Peapod Lane Capital LLC

Contrarian Micro & Nano Cap Value

Dear Friend,

It was a good start to the year. Peapod generated strong results during the first half of the year, among the better six-month periods since inception.

The first half of the year was one of those periods when most pieces of news seemed to be interpreted positively. It was, arguably, a rose-colored-glasses environment. Peapod was fortunate to have several meaningful winners. Approximately two-thirds of our portfolio generated positive returns during the first half, and our five largest gainers contributed more than 10% to performance, while our five largest losers detracted approximately 2.5%.

We have talked in the past about the mathematics behind how we achieve our returns. Put simply, our goal is to be right more often than we are wrong and, just as importantly, to make more on our winners than we lose on our losers. The first half was a good example of that principle at work. There will be periods when that does not happen, but our objective is to achieve that outcome over a full market cycle.

Another reason for the strong performance is that smaller value stocks may be emerging from their recent period of underperformance relative to large-cap growth stocks. This is not something that we try and predict or time, but we are aware of the environment in which we invest. At Peapod, we are firm believers in mean reversion. We think about it at the individual company level in any individual investment we make. Every investment we make is based on company-specific factors where we believe the market price understates the underlying value of the business.

The same concept can apply across entire segments of the market. Over the past century, U.S. stocks have compounded at a little over 10% annually in nominal terms, with smaller companies producing returns modestly above that over very long periods. However, leadership rotates. Rolling 5 year returns favored small stocks in the mid 1980s, large-cap stocks dominated through the late 1990s, small stocks again led during much of the early 2000s, and large-cap growth has dominated for well over a decade. Ten years from now, which group will be leading? No one knows with certainty, but history suggests leadership rarely remains permanent.

Because we primarily invest in U.S. micro- and nano-cap value companies, client portfolios may experience diversification benefits when combined with other investment strategies.

Despite strong year-to-date performance, we continue to find attractive new investment opportunities. Peter Cundill, the Canadian value investor, titled his memoir *There's Always Something to Do*. After investing in different market environments, we agree. Peapod was particularly active during this year's Russell Index rebalancing at the end of June. Several of our successful investments were added to the index, allowing us to partially or fully realize gains. At the same time, we established several new positions in companies being removed from the index. We are adding another new position in July.

Because Russell indexes are market-cap weighted, companies are often removed after periods of weak stock price performance. In some cases, we believe those declines have become disconnected from underlying value. Index funds, however, must sell regardless of valuation. Those non-economic sales sometimes create opportunities for patient investors.

Beginning this year, the Russell indexes will rebalance twice annually—once in June and again in December—rather than only in June. December has historically been another active period for us because of tax-loss selling. Much like the index rebalancing, tax-loss selling often results in stocks being sold for reasons unrelated to their intrinsic value.

This December will be particularly interesting because, for the first time, companies may simultaneously experience tax-loss selling and Russell index deletions. It will be interesting to see how the confluence of these two events plays out, as they have the potential to create opportunities in selected situations.

The first half of the year also saw the largest IPO in history: SpaceX. Several additional large IPOs may follow. This may seem odd for us to write about as we do not invest in IPOs or high-growth companies. We mention it to provide food for thought on a question we are sometimes asked: how can we effectively follow approximately 60 companies in the portfolio? The businesses we own tend to be relatively simple. Many have a single product line or operate in industries where the balance sheet tells much of the story. We analyze companies through the lens of asset value and estimate what those assets might be worth in liquidation or replacement. We deliberately try to limit the number of assumptions in our analysis because we believe the probability of error increases with every additional assumption that must be made. We also insist on doing our own work rather than relying on someone else's conclusions. By contrast, today's large IPOs and trillion-dollar companies have complicated business models that often require making numerous assumptions about future markets and technologies many years into the future. While all of that may be packaged into a single stock, it is not clear that analyzing it is any simpler than analyzing the portfolio of companies we own.

From time to time, we find it useful to revisit the principles that guide our investment process.

- Focus on asset values.
- As Walter Schloss said, "Asset values move more slowly than earnings."
- Know what we own. Do our own homework.
- Avoid businesses with significant operating or financial leverage.
- Think probabilistically. Avoid anchoring on a single outcome; instead, understand a range of possible values and compare them to today's price.
- A low purchase price can be its own catalyst. It may reduce downside risk while also creating meaningful upside potential.
- Behavioral discipline is every bit as important as analytical ability. Avoid overconfidence during good periods and emotion-driven decisions during difficult ones.
- Be patient. It can take time for our positions to go up. Be willing to increase a position if the stock declines, assuming the underlying thesis remains intact, and the opportunity set remains the same.

- Market price and intrinsic value are not the same thing. Markets are driven by both fundamentals and emotion and can become irrational in either direction. As Ben Graham said, "In the short run, the market is a voting machine but in the long run, it is a weighing machine."
- Over long periods, stocks tend to appreciate—but never in a straight line.
- Continue to focus on U.S. markets. This is where we live and what we understand. There is no need to dilute our efforts by focusing elsewhere. The U.S. markets are large, and we have historically found plenty of opportunities here.

Thank you for your continued confidence in Peapod Lane Capital. We appreciate your partnership and wish you and your family an enjoyable remainder of the summer.

As always, Martin and I are available for a call.

Best Regards,

Erik Conrad & Martin Friederichs

Returns	Cumulative		Annualized		
	YTD	Inception	1 Yr	5 Yr	Inception
Peapod Net*	27.8%	326%	41.1%	18.1%	16.6%
iShares Micro-Cap ETF	27.4%	164%	58.5%	6.8%	10.9%
iShares Russell 2000 ETF	22.6%	150%	40.7%	6.9%	10.2%

**As of June 30th, 2026. Benchmark – iShares Micro-Cap ETF, iShares Micro-Cap ETF (IWC) and iShares Russell 2000 ETF (IWM) returns are calculated using closing market prices. Peapod Contrarian Micro & Nano Cap Value Composite returns calculated from February 1st, 2017. All performance figures are based on estimated and unaudited financial information and may be subject to change.*

**Fees – 1.5% Annually. Investment Performance Disclosure – Please refer to the end of the document. Past performance is no guarantee of future performance.*

*See additional returns below

Returns

Peapod Lane Capital LLC

Contrarian Micro & Nano Cap Value

	Annualized Net				Cumulative Net		
	Peapod	IWC	IWM		Peapod	IWC	IWM
YTD	27.8%	27.4%	22.6%	YTD	27.8%	27.4%	22.6%
1 Year	41.1%	58.5%	40.7%	1 Year	41.1%	58.5%	40.7%
2 Year	26.8%	34.0%	23.0%	2 Year	60.8%	79.5%	51.4%
3 Year	22.8%	23.8%	18.5%	3 Year	85.2%	89.6%	66.3%
4 Year	24.6%	19.2%	16.9%	4 Year	140.7%	102.0%	86.9%
5 Year	18.1%	6.8%	6.9%	5 Year	129.5%	38.9%	39.5%
Inception	16.6%	10.9%	10.2%	Inception	325.9%	164.3%	150.1%

	Peapod Monthly Returns (Gross)												Year		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Peapod	IWC	IWM
2017		0.7%	2.4%	3.5%	-2.4%	3.8%	0.0%	1.7%	6.1%	1.7%	4.7%	-1.1%	22.8%	15.0%	14.3%
2018	3.9%	-2.8%	1.2%	3.6%	4.6%	0.2%	-0.9%	-0.1%	1.4%	-7.0%	-1.2%	-7.8%	-5.8%	-13.1%	-11.1%
2019	7.5%	1.7%	-5.2%	0.5%	-9.6%	2.7%	1.4%	-4.6%	4.8%	-0.9%	2.4%	2.9%	2.3%	22.2%	25.4%
2020	0.5%	-6.2%	-20.2%	12.7%	3.0%	7.8%	6.6%	7.4%	0.5%	0.5%	11.8%	6.1%	29.1%	20.9%	20.0%
2021	4.8%	8.4%	3.0%	4.1%	7.6%	-0.1%	1.6%	4.5%	-2.8%	2.2%	-2.2%	3.4%	39.7%	18.7%	14.5%
2022	-3.5%	-0.8%	2.0%	-4.6%	-1.2%	-1.3%	3.6%	2.4%	-7.5%	5.1%	3.5%	-0.8%	-3.9%	-21.9%	-20.5%
2023	15.9%	0.8%	-1.2%	0.8%	3.3%	3.7%	2.8%	-3.6%	-1.3%	-4.6%	6.9%	12.3%	39.5%	9.0%	16.8%
2024	2.3%	3.8%	4.7%	-3.1%	4.1%	-6.8%	7.1%	0.6%	2.2%	0.6%	6.2%	-1.6%	20.9%	13.6%	11.4%
2025	-0.4%	-3.5%	-6.8%	-1.7%	4.3%	8.8%	1.9%	6.6%	0.9%	1.3%	-0.8%	0.9%	11.1%	22.4%	12.7%
2026	5.6%	0.7%	1.4%	7.5%	5.6%	5.2%							28.8%	27.4%	22.6%

	Peapod Monthly Returns (Net)												Year		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Peapod	IWC	IWM
2017	0.0%	0.6%	2.2%	3.3%	-2.6%	3.6%	-0.1%	1.6%	5.9%	1.6%	4.6%	-1.3%	20.9%	15.0%	14.3%
2018	3.7%	-2.9%	1.0%	3.4%	4.4%	0.0%	-1.0%	-0.3%	1.3%	-7.2%	-1.4%	-8.0%	-7.5%	-13.1%	-11.1%
2019	7.3%	1.6%	-5.3%	0.3%	-9.7%	2.6%	1.2%	-4.8%	4.6%	-1.1%	2.3%	2.7%	0.6%	22.2%	25.4%
2020	0.4%	-6.4%	-20.3%	12.5%	2.9%	7.6%	6.5%	7.2%	0.3%	0.4%	11.7%	5.9%	26.9%	20.9%	20.0%
2021	4.7%	8.3%	2.9%	4.0%	7.5%	-0.3%	1.5%	4.4%	-2.9%	2.1%	-2.3%	3.3%	37.6%	18.7%	14.5%
2022	-3.7%	-1.0%	1.9%	-4.7%	-1.4%	-1.4%	3.4%	2.2%	-7.6%	5.0%	3.4%	-0.9%	-5.4%	-21.9%	-20.5%
2023	15.8%	0.6%	-1.3%	0.7%	3.2%	3.6%	2.6%	-3.7%	-1.4%	-4.7%	6.8%	12.1%	37.5%	9.0%	16.8%
2024	2.2%	3.7%	4.6%	-3.3%	3.9%	-7.0%	7.0%	0.5%	2.0%	0.5%	6.1%	-1.8%	19.1%	13.6%	11.4%
2025	-0.6%	-3.6%	-6.9%	-1.9%	4.1%	8.7%	1.7%	6.5%	0.8%	1.2%	-0.9%	0.8%	9.4%	22.4%	12.7%
2026	5.5%	0.6%	1.3%	7.3%	5.5%	5.0%							27.8%	27.4%	22.6%

**As of June 30th, 2026. Benchmark – iShares Micro-Cap ETF, iShares Micro-Cap ETF (IWC) and iShares Russell 2000 ETF (IWM) returns are calculated using closing market prices.*

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Investment Performance Disclosure

Past Performance Does Not Guarantee Future Performance

Past performance of actual portfolios or composites of actual portfolios does not guarantee future results. No assurances or guarantees can be given or implied concerning future investment results for Peapod Lane Capital LLC or any investment index. Future returns may differ significantly from the past due to materially different economic and market conditions and other factors. Investments within portfolios, and therefore, portfolios, involve risk and the possibility of loss, including a permanent loss of principal.

Investment Return Methodology

Actual returns for individual client portfolios managed by Peapod Lane Capital LLC may vary and do not necessarily coincide exactly with the returns for the performance group composite. Peapod Lane Capital LLC's returns shown are those of a composite consisting of the fully managed (discretionary) portions of all client accounts with substantially similar investment objectives and investment strategies. Returns reflect the reinvestment of dividends, interest, mutual fund capital gain distributions and other income. Returns are presented gross and net of management fees. Returns are calculated using a time-weighted methodology and include both realized and unrealized capital appreciation, as well as the reinvestment of dividends, interest and other income. Gross returns are presented after the deduction of transaction costs but before the deduction of investment management fees. Net returns are presented after the deduction of transaction costs and the assumed management fee described below. Net returns are calculated by reducing gross monthly returns by one-twelfth of the highest annual advisory fee (1.50%) charged to any account in the composite. Non-discretionary supervised assets held in client accounts are excluded from the calculation. All client accounts that met the composite criteria during the reporting period are included.

Peapod Lane Capital LLC launched on April 1, 2010. The Peapod Contrarian Micro & Nano Cap Value Composite returns begin on February 1, 2017. Performance information is unaudited and may be subject to revision.

Peapod Contrarian Micro & Nano Cap Value will hold cash. It is expected that cash will be between 0% and 10% of the account value. Cash levels may exceed 10% depending on market conditions and portfolio management considerations.

Peapod Lane Capital LLC's performance data are not presented in accordance with the Global Investment Performance Standards (GIPS®).

Benchmarks

Benchmarks The iShares Russell 2000 ETF seeks to track the investment results of an index composed of small-capitalization U.S. equities. The iShares Russell 2000 ETF is used as a benchmark because it seeks to track the performance of the Russell 2000 Index, a widely recognized measure of the U.S. small-cap equity market. The Russell 2000 Index is a subset of the Russell 3000® Index, which is designed to represent approximately 98% of the investable U.S. equity market. It includes approximately 2,000 of the smallest securities based on a combination of their market capitalization and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted semiannually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. Peapod does not attempt to replicate the Russell 2000 Index. Historically, the average market capitalization of securities within Peapod's portfolio has been smaller and the price-to-book valuation metric has been lower than that of the Russell 2000 Index. There will be securities in Peapod's portfolio that are not included in the Russell 2000 Index.

The iShares Micro-Cap ETF seeks to track the investment results of an index composed of micro-capitalization U.S. equities. The iShares Micro-Cap ETF is used as a benchmark because it seeks to track the performance of the Russell Microcap Index, a widely recognized measure of the U.S. micro-cap equity market. The Russell Microcap Index is constructed to provide a comprehensive and unbiased barometer for the U.S. micro-cap equity market and is completely reconstituted semiannually to ensure larger stocks do not distort the performance and characteristics of the micro-cap opportunity set. Peapod does not attempt to replicate the Russell Microcap Index. Historically, the average market capitalization of securities within Peapod's portfolio has been smaller and the price-to-book valuation metric has been lower than that of the Russell Microcap Index. There will be securities in Peapod's portfolio that are not included in the Russell Microcap Index.

Additional disclosures-

Source: Long-term historical U.S. equity market data from Ibbotson Associates, Dimson, Marsh & Staunton, and other widely referenced academic research. Historical performance is provided for illustrative purposes only. Sources are believed to be reliable, but accuracy and completeness cannot be guaranteed.

This commentary is provided for informational purposes only and reflects the opinions of Peapod Lane Capital as of the date of publication. The views expressed are subject to change without notice and should not be construed as investment advice or a recommendation to buy or sell any security. References to investment strategies are intended to illustrate our investment philosophy and process and should not be interpreted as a guarantee that any strategy will be successful. Past performance does not guarantee future results. Diversification does not ensure a profit or protect against loss. Investing involves risk, including the possible loss of principal. Nothing contained herein should be construed as tax, legal, accounting or investment advice.