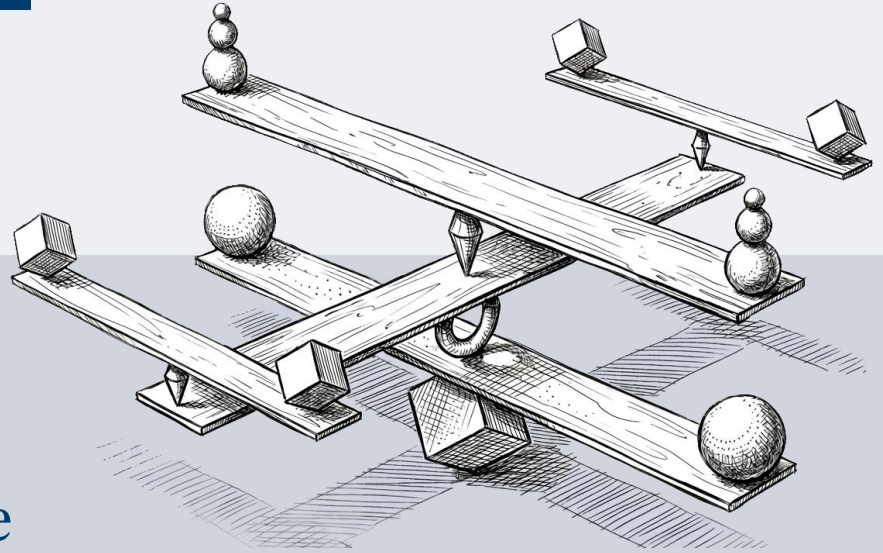




Precarious Balance

	Adamantos Fund ¹	Cash +5% ²	MSCI ACWI ³
Q2 2026	-15.0%	2.3%	+13.6%

Past performance is not a reliable indicator of future returns.

Performance

Adamantos was down 15% in the June quarter. This has been a particularly bad quarter, with a significant drag from our short positions, principally positions relating to AI beneficiaries. Adamantos's investment strategy focuses on generating absolute returns in combination with resilience to stress events. This quarter, we had the opposite of a stress event; effectively we had a melt-up from a low in the market. Since we do not know when exactly a stress event may occur, or how long it may last, we always strive to position in anticipation of a potential stress event. The cost of that positioning is that when there is a sharp melt-up, as happened this quarter, we suffer a performance drag. Historically, melt-ups across the market have been less frequent than stress events.

¹ Returns of the Adamantos Fund (ARSN139 669 293) are calculated using its net asset value unit price (excluding buy/sell spread) and represent the combined income and capital returns over the quarter ending on 30 June 2026. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. **Past performance is not a reliable indicator of future returns.** This letter contains forward-looking statements. Please refer to the Important Information section at the end of this letter.

² "Cash" refers to the RBA Cash Rate. Data sourced from the Reserve Bank of Australia.

³ "ACWI" refers to the MSCI All Country World Net Index (AUD). MSCI ACWI data sourced from FactSet. MSCI data © MSCI Inc. All rights reserved.

Precarious balance

It feels to us as though we have reached a particularly unstable point with a very wide divergence in valuation between the favoured parts of the market and the unfavoured parts. How we got to this point is an interesting sequence, but one we will not elaborate on in this letter for brevity. To us, the present moment feels like a fragile and unsustainable situation unlikely to persist indefinitely. It also represents rich opportunity on both the long and the short sides of the market, and it is this opportunity that we wish to convey.

As a simple illustration, the long side of the Adamantos portfolio had an average forward Price-to-Earnings ratio⁴ of about **10** at the start of this year and we closed the second quarter with an average forward Price-to-Earnings ratio of about **8**. This is a significant cheapening. For much of the long portfolio, earnings expectations have increased materially. It is historically unusual that we are able to construct a diversified portfolio of well-positioned companies on such a low multiple - we consider this to be a compelling environment.

Normally, when strong companies are available on sale, one would expect the opportunities on the short side to be less appealing. Instead, we also see significant opportunities on the short side. We make money when the prices of companies we are short fall. Our short portfolio currently has an average forward Price-to-Earnings ratio of 117 (this is not a typo, our short positions really are on more than 10x the valuation of our long positions). If stocks in our short portfolio fell 50% in aggregate, the forward Price-to-Earnings ratio would still be over 50!

But these figures alone do not capture just how extreme things are: the average Price-to-Sales⁵ ratio of positions we are short on a valuation basis (which make up 90% of our short book) is 10. We have short positions on 50x sales, 100x sales, not to mention pre-revenue companies with market capitalisations in the tens of billions of dollars before even having a marketable product⁶. The opportunities on the short side are unusual from a historical standpoint. The situation brings to mind a famous interview by the then CEO of Sun Microsystems, Scott McNealy, in 2002 after Sun's stock price had collapsed 90%. It was titled "What were you thinking" and was addressed to investors in Sun. In short (pardon the pun), he laid out the absurdity of a stock trading on 10x sales, which was the valuation Sun traded on at the dotcom peak. We have an entire short book on 10x sales! Suffice it to say, 50x sales, 100x sales may carry significant downside risk for those invested in those particular securities, and, should those securities fall, as we have sold them short, that

⁴ A Price-to-Earnings ratio is calculated by dividing the share price of a company by its earnings per share. It is a valuation metric used by investors to judge whether a company's shares are cheap or expensive, with a lower Price-to-Earnings ratio potentially indicating a cheaper stock. A "forward" ratio means that it is calculated using the average earnings per share for the current uncompleted fiscal year as estimated by broker analysts providing estimates for the company in question.

⁵ A Price-to-Sales ratio is calculated by dividing the share price of a company by its sales per share. It is a valuation metric used by investors to judge whether a company's shares are cheap or expensive, with a lower Price-to-Sales ratio potentially indicating a cheaper stock.

⁶ As of 30 June 2026.

would be to our benefit. It must be noted that the risk we bear is that those securities can be volatile, and that they may also go up significantly, causing losses, even if they do ultimately go down.

The question is, having gotten to this point, what will tip over this precarious balance?

We see two potential triggers or scenarios for a severe downward rerating for the hot parts of the market.

IPO supply

Firstly, there is a complex of meme, science experiment and space-related stocks trading on extremely high valuations. This complex has had a substantial stock supply added to it by the SpaceX IPO, which raised US\$85.7 Billion, and caused many of these stocks to stumble. We believe that this is because SpaceX provides investors with exposure to the same theme, but has a much higher profile.

The IPO is only the beginning, however — merely 4.9% of SpaceX shares are freely tradeable. The vast majority of SpaceX shares are subject to lockups. These lockups will start expiring after the company's Q2 earnings report, which is likely to come in late July or early August, with additional lockup expirations to follow every few weeks thereafter. As those lockups expire, we expect there to be a substantial supply of stock for the market to absorb. We believe this may create persistent downward pressure for the highly-speculative, exorbitantly-valued parts of the market for some time.

AI capex rollover

The second probable trigger would be a slowdown in the enormous AI capex cycle which, in our view, has already begun unfolding. A large number of hardware companies have been the beneficiaries of the staggering increase in capital expenditure by the large US tech companies, and those companies are currently trading on extremely high valuations.

Our view on the AI capex cycle has shifted from positive, to neutral, to now negative. Leading indicators, such as the price of AI tokens, have shown volatility, rather than the general upward trend they previously had. We see that volatility typically precedes a change in trend.

When we look at how the AI capex cycle has been playing out to date, the first stock to benefit was Nvidia, which brought together semiconductor design, packaging and software to create a solution that is highly profitable and extremely difficult to replicate. The next wave consisted of companies that facilitate Nvidia, and those that could create products that compete with Nvidia. We then moved to general beneficiaries of capital spending on datacentres, like power suppliers. Following that, we moved even further down the pyramid to commodity components for which AI is but one of multiple use cases, such as memory (or, to be more specific, DRAM memory), and network cables. Finally, we have reached a

point where even the substitutes of such commodity components are benefiting (solid state hard drives and even traditional spinning disk hard drives have seen their prices rise as demand increases due to the shortage in DRAM). To put it plainly, we are late in the day. When the capex cycle crests, we would expect things to play in reverse order, with the most marginal beneficiaries hit first.

What we think is unusual about this cycle is the lack of scepticism investors have shown for these marginal beneficiaries, leading to them trading on valuations that are extremely high for marginal cyclical companies. We see this as a huge opportunity on the short side. By contrast, during COVID, auto companies benefitted from shortages, but investors looked straight through that, refusing to give them high multiples due to their history of cyclicity. The companies now benefitting from the AI capex cycle, like memory stocks, have an even more extreme history of cyclicity than auto companies. It is hard to fathom why the market is less sceptical of this cyclicity than it has been in the past. Maybe this time is different, but history would suggest otherwise. We are positioned for reversion.

An illustrative discussion on memory

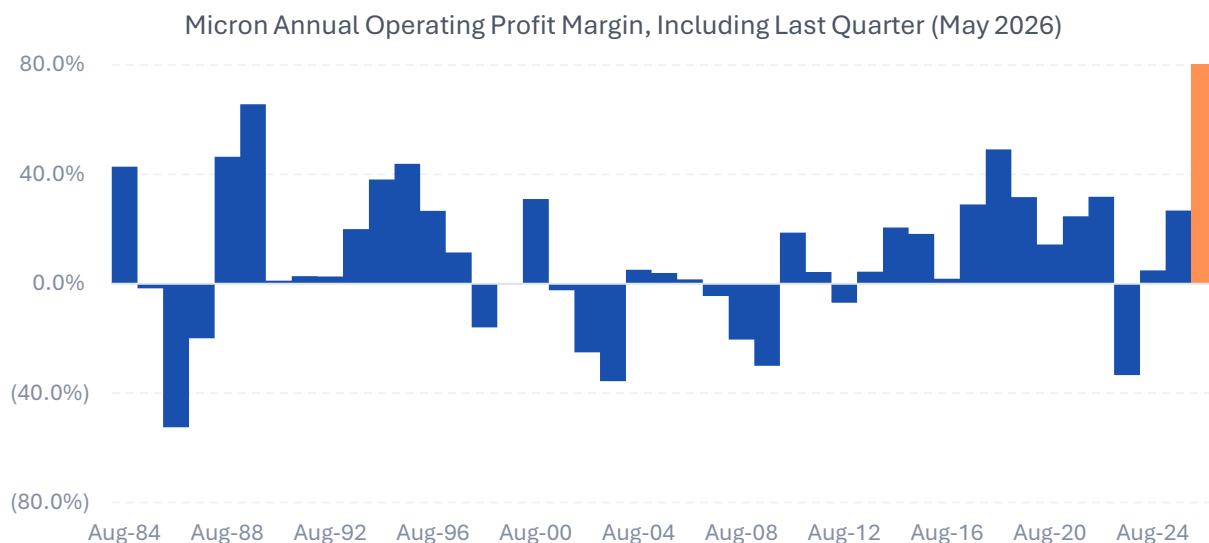
The price action in memory in particular is notable and is worthy of comment. For context, the Price-to-Book⁷ ratio of Micron hit a high of 19 in the quarter and its market value peaked at US\$1.37 Trillion. In April of last year, Micron had a Price-to-Book ratio of 1.5, and a market value of US\$72 Billion. This is a dramatic increase.

Micron produces DRAM memory chips. DRAM memory chips are a highly commoditised product that can be produced at scale by multiple players. Given time and capital, there is no real limitation on how much DRAM can be produced. Consequently, DRAM has repeatedly had huge boom and bust cycles. Currently, DRAM is seeing an extraordinary boom as a result of strong AI spend. In our view, the balance of probability is that this boom will eventually be followed by a bust, as memory companies overinvest in manufacturing capacity and end up overproducing chips.

To mitigate this risk, the leading memory companies are entering into long-term contracts with their customers, and much commentary is being made of these. These long-term contracts are supposed to lock in high prices for multiple years. Long-term contracts are a common feature of cyclical booms, and have historically not prevented the cyclical busts that typically follow. In practice, when a bust occurs, and the pricing of the long-term contract becomes deeply uncompetitive, buyers have historically found ways to renegotiate their contracts.

⁷ A Price-to-Book is calculated by dividing the share price of a company by its book value. It is a valuation metric used by investors to judge whether a company's shares are cheap or expensive, with a lower Price-to-Book ratio potentially indicating a cheaper stock.

For reference, the chart below shows the history of Micron's annual operating profit margins, going back to 1984.



Data sources: Mihic Fund Management, Factset, Data as at 30 June 2026. **The orange bar reflects May 2026 quarter. The blue bars represent fiscal years August 1984 to August 2025.**

Over this history, up to the fiscal year that ended in August 2025, Micron's average operating margin had been 8.9%. In the latest quarter (May 2026), its operating margin was 80%. We leave it up to the reader to consider what an appropriate assumption regarding Micron's future margin is.

Historical earnings in memory have been very fickle. For example, Micron had a bumper year of profitability in 2000 (with its Price-to-Book ratio hitting 11 and its market value reaching US\$53 Billion). This was followed by a decade of loss making (Micron's valuation hit a low in 2008, with a Price-to-Book ratio of 0.34 and a market value of US\$1.5 Billion). Interestingly, just as memory was only a beneficiary of the internet infrastructure buildout in the later stages of the dotcom bubble, it has also only been a beneficiary of the AI infrastructure buildout in its later stages. Perhaps history will rhyme again, although there is no certainty that historical patterns will repeat.

Making matters even more precarious for Micron, there is a substantial new competitor from China, CXMT, that has been creeping up on the memory market. Many years ago, most commentary was that CXMT would only supply domestic Chinese customers, if they ever succeeded in making a product at all. Then, in 2024, they sold ~3% of DRAM chips globally, in 2025 ~7%, and in 2026 they are heading to ~9%. They have aggressive plans to increase supply, aiming to get to a 17% share by 2028.

Far from being limited to the Chinese market, the current shortage of memory has led to CXMT chips making their way into Western PC products. Recently, Apple requested clearance to purchase chips from CXMT, presumably for the iPhone. Historically it has not been good for Western commodity producers when state-backed Chinese companies enter their market. The steel industry, in particular, comes to mind.

Notably, the entry of the Chinese, and fierce competition, would not be a new phenomenon in the memory industry. The Japanese came to dominate the industry in the 80s, beating out the Americans, only to end up exiting during the 90s as they were replaced by the South Koreans. Again, should history repeat, we may be in for a long and unprofitable battle for market share.

Conclusion

We see significant value on the long side of the Adamantos portfolio, and, at the same time, we see significant opportunity to short-sell highly valued stocks. It has been a volatile year so far, and while volatility is unpleasant, that volatility has created all the significant opportunity we have before us today. We are highly optimistic about the Fund's positioning!

Thank you for entrusting us with your capital,

Sava Mihic

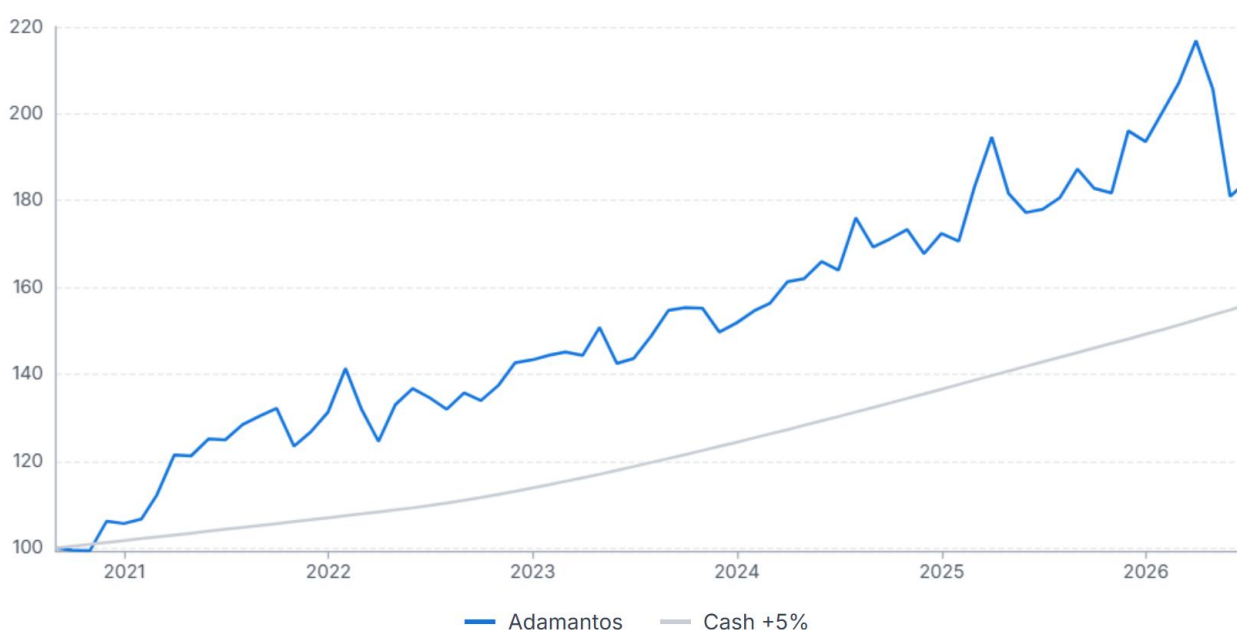
Portfolio Manager, Adamantos

References⁸

Adamantos Strategy vs its benchmark⁹

As of 30/6/2026	1 mth	3 mths	6 mths	1 year	2 yr p.a.	3 yr p.a.	5 yr p.a.	Inception p.a.
Adamantos Strategy	1.9%	-15.0%	-4.8%	3.6%	6.0%	8.7%	8.1%	11.1%
Cash +5%	0.8%	2.3%	4.6%	9.3%	9.5%	9.5%	8.4%	7.9%
Excess	+1.0%	-17.3%	-9.4%	-5.7%	-3.4%	-0.9%	-0.3%	+3.1%

Value of A\$100 invested in the Adamantos Strategy since inception¹⁰



⁸ For reference only, this section presents the synthetic portfolio performance of the “Adamantos Strategy”, which has a continuous track record with Sava Mihic as the portfolio manager and has consistently applied the same investment strategy since 31 August 2020 (inception date). It combines the returns of the Platinum Arrow Trust (with Platinum Investment Management Limited (ABN 25 063 565 006) (AFSL 221935) as the trustee) from inception on 31 August 2020 to 31 December 2025 and the returns of the Adamantos Fund (ARSN 139 669 293 | APIR KAM0001AU) from 1 January 2026 onwards.

⁹ Adamantos Strategy returns are calculated using the relevant portfolio’s net asset value unit price (excluding buy/sell spread) and represent the combined income and capital returns over the specified period. They are net of fees and costs, pre-tax, and assume the reinvestment of distributions. “Cash” refers to the RBA Cash Rate. **Past performance is not a reliable indicator of future returns.**

¹⁰ This chart illustrates the cumulative returns on A\$100 invested in the Adamantos Strategy from its inception on 31 August 2020 to 30 June 2026 (based on monthly performance, net of fees), versus those of the RBA Cash Rate +5%. **Past performance is not a reliable indicator of future returns.**

Net return history of the Adamantos Strategy¹¹

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2020									-0.5%	-0.1%	6.9%	-0.5%	5.6%
2021	1.0%	5.3%	8.2%	-0.2%	3.2%	-0.2%	2.8%	1.5%	1.3%	-6.6%	2.7%	3.6%	24.3%
2022	7.6%	-6.5%	-5.7%	6.8%	2.8%	-1.5%	-2.0%	2.9%	-1.3%	2.6%	3.8%	0.5%	9.1%
2023	0.8%	0.5%	-0.5%	4.5%	-5.5%	0.8%	3.5%	4.0%	0.4%	-0.1%	-3.5%	1.4%	5.9%
2024	1.8%	1.2%	3.1%	0.5%	2.4%	-1.2%	7.4%	-3.8%	1.1%	1.3%	-3.2%	2.8%	13.6%
2025	-1.0%	7.3%	6.3%	-6.7%	-2.4%	0.4%	1.5%	3.6%	-2.4%	-0.6%	7.9%	-1.3%	12.3%
2026	3.6%	3.2%	4.8%	-5.1%	-12.0%	1.9%							-4.8%

About us

Mihic Fund Management is an Australian-based investment manager specialising in international equities with a dual focus on absolute returns and downside protection during stress events. Mihic Fund Management has an independent style of investment management driven by the extensive deployment of technology to enhance the fundamental analysis of companies.

Investor Services

Please visit www.mihic.com for the daily unit prices and other information about the Adamantos Fund.

If you are a unitholder in the Adamantos Fund and have questions about your account, or if you have questions about how to invest in the Adamantos Fund, please contact our Unit Registry, Boardroom Investor Services on 1300 737 760 or at mihic@boardroomlimited.com.au.

For other questions about the Adamantos Fund, please contact us on 02 7261 1377 or at invest@mihic.com.

¹¹ Adamantos Strategy returns are calculated using the relevant portfolio's net asset value unit price (excluding buy/sell spread) and represent the combined income and capital returns over the specified period. They are net of fees and costs, pre-tax, and assume the reinvestment of distributions. **Past performance is not a reliable indicator of future returns.**

Important Information

This document was prepared by Mihic Fund Management Pty Ltd (ABN 16 686 463 552) ("**Mihic Fund Management**"), a corporate authorised representative (CAR no. 1318918) of K2 Asset Management Ltd (ABN 95 085 445 094) (AFSL no. 244393) ("**K2**"). K2 is the Responsible Entity of the Adamantos Fund (ARSN 139 669 293 | APIR KAM0001AU) (the "**Fund**"). Mihic Fund Management was appointed the investment manager of the Fund on 1 January 2026 and has been responsible for all investment decision-making on behalf of the Fund since then.

References to the "Adamantos Strategy" are to the synthetic portfolio which has a continuous track record with Sava Mihic as the portfolio manager and has consistently applied the same investment strategy since 31 August 2020 (inception date). It combines the returns of the Platinum Arrow Trust (with Platinum Investment Management Limited (ABN 25 063 565 006) (AFSL 221935) as the trustee) from inception on 31 August 2020 to 31 December 2025 and the returns of the Adamantos Fund (ARSN 139 669 293 | APIR KAM0001AU) from 1 January 2026 onwards.

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