



Elena Partners Fund LP  
Second Quarter 2026 Investor Letter  
July 09, 2026

Dear Investor:

During the second quarter of 2026, the Elena Partners Fund LP generated a net return of -9.7% compared to +15.3% for the S&P 500 Index and +15.1% for the MSCI All-Country World Index. During the quarter, gross exposure averaged 167.0%, and net exposure averaged 49.0%. Our long portfolio generated a -2.0% gross return, and our short portfolio produced a -7.3% gross return.

During the first half of 2026, the Fund generated a net return of -10.1% compared to +10.2% for the S&P 500 Index and +11.5% for the MSCI All-Country World Index. During the first half, gross exposure averaged 159%, and net exposure averaged 51%. Our long portfolio generated a -0.8% gross return, and our short portfolio produced a -8.8% gross return.

At the end of the quarter, the five largest holdings (in alphabetical order), Flutter Entertainment PLC, Kelt Exploration Ltd, Landis+Gyr Group AG, Prosus NV, Sea Ltd, accounted for 44.7% of the Fund's net asset value.

### **Commentary**

The second quarter was considerably more challenging than the first in terms of performance. Equity markets rebounded sharply, led by a narrow rally in technology hardware companies and perceived AI beneficiaries. The Nasdaq 100 Index appreciated 28% in the quarter alone, ending the first half up 20%. Meanwhile, our Fund declined 4.9% in May and 4.4% in June, bringing year-to-date performance to -10.1%.

We are never dismissive of market action, nor do we take drawdowns lightly. We consistently re-underwrite our investments, and when prices move against us, we do so with even greater urgency to determine whether what we are experiencing is a temporary dislocation or something more fundamental. However, in the process, we cannot lose sight of the fact that our strategy, by its very nature, has consistently delivered returns that materially diverge from those of broad market indices. Since inception, our calendar-year returns have, on average, deviated by 27 percentage points in either direction from those of the MSCI All Country World Index. Our Beta to the S&P 500 Index has averaged 0.24 and been close to zero over the past two years. Over this period, our long book has outperformed the S&P 500 Index, and the strategy has delivered attractive returns with modest leverage, 47% average net exposure, and very different risk exposures.<sup>1</sup>

We are disciplined about valuation, and in our experience, the most attractive valuations are generally available when entire sectors, geographies, or individual companies are ignored, misunderstood, or out of favor. The current market has created a sharp divide between what is popular and what is neglected. We have often found the best opportunities precisely in these moments. The trade-off is that neglected areas, by definition, lack momentum

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<sup>1</sup> Represents the net returns, after 1% management fee, 10% performance fee, and expenses, of the Elena Partners Fund LP from January 1, 2024. The returns prior to that date belong to a separately managed account managed by Orlando Muyschondt on behalf of a single client. See the appendix at the end of this document for additional disclosures.

temporarily and will underperform in momentum-driven markets. But attractive entry valuations provide greater embedded long-term upside and, we believe, more limited downside.

We saw a version of this in 2020, when we deployed capital into deeply out-of-favor areas such as Argentine equities, mining, oil and gas, and airport operators, while the market chased stay-at-home/COVID beneficiaries, including Moderna, Zoom, Peloton, and Amazon. That year, our portfolio was down 15.7%, underperforming the MSCI All Country World Index (ACWI) by 32.5 percentage points. However, in 2021, the portfolio benefited from actions taken during that difficult period and generated a 72.6% net return, outperforming MSCI ACWI by 53.6 percentage points.<sup>2</sup> We do not assume history will repeat itself, but we know from experience that markets with a wide gap between what is popular and what is neglected present attractive opportunities. That is what we believe we are seeing today.

In hindsight, we wish we had owned some of the computer memory stocks that have lifted the market this year. As recently as last year, many of these companies traded near or below book value, and their earnings were cyclically depressed. Given our experience investing in cyclical businesses, this was not an impossible opportunity for us to underwrite. That said, Korea, Japan, and technology hardware have not historically been areas where we have built deep expertise and a strong network of contacts. We missed that move. These areas may continue to rally, and we are cognizant that the final move in a speculative cycle can be rewarding for those positioned correctly and painful for those watching from the sidelines. But chasing price action after valuation support has eroded is not how we add value. Wall Street busily introducing levered products to feed the public's fear of missing out in a hot sector is usually a sign that a speculative cycle is entering its later stages.

During the quarter, we reduced several long-term winners, including Lottomatica Group S.P.A., Helios Towers PLC, and International Petroleum Corporation. All three were acquired years ago, when their stocks were deeply out of favor and substantially undervalued. The latter we have owned since the strategy's inception.<sup>3</sup> We fully exited two event-driven positions, Solstice Advanced Materials and ICON Plc, both of which worked much faster than expected. This allowed us to recycle capital into new opportunities and add to existing holdings where recent price action has improved the risk/reward.

Several of our holdings have been placed firmly in the AI loser camp. Netherlands-listed holding company, Prosus NV, was down 28% in the first half of the year, roughly in line with the decline in Tencent Holdings Limited stock, which accounts for 78% of Prosus' net asset value. We believe Tencent has been mischaracterized as an AI loser because it has not pursued the chatbot arms race as aggressively and successfully as some of its peers. Yet, excluding its approximately \$130 billion investment portfolio, Tencent's core business, after the recent sell-off, was trading at roughly 10x our estimate of 2026 earnings. In our view, this is an attractive valuation for a high-quality, founder-led business that continues to compound earnings per share at a mid-teens rate. Tencent's Board has authorized the repurchase of 9.7% of its shares, which we believe is highly accretive at current prices. We expect the introduction of built-in AI assistants in WeChat, "Xiaowei," and WeCom, "Dayuan," in 3Q26 to help shift perceptions around the durability and relevance of the WeChat franchise. Tencent stock has compounded at roughly 35% annually in USD since its IPO in 2004. While the business is undoubtedly more mature today, we believe it still has meaningful room to grow and compound capital. We view Prosus, which trades at an approximately 36% discount to net asset value, as an attractive way to own Tencent. We added to both positions during the quarter.

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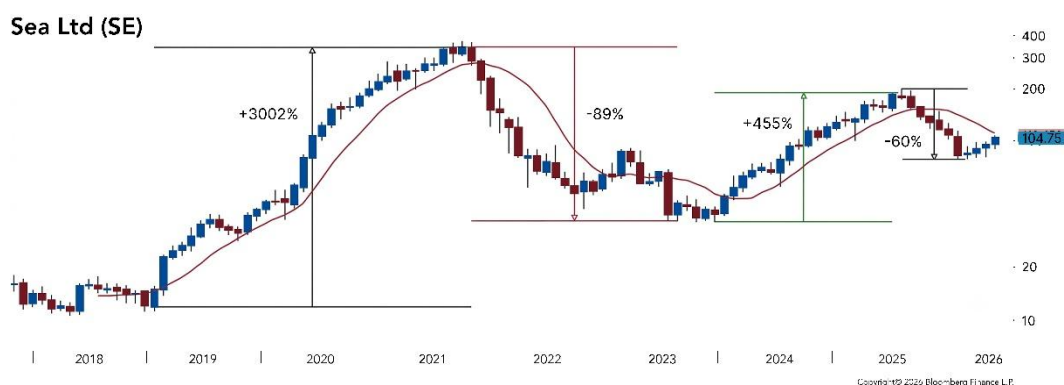
<sup>2,3</sup> Represents the net returns, after 1% management fee, 10% performance fee, and expenses, of the Elena Partners Fund LP from January 1, 2024. The returns prior to that date belong to a separately managed account managed by Orlando Muyschondt on behalf of a single client. See the appendix at the end of this document for additional disclosures.

Landis+Gyr, our largest position, declined 13% in the first half. The irony is that the company sits squarely within one of the market's favored themes, electrification. However, it has not received the attention or valuation premium afforded to many U.S.-listed companies in that space. We view Landis+Gyr as an orphaned stock. The company generates most of its revenue and profit in the United States, yet its Swiss listing limits natural sponsorship from U.S. investors. It is one of the two largest providers of smart metering technology and grid infrastructure solutions, helping electric utilities remotely read, monitor, and optimize their networks. The business is unlevered, generates returns on tangible capital above 30%, and trades at a steep discount to the broader market. The new management team has executed on the initiatives proposed by activist investor Spectrum Entrepreneurial Ownership, including the sale of its unprofitable European components business. Despite this progress, the stock trades today 40% below the activist's July 2024 entry price. We believe the missing catalyst may be a U.S. relisting later this year. Earlier this week, Blackstone Energy Transition Partners announced the acquisition of Dresser Utility Solutions, a smaller, less dominant business similar to Landis+Gyr, though focused on natural gas and water measurement, control, and instrumentation. That transaction reinforces our view that the assets Landis+Gyr owns are valuable and desirable. In the meantime, the Board is taking advantage of the depressed valuation and has launched a buyback program for 10% of the shares outstanding. We believe the intrinsic value Landis+Gyr's business will ultimately be recognized, whether by public or private markets.

Among our top five holdings, Flutter Entertainment PLC and Sea Ltd are new positions established during the first half. We are excited about their long-term prospects and believe our entry valuations are attractive. Flutter has been a drag on performance so far, as we began purchasing shares somewhat early. We have also initiated several new positions that we are continuing to build, but we are not yet ready to discuss in this letter.

### *Sea Ltd.*

Sea Ltd is a company we have admired and followed for some time but historically did not own because of valuation. We missed the opportunity to buy it after the post-COVID sell-off in 2023, but the recent 60% decline in the share price provided us with a compelling entry point.



Founded in Singapore in 2009, Sea Ltd operates three leading digital businesses across Southeast Asia, Taiwan, and Brazil: Shopee in e-commerce, Monee in digital financial services, and Garena in gaming. The company is founder-led by Forrest Li and supported by a stable and deeply experienced management team that has repeatedly shown an ability to adapt, pivot, and allocate capital through changing competitive environments. The opportunity exists because investors are concerned about two issues: the competitive dynamics in e-commerce, particularly the threat from TikTok Shop, and the sustainability of Garena's gaming profits, which remain heavily dependent on Free Fire. We understand both concerns but

believe the market is underestimating the strength and monetization potential of Sea's ecosystem.

Shopee has become one of the dominant e-commerce platforms in its markets, but we believe the business remains under-monetized, with EBIT to Gross Merchandise Value a fraction of peers in more mature markets like China, Korea, and the US. Management is still investing aggressively in logistics, fulfillment, content, and buyer loyalty rather than maximizing near-term margins. In our view, this depresses current profitability but strengthens Shopee's long-term competitive position. As the market becomes more rational and take rates rise, we believe Shopee has significant room to expand margins while continuing to grow.

We also believe Free Fire is more than a single successful game. It is a large, durable entertainment community, particularly in emerging markets where it has built deep user engagement, strong brand affinity, and a social ecosystem around gameplay. The franchise may not be impossible to copy from a gameplay perspective, but its community, scale, and cultural relevance are much harder to replicate. We believe Garena still has room to improve monetization and extend the franchise's lifespan.

Sea's combination of gaming, e-commerce, payments, credit, and logistics creates a powerful ecosystem across underpenetrated digital markets. The balance sheet is strong, management owns significant equity, and the company continues to grow at a high rate, while several of its businesses remain far from achieving mature profitability. The recent decline in the stock price provided us the opportunity to buy a business that is growing its top line by 20-30% and is still in the early stages of its growth and monetization cycle, at a significant discount to peers and roughly 11x our estimate of enterprise value to 2027 EBITDA.

We are disappointed with our recent results and are reassessing every holding with the seriousness this drawdown warrants. Periods of underperformance are common in our strategy and deeply uncomfortable when they occur, but enduring them with patience and discipline is essential to long-term success. We remain confident in the portfolio's potential and in our ability to continue executing our strategy effectively. As meaningful investors in the Fund, we remain fully aligned with you, and we thank you for your continued support.

Please call us if you would like any additional information or clarification.

Sincerely,



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## *About Elena Partners*

The Elena Partners Fund launched in January 2024. It continues an investment strategy that EPP, the investment manager, began implementing in January 2020 for an individual client via a separately managed account. After successfully executing the strategy for four years, we felt compelled to create a fund vehicle and open it to a broader investor base.

The strategy aims to generate attractive long-term returns by investing in a global portfolio of 10-20 undervalued equities and hedging up to half of the long exposure via individual alpha shorts, baskets of securities, and ETFs. The approach is bottom-up, fundamental, contrarian, and long-term oriented. We source ideas from an installed knowledge base of companies covered over the past thirty years, from our network of contacts across different industries, and from peers on the buy side and sell side. We are generalists and organize the vast universe of securities by types of situations. We look for setups that have historically yielded attractive opportunities, such as orphaned securities, overreactions to short-term disappointments, management changes, turnarounds, and cyclically depressed industries and countries. We maintain a pipeline of ideas that we continuously research and monitor. We trade infrequently and change the portfolio when we identify a better opportunity, when a security is no longer undervalued, or when our thesis is no longer valid. A maximum of twenty long positions forces us to be disciplined in culling the portfolio. Strict limits regarding position size, industry, and country concentration ensure we are sufficiently diversified to withstand the inevitable setbacks and errors of judgment.

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Fund's performance is dependent on the services of EPP and certain of its key personnel, the loss of which could have a material adverse effect on the Fund; (ii) the Fund's fees and expenses, which may be substantial and are payable irrespective of profitability, will offset the Fund's trading profits; (iii) the Fund may employ derivative instruments, short sales and other speculative investment techniques that may, in certain circumstances, result in losses exceeding the amount originally invested; (iv) the Fund may invest in non-U.S. instruments and markets, which may involve additional risks relative to U.S. instruments and markets, including currency fluctuation, political and economic instability, and less developed regulatory regimes; (v) the Fund is not subject to the same regulatory requirements as mutual funds or other more highly regulated investment vehicles, and investors will not have the benefit of the protections afforded by such regulation; and (vi) the Fund may be subject to complex and evolving tax rules and regulations, and there may be delays in the delivery of tax information necessary for the preparation of investors' tax returns.

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