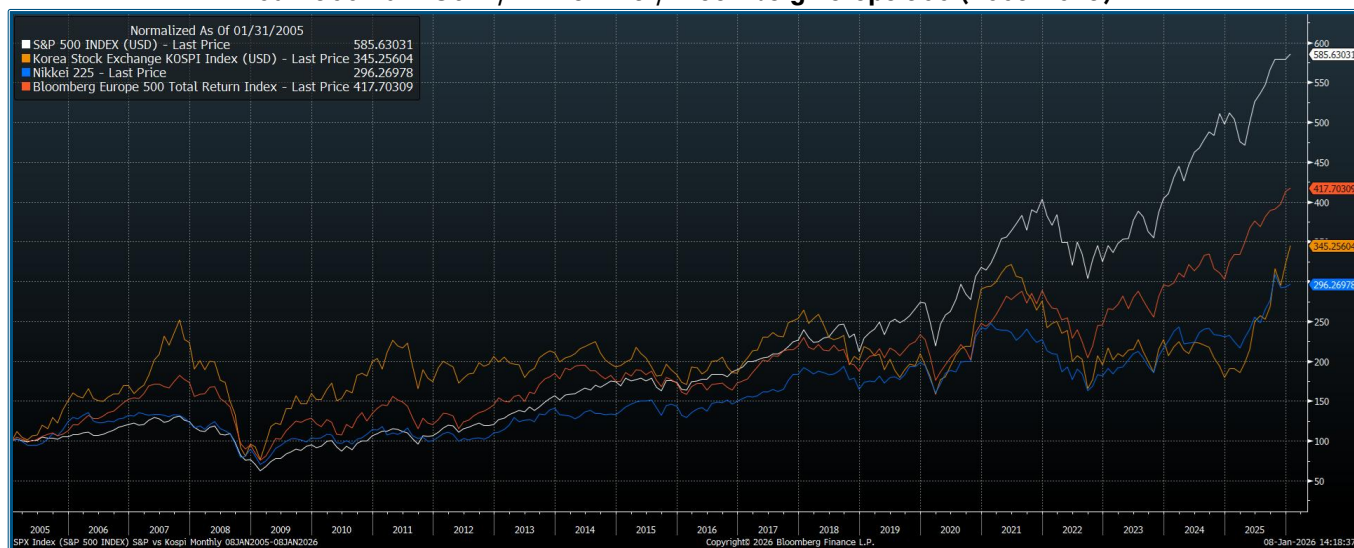
S&P 500 vs. MSCI ex-U.S. (2010-2025)



Source: Bloomberg

Even from a longer-term perspective, the relative underperformance of non-U.S. markets remains pronounced. This is particularly evident in markets like Korea, with roughly half the historical upside despite consistently higher GDP growth. Even Japan has woken up – who knew that excluding currency effects, Japanese equities have outperformed the U.S. over the one-, three-, and five-year periods! Unlike the U.S., many of these economies have preserved a substantial industrial base and remain strategically competitive in critical industries such as semiconductors, shipbuilding, and defense, among others.

S&P 500 vs. KOSPI / Nikkei 225 / Bloomberg Europe 500 (2005-2025)



Source: Bloomberg



Several themes from 2024 continued to influence portfolio construction during the year, most notably exposure to defense and electrification. However, these exposures have evolved toward smaller companies with niche IP. New themes emerged in 2025, including exposure to memory within the semiconductor complex and to mining and mining equipment. Another area of “bombed out” cyclical exposure beyond mining where we have added is European building materials. In these segments, valuations remain cheap and expectations modest, yet early signs of demand are emerging, supported by fiscal stimulus programs. A resolution to the war in Ukraine could further enhance the long-term growth outlook for well-positioned companies in this space. Finally, we continue to pursue more idiosyncratic opportunities, particularly in Healthcare (accompanying *Value Investor Insight* article discusses Alzchem, for example), alongside select “value going to growth” ideas such as Garrett Motion, which is also highlighted in the attached interview.

BUSINESS UPDATE

While we do not have any structural business updates to report, we are pleased to close the year having surpassed \$1 billion in firmwide assets. This milestone reflects strong investment results, continued support from our long-standing partners, and growing interest from new investors who joined Apis Capital in 2025. We are deeply grateful to all of our partners – many of whom have been with us since the very beginning – and we sincerely appreciate your openness to our distinctly global approach, which focuses on small, often underfollowed companies. While our strategy does not always fit neatly into a conventional “box,” it has consistently proven to be a rich hunting ground for generating superior investment returns.

Looking ahead, we believe Apis is exceptionally well-positioned to build on this momentum. We have long viewed our strategy as evergreen, with a universe of tens of thousands of companies providing ample opportunity across market cycles and geopolitical environments. Regardless of the macro/geopolitical backdrop, there is always something working somewhere, and we remain highly confident in our ability to continue identifying compelling investments and sharing in the firm’s ongoing growth and success alongside our partners.

As always, we encourage your questions and comments, so please do not hesitate to call our team here at Apis or Will Dombrowski at +1.203.409.6301.

Sincerely,

Daniel Barker
Portfolio Manager & Managing Member

Eric Almeraz
Director of Research & Managing Member



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Apis Offshore Capital, Ltd. ("Flagship" or "Flagship Fund") launched on 4/16/04. Thus, returns for April 2004 are only from 4/16-4/30. Investment returns are for an unrestricted (new issue eligible) investor net of all fees and expenses including a management fee equaling 1.5% and an annual performance allocation equaling 20% of the net appreciation in the investor's capital account.

A complete discussion of the fees and expenses associated with a Fund is contained in its Offering Materials.

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