

SRK CAPITAL

August 2026

Dear Partners,

SRK Fund I, LP increased 26.80% during the first half of the year. In contrast, the S&P 500 and the Russell 2000 returned 10.18% and 22.57%, respectively. Since inception, the Fund has appreciated 1551.26% compared to 222.91% for the S&P 500 and 118.90% for the Russell 2000.

SRK Fund I, LP Returns (%) as of June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019
SRK Fund I	26.80%	47.12%	-8.74%	17.15%	35.31%	46.71%	127.72%	77.99%
S&P 500 TR	10.18%	17.88%	25.02%	26.29%	-18.11%	28.71%	18.40%	31.48%
Russell 2000	22.57%	12.81%	11.54%	16.93%	-20.47%	14.78%	20.00%	25.52%

**Inception date of 05/01/18*

In many respects, the first half of 2026 mirrored the environment of 2025, persistent macroeconomic noise, narrow market leadership, and heightened volatility. Geopolitical tensions, off and on Iran peace deals, and a partial unwinding of the AI momentum trade caused investor sentiment to fluctuate throughout the first half of the year. After an extended period in which market participants chased AI hardware bottlenecks and infrastructure buildouts, shifting sentiment triggered sharp pullbacks across many crowded positions.

Our performance during the period was achieved with zero exposure to companies tied to the AI buildout. That decision was not a refusal to evaluate the future; underwriting future earnings power is central to our investment process. The distinction is predictability, as I tend to only commit capital when a business model is proven, the economics are visible, and I believe I have a high probability of being right about what the business can generate over time. AI remains a nascent and rapidly evolving sector. At this stage, much of the easy money in the trade appears to have been made, with valuations already discounting explosive growth and earnings several years into the future. Predicting long-term customer adoption, competitive durability, and sustainable returns on invested capital now requires assumptions across a wide range of possible outcomes for which I do not believe I have an edge.

Instead, I prefer to focus on opportunities with asymmetric return potential and cash-flow outcomes that management can materially influence. I am allocating capital to opportunities where market neglect, cyclical weakness, or operational transitions have temporarily obscured the normalized earnings power of high-quality core assets.

Today's portfolio consists of businesses trading at meaningful discounts to my estimate of normalized cash flows. They are led by aligned operators focused on controllable improvements, including operational efficiency, stronger cash conversion, and disciplined per-share capital allocation. By emphasizing durable cash flows and execution within management's control, I believe the portfolio can continue compounding without depending on macro tailwinds, multiple expansion, or favorable market sentiment.

Portfolio Updates

ImmuCell Corporation (ICCC)

ImmuCell delivered a strong first quarter in 2026, underscoring the earnings power and cash-flow potential of its core First Defense franchise after the company's strategic exit from Re-Tain. Product sales increased 28.4% year-over-year to \$10.4 million, driven by higher volumes, price realization, and an estimated three-point gain in U.S. scours biologicals market share. Gross margin expanded to 45.0% as increased production created operating leverage, while net income rose 34% to \$1.9 million. Even after the stock's recent appreciation, ImmuCell remains a compelling opportunity. Management is refitting the former Re-Tain facility to expand First Defense capacity beyond the current 450,000 units per month, supporting a path toward \$35 million to \$40 million of sales over the next 12 to 24 months. With gross margins near 45%, the Re-Tain development burden permanently removed, annual EBITDA can grow towards \$12 million to \$14 million and convert into free cash flow with limited corporate tax leakage for several years due to substantial net operating loss carryforwards.

Outdoor Holding Company (POWW)

Outdoor Holding Company's fourth quarter and full-year fiscal 2026 results reinforced the core turnaround thesis. Since divesting its capital-intensive ammunition manufacturing business in April 2025, the company has operated as a pure-play, asset-light marketplace through GunBroker.com. Revenue increased 3.5% year-over-year to \$51.1 million, while adjusted EBITDA rose 46% to \$22.3 million from \$15.3 million, reflecting disciplined cost control and improved platform monetization.

Momentum accelerated in their fourth quarter. Net revenue grew 10.1% year-over-year to \$13.9 million, supported by an 11.8% increase in gross merchandise value to approximately \$229 million. Gross margin remained exceptionally high at 87.6%, and lower operating expenses helped drive adjusted EBITDA to \$7.7 million, up 163% from \$2.9 million in the prior-year period.

The results also highlighted GunBroker's resilience in a subdued firearms market. Firearm unit sales on the platform grew 8.7% year-over-year during the quarter, far outpacing the 1.6% increase in adjusted NICS background checks. Adjusted EBITDA run rates over the past three quarters have also exceeded management's \$25 million target, reaching that milestone well ahead of the timetable set in August 2025. The balance sheet remains strong, with \$68.1 million of cash and equivalents at fiscal year-end. They also began returning capital through a \$15 million share repurchase program, buying back 513,925 shares for approximately \$1.0 million at an average price of \$1.95 per share.

Management is now focused on platform enhancements that can drive GMV growth and expand the take rate. During their fiscal year, the company completed its MasterFFL integration to streamline dealer verification across more than 32,000 licensed dealers and launched an AI-powered listing tool to improve product descriptions and conversion. In fiscal 2027, universal payment processing should allow individual sellers to accept credit cards through native checkout, addressing the roughly 30% of platform volume still handled through manual payment methods and creating a new high-margin revenue stream. With modest take-rate expansion, a potential cyclical recovery in firearms demand ahead of the 2028 election cycle, 85%+ gross

margins, a net cash balance sheet, and aggressive buybacks, POWW has a credible path to \$35 million to \$40 million of EBITDA over the next 18 to 24 months and remains an attractive opportunity.

Industrial & Manufacturing Basket

Our industrial and manufacturing basket performed exceptionally well in the first half of the year, with the average holding up more than 50% year-to-date on a consolidated basis. While the market often views micro-cap industrial companies as commoditized or highly cyclical, our thesis centered on a clear inflection point. These businesses had spent two years working through severe post-pandemic inventory destocking, elevated input costs, and depressed utilization, while still retaining durable niche positions, strong balance sheets, and meaningful operating leverage.

The group's fundamental results have validated that setup. As customer inventories normalized and supply chain friction eased, even modest volume recovery began flowing through to earnings. Many management teams have already used the downturn to resize cost structures, consolidate facilities, and remove legacy overhead, allowing baseline volume recovery to drive sharp improvements in gross margins and operating cash flow.

One example is a specialized synthetic fiber and materials manufacturer we accumulated at a deep discount to tangible book value. The company had been pressured by an extended destocking cycle across the global textile and apparel supply chain, which caused revenue declines and severe margin compression. Rather than waiting for demand to recover, management executed a broad operational turnaround by closing redundant plants, shifting production to lower-cost regions, and emphasizing proprietary higher-margin products. As order volumes stabilized, the company's operating leverage became evident. The business moved from operating losses to cash generation, gross margins recovered by several hundred basis points, and the stock re-rated accordingly.

Capital allocation across the basket has also remained disciplined. Supported by net-cash or low-leverage balance sheets, several management teams have used excess cash flow to repurchase deeply discounted shares, increasing per-share value. Despite the basket's strong year-to-date

advance, these businesses still trade at modest multiples of normalized earnings and free cash flow. As core-end market demand continues to recover, I believe the group remains early in a multi-year earnings recovery.

Sanuwave Health, Inc. (SNWV)

During the first half of the year, we fully exited our position in Sanuwave Health (SNWV).

Sanuwave entered 2026 as a relatively small holding. We had originally purchased shares when the business was deeply discounted trading on the OTC market and realized most of our gains at substantially higher prices, selling the bulk of the position in the \$20s and \$30s. After reviewing the company's first-quarter results, I decided to sell the remaining shares and move on.

The exit was driven by reduced visibility into Sanuwave's future growth. Much of the company's recent revenue growth has come from mobile wound-care clinics using the UltraMist platform. However, the economics for those operators changed materially. Mobile clinics had previously generated very high margins from tissue-based skin grafts, while UltraMist, despite its clinical benefits, does not carry the same reimbursement profile.

As reimbursement pressure reduced margins, it became increasingly clear that many mobile wound-care operators were under significant financial strain. In my view, a meaningful portion of that customer base was and is likely to fail. Because Sanuwave's forward growth depended heavily on a structurally challenged channel, the risk/reward profile had deteriorated. Sanuwave was ultimately a successful investment for the fund despite the recent stock price deterioration, but exiting the remaining position allows us to redeploy capital into opportunities where I have greater confidence in the predictability and durability of future cash flows.

New Holdings

Pro-Dex Inc. (PDEX)

Pro-Dex is a new holding added during the fourth quarter of last year. I have followed the company for many years and have long sought an opportunity to own shares at an attractive price. That opportunity emerged when the stock sold off on concerns that Pro-Dex's largest

customer contract would not be renewed at year-end 2025. The risk was resolved when the company secured a three-year extension through 2028, including minimum purchase commitments for 2026 and 2027. The renewal reinforces the durability of a relationship that has lasted more than fifteen years and provides a predictable, cash-generative base from which Pro-Dex can fund growth.

Pro-Dex is a specialized medical device manufacturer that designs, builds, and repairs powered surgical handpieces for large OEM customers under long-term, exclusive supply agreements. These relationships are difficult to displace because each product is tied to customer-specific regulatory clearances, designs, validated manufacturing processes, and intellectual property owned by Pro-Dex.

The most attractive upside to the business comes from Pro-Dex's role as the exclusive hardware and component partner for Zimmer Biomet's mBôs robotic surgery platform. Pro-Dex manufactures the platform's motorized end-effector components and receives a high margin sourced products fee on third-party disposable cutting tools used in each procedure, creating a recurring, procedure linked revenue stream. The company also owns 2.2 million contingent value rights tied to Zimmer Biomet's acquisition of Monogram Technologies. These are carried at zero on the balance sheet but could pay more than \$25 million, or roughly \$6.80 per share, if future mBôs milestones are achieved. In addition, the February 2026 acquisition of Advanced Precision Machining brings a key supplier in-house, expands manufacturing capacity, and adds higher margin aerospace, defense, and government customers.

At today's price, PDEX offers asymmetric upside. We are paying primarily for the stable core business while receiving the potential mBôs economics and off-balance-sheet CVR value for little to no credit. If commercialization scales over the next 24 to 36 months, Pro-Dex has a clear path to materially higher earnings power and a substantially higher share price.

Undisclosed Holding

During the second quarter we built a position in a specialized healthcare supply business that resonates with previous investments as an overlooked turnaround trading at a significant discount to underlying business value. The company produces essential recurring consumables used daily in life-sustaining medical treatments. Despite sticky demand, a net-cash balance sheet, and improving margins, the stock trades at a low single-digit multiple of normalized cash flow.

The stock continues to be weighed down by a legacy concern tied to the loss of its largest customer. That customer represented a substantial portion of volume, and its departure created a sharp revenue gap that caused a significant decline in the share price. Rather than permanently impairing the business, however, the setback forced a broad restructuring. Management cut legacy overhead, renegotiated contract economics, improved pricing, and rebuilt the commercial strategy.

Today, the business is stronger and more resilient. The lost revenue has been absorbed, and the customer base is now diversified across dozens of regional providers and independent clinics, eliminating the prior customer concentration risk. Growth has also re-accelerated as the company entered a major new geographic territory, won several multi-year supply contracts, and gained share in markets where it previously had no presence. As these contracts ramp, the business will begin to benefit from operating leverage across its manufacturing and distribution footprint. Incremental volume will convert to profit at high operating margins and produce consistent positive cash flow. At a single-digit forward cash-flow multiple, the market is still valuing the company based on past challenges rather than current fundamentals. We are paying a distressed multiple for a stabilized, growing, and diversified business that should re-rate as it continues to deliver clean operational results along with the potential for one or several acquisitions to meaningfully accelerate operating leverage.

Closing Thoughts

Halfway through the year, the fund is off to a strong start, driven by solid operational execution across our core holdings. While these initial results are gratifying, I want to remind partners to temper their expectations and avoid extrapolating our first half performance forward on a

permanent basis. Investment returns rarely compound in a straight line, and there will inevitably be quieter stretches or periods of noise along the way. That said, I remain deeply confident in how the portfolio is currently structured. I believe the fund is positioned to generate highly attractive returns on a go forward basis.

Right now, my pipeline of actionable ideas is abundant, I currently have more compelling opportunities than I have capital to allocate. If you know of accredited investors who share our disciplined, long-term approach to bottom-up investing, I would be deeply grateful for an introduction.

Thank you for your continued partnership, trust, and shared long-term perspective as I steward your capital alongside my own. I look forward to updating you on our progress again at year-end. Please do not hesitate to contact me with any questions regarding the matters discussed above.

Sincerely,

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	<i>SRK Fund</i>	<i>S&P 500 TR</i>	<i>Russell 2000 TR</i>
2018	2.90%	-4.03%	-11.72%
2019	77.99%	31.48%	25.52%
2020	127.72%	18.40%	20.00%
2021	46.71%	28.71%	14.78%
2022	35.31%	-18.11%	-20.47%
2023	17.15%	26.29%	16.93%
2024	-8.74%	25.02%	11.54%
2025	47.12%	17.88%	12.81%
YTD 2026	26.80%	10.18%	22.57%
<i>Cumulative</i>	<i>1551.26%</i>	<i>222.91%</i>	<i>118.90%</i>
<i>Annualized</i>	<i>40.98%</i>	<i>15.44%</i>	<i>10.07%</i>

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