

SRK CAPITAL

February 2026

Dear Partners,

SRK Fund I, LP increased 47.12% during the year. In contrast, the S&P 500 and the Russell 2000 returned 17.88% and 12.81%, respectively. Since inception, the Fund has appreciated 1202.26% compared to 193.07% for the S&P 500 and 78.59% for the Russell 2000.

SRK Fund I, LP Returns (%) as of December 31, 2025

	2025	2024	2023	2022	2021	2020	2019	Since Inception*
SRK Fund I	47.12%	-8.74%	17.15%	35.31%	46.71%	127.72%	77.99%	1202.26%
S&P 500 TR	17.88%	25.02%	26.29%	-18.11%	28.71%	18.40%	31.48%	193.07%
Russell 2000	12.81%	11.54%	16.93%	-20.47%	14.78%	20.00%	25.52%	78.59%

**Inception date of 05/01/18*

The fund closed out the year on a high note after relatively muted results during the second half of the year. As many of you are aware, this manner of returns is not abnormal for the funds concentrated strategy. The bulk of our performance in any year is rarely the result of investment decisions made during the year, but rather the outcome of analysis done in years prior. In an ideal world, I would prefer smooth consistent outperformance quarter after quarter. In reality, there are a limited number of opportunities at any one point in time that offer attractive returns that I am able to quantify with conviction. This results in a concentrated portfolio that will produce unusual returns when compared to stock indexes over a limited period of time. We often enter positions when a business is undergoing a transition or facing a downturn that obscures its true earnings power. At that stage, the market is typically focused on the immediate headwinds that are already priced in and failing to price in the earnings that will emerge on a longer time horizon. Positions frequently experience a rapid rerating leading to heavily weighted returns over one or two quarters as the fundamental thesis proves out. This gap between current perception and future reality is our opportunity. The majority of the gains we achieved in the past year are not the result of brilliant trading in the last twelve months, but rather the delayed gratification of decisions made in years past.

While the second half of the year was quiet in terms of performance, activity in the portfolio increased as excess cash was allocated to new opportunities that will be the primary driver of our future returns.

Portfolio Updates

ImmuCell Corporation (ICCC)

The last several months have marked a true inflection point for ImmuCell. This transition began with a major leadership change, as Olivier te Boekhorst assumed the role of President and CEO. He brings a wealth of experience perfectly suited for ImmuCell's next phase of growth, having previously spent 18 years at IDEXX Laboratories where he led and significantly grew multiple segments including their international livestock and dairy diagnostics divisions. Historically, ImmuCell has generated the vast majority of its sales in the United States, leaving the international market for scours prevention as a massive, untapped opportunity. Mr. te Boekhorst's experience in global markets makes him an ideal leader to expand First Defense internationally.

In late December, after receiving an FDA incomplete letter regarding Re-Tain due to the continued facility deficiencies at their contract manufacturer, the board and management made the decision to halt any further investment in the product. This strategic shift removes the burdensome Re-Tain expenses that have obscured the true earnings power of the company's scours segment. The company will repurpose the facility dedicated to Re-Tain to increase First Defense product capacity alongside an expanded domestic salesforce and a dedicated role for international sales initiatives.

While it is certainly disappointing to abandon the upside optionality that Re-Tain offered, eliminating the product development expenses cleans up the income statement and reveals a highly profitable business with compelling growth prospects. I expect revenue growth to reaccelerate in the second half of the year once the company laps the difficult year-over-year comparisons caused by the one-time benefit of clearing out their historical backlog.

Sanuwave Health, Inc. (SNWV)

Sanuwave reported another quarter of record results in the third quarter, delivering revenue of \$11.5 million, a 22% increase year-over-year. While the headline numbers remain impressive, the broader wound care market has been thrown into a state of disarray due to recent policy shifts by the Centers for Medicare & Medicaid Services (CMS).

Specifically, CMS has initiated a crackdown on the reimbursement of cellular and tissue-based products, better known as skin grafts. For years, the industry has been flooded with high-cost skin substitutes, incentivizing providers to utilize expensive products often for the sake of reimbursement rather than clinical necessity. CMS is now moving to bundle these payments or significantly cap them, effectively ending the arbitrage that many providers have relied upon.

This regulatory change has introduced significant short-term uncertainty into the market, as wound care centers pause to evaluate their economic models. However, I believe this disruption creates a powerful medium-to-long-term tailwind for Sanuwave's UltraMIST system.

UltraMIST is not a skin substitute, it is a non-contact ultrasound therapy that promotes healing from within by increasing perfusion and reducing inflammation. As the easy money from high-cost skin grafts dries up, providers will be forced to return to healing the wound effectively and efficiently. In a value-based care environment where clinical outcomes per dollar spent are dominant, UltraMIST stands out as a superior, cost-effective alternative to expensive grafts. While the market remains uncertain over the confusion, I see a clear path for greater adoption of UltraMIST as the industry rationalizes.

Innovative Aerosystems (ISSC)

ISSC is the gift that keeps on giving. Prior to the release of the company's third quarter results in August, I reduced our position significantly. Following those results, the stock sold off precipitously to levels that once again offered attractive forward returns, allowing me to repurchase a meaningful number of shares that we had previously parted ways with. This opportunity was created from the markets short-term view and misunderstanding of the company's fluctuations in quarterly results from the integration of the F-16 product acquisition.

The market reacted favorably to fourth and first quarter fiscal results, led by renewed demand in the commercial aerospace products segments. Subsequently, following the fiscal first quarter results I have reduced our position as the risk/reward is less favorable.

New Holdings

Outdoor Holding Company (POWW)

Outdoor Holding Company is a new position added during the second half of last year. The company has undergone a drastic structural and operational transformation over the last 12 months emerging from a messy corporate history, now led by a highly aligned founder operator. Following the divestiture of its capital-intensive ammunition manufacturing division in April, POWW has transitioned into a pure-play, asset-light marketplace business.

The company owns and operates the largest online marketplace to buy and sell firearms, GunBroker.com. GunBroker is eBay for firearms, operating solely as a digital intermediary to facilitate lawful compliant transactions with over 8.7 million registered users and a nationwide network of approximately 31,000 Federal Firearms License (FFL) dealers. GunBroker provides buyers with an unparalleled selection of inventory, averaging 3.67 million daily listings, while granting sellers nationwide access to millions of active consumers. The platform's value proposition is particularly compelling for rare, collectible, and highly sought-after firearms. By utilizing an online auction format, sellers can bypass the pricing limitations of local brick-and-mortar dealers to extract true market value and premium pricing for their items. Simultaneously, buyers benefit from the unique opportunity to seamlessly discover and acquire specialized inventory that is simply unavailable in their local markets.

GunBroker monetizes its convenience and reach by charging tiered final value fees to sellers and a flat marketplace service fee to buyers upon the successful sale of an item. These fees represent the majority of the platform's revenue, referred to as the take rate, which is generated directly from the total Gross Merchandise Value (GMV) that transacts on GunBroker. By incrementally expanding this take rate through high-margin seller services and integrated payment processing, the company can drive revenue growth even in a flat or normalizing GMV environment. Over the past decade, GunBroker has increased its take rate from approximately 3.5% to over 6%.

Management is focused on initiatives to further increase GMV and its overall take rate. These initiatives include rolling out universal payment processing to reduce transaction friction and integrating a Master FFL system to centralize dealer verification, which will accelerate user adoption and drive a higher mix of high-margin seller services. GunBroker has a significant opportunity to unlock trapped revenue and modernize its user experience by implementing a universal payment processing system across its platform. Currently, approximately 30% of transactions bypass electronic checkout because casual sellers cannot affordably secure the 2A compliant merchant accounts required for firearm sales, forcing users to rely on cumbersome manual methods like mailing money orders or certified checks. This antiquated process introduces friction into the buying process, directly leading to lost transactions and abandoned purchases from consumers who are unwilling to navigate the hassle and delays of acquiring and mailing physical payments. By rolling out universal payments, GunBroker will act as the central payment facilitator, enabling all sellers to seamlessly accept credit cards through a frictionless, native checkout experience. Modernizing this checkout process will not only prevent abandoned sales and increase total GMV, but it will also allow GunBroker to collect processing fees on this previously uncaptured volume, structurally increasing its overall take rate and platform profitability.

Leading these initiatives is the founder of GunBroker, Steve Urvan. In May, following a contentious legal and proxy battle, Mr. Urvan returned as CEO and Chairman. With approximately 30% ownership and an initial base salary of \$1, he is highly aligned with shareholders. In addition to the growth initiatives above, Mr. Urvan has been focused on cutting bloated operating expenses and returning the company to a free cash flow generating machine. As a result of these efforts, POWW is on a path to reach a run rate of \$25 million in EBITDA in the short-term, even assuming relatively flat revenue. The company is exceptionally well positioned to maximize free cash flow conversion and is not expected to pay any meaningful amount of taxes for several years thanks to net operating loss carryforwards. To further align the company with shareholders and take advantage of the undervaluation, the board of directors has initiated a \$15 million stock repurchase program, which I believe is highly accretive at the current valuation.

Aside from the internal growth initiatives, I believe POWW will benefit from a rebound in firearms sales as the market is likely at or near a cycle trough. Firearm sales are highly cyclical, often driven by political fear cycles where anxiety over potential gun control legislation spurs demand ahead of elections. The industry has steadily declined over the past several years after experiencing record breaking demand during 2020 and 2021. Looking out to 2028 as the country heads towards the next presidential election, I expect the industry to follow its historical pattern and experience a renewed cycle of increased demand.

POWW is a high-quality cash flow generating asset that has emerged from a messy corporate history likely to benefit from internal and external tailwinds. With the founder back at the helm, the company has pivoted from undisciplined spending to operational efficiency focused on maximizing shareholder value.

Industrial & Manufacturing Basket

During the second half of the year and into the first part of this year, I have allocated capital into a handful of companies within the industrial and manufacturing sectors. These sectors appear to be the most hated and overlooked segment of the market and have effectively been in a recession for the last three years.

Looking back at the chaotic operating environment these companies have navigated since the onset of the pandemic in 2020 helps to understand the opportunity. The initial shock of Covid shutdowns was followed by a frantic period in 2021 and 2022, characterized by broken supply chains and rampant inflation. Fear of running out of stock led distributors and customers to double and triple order, causing inventories to balloon to unsustainable levels. When the supply chain finally normalized, a prolonged period of destocking crushed new orders and sent the sectors into a recession.

This prolonged downturn has created an opportunity for us to acquire shares in these companies at valuations that price in a permanent state of decline. Many of these companies have now reached valuation levels offering high double-digit IRRs on normalized earnings. These are not the same bloated companies that entered the downturn. Many of these businesses have aggressively right sized their operating structures to maintain profitability even in this lower

demand environment. They are leaner, more efficient, and poised to benefit considerably when their cycles eventually turn and the markets perception changes, even if that is several years from now.

Closing Thoughts

The past year was prosperous for the fund; we were rewarded for work done in prior years and were able to allocate capital to new attractive return opportunities. I am optimistic about the current portfolio's potential to generate highly attractive returns. Thank you for your continued partnership and trust. Please feel free to contact me if you have any questions on a matter discussed above.

Sincerely,

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