CARRIAGE HOUSE
CAPITAL MANAGEMENT

July 28th, 2026

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Dear Partners,

For the six months ended June 30th, 2026, Carriage House Fund, LP ("the Partnership") reported a gain of 25.5% on a mark-to-market basis, net of fees, expenses and performance allocations. This compares to a gain of 10.2% for the S&P 500 Index and a gain of 22.7% for the Russell 2000 Index, assuming all dividends were reinvested.

As always, these indices are presented solely to place our Partnership's performance in context. Given our "absolute return" orientation, I do not view either as a formal benchmark, nor do I feel particularly strongly about their relevance, one way or the other. In fact, I'd encourage you to use whatever yardstick it is that you believe to be the most relevant. With that said, I simply ask that you compare our performance over a multi-year horizon.

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Our Partnership had a strong first half of 2026, especially in the context of a market backdrop that, in my view, remained challenging for fundamental investors. The year didn't begin that way. Inflation was waning, rates were dropping, breadth was expanding – it felt like a regime change was taking hold, one where business quality and valuation would finally matter again. But the US-Iran conflict was the coup d'état that toppled it, injecting intense volatility that spurred a flight to safety in energy and defense havens. When the dust settled, it was a reboot of 2025. Just like after last year's "tariff tantrum", investors stampeded into AI-related names. By mid-April, the market had narrowed into a single dominant trade – the old regime restored, anyone not paying tribute left behind.

Thankfully, Carriage House was an exception. Our results were broad-based, with strength coming from many corners of the portfolio at once. Certainly, we paid some tribute to the regime, as a few of our businesses touched the AI narrative at the edges. However, most of our businesses didn't touch at all – in fact, a few even detracted from performance due to perceived AI disruption risk. We also managed to eke out a modest gain on our shorts.

I'd first attribute this divergent outcome to our "Compass Rose" framework and its powerful four prongs. We aim to own businesses with (i) enduring competitive advantages, (ii) ample growth prospects, and (iii) exceptional management teams that (iv) trade at discounts to their intrinsic value. Ideally, this formula shouldn't much care which theme, factor or sector the market happens to be crowning that day. Next, I'd credit our deep understanding of the businesses we own – amassed through intense, field-level research – for helping us hold through volatility when others were conditioned to sell. Finally, I'd pin it on our long-term orientation; it's not lost on me that most of our return stemmed from businesses we've owned for many quarters, even many years. Said differently, it was our *framework, legwork and duration* that combined to create a competitive advantage for Carriage House itself.

Portfolio Update

As of June 30th, 2026, our Partnership owned eleven businesses, with the five largest holdings accounting for a little over two-thirds of our portfolio. With some hindsight, I've concluded that I was far too "active" in the market through the first six months of the year. In fact, a better descriptor might be "reactive", as I attempted to navigate this period of extreme volatility by taking on marginal positions that elevated our turnover. Some of them paid off, but some of them detracted – not as much from poor stock selection (as most have since appreciated in price), but more from lacking appropriate conviction and selling too many at small losses. These "papercuts" added up.

As I hope the below reviews of our "core" holdings will demonstrate, it would've been better to shelter in place; to retrench further into the businesses I knew intimately, whose long-term prospects I had more confidence in. Now that we're a few weeks into the second half, I wouldn't be shocked if the stock market stayed just as turbulent as the first. So, you should expect less marginal – but more intentional – activity from me as the year progresses.

Viking Holdings, Ltd. ("VIK")

VIK continued to deliver exceptional performance through the first half of 2026, causing the luxury cruise liner's shares to appreciate ~47% to ~$105. However, it wasn't "smooth sailing" throughout, as flaring tensions in the Middle East led to a surge in oil prices that overshadowed what was a stellar set of year-end 2025 results. True to VIK's provident form, management revealed there were contingencies in place: it had hedged fuel costs for its river fleet before oil spiked, while its ocean fleet had been fitted with closed-loop scrubbers that permitted the use of cheaper, high-sulfur grades. But that reassurance wasn't enough to prevent a ~15% pullback in the stock.

It wasn't until mid-May that VIK's shares recovered in earnest, coinciding with its first quarter earnings release. Two things immediately stood out from those results. First, as of May 3rd, 2026, VIK had already sold ~38% of its available itineraries for the 2027 season. This was ahead of the prior year's pace of advance bookings, despite VIK having expanded its berth count by ~15%. Second, those itineraries carried per-diem fares that were ~11% higher than those for the 2026 season, well above the mid-single digit increases VIK had historically implemented.

Taken together, it appeared to me that the "Viking" brand of cruising was healthy, resonant and growing. It also appeared that management – witnessing tremendous demand – was justifiably exploring the extent of VIK's pricing power. And finally, it appeared that VIK's loyal and more affluent customer base had digested that without any difficulty. Other investors soon arrived at the same conclusions, and the stock settled into a steady upward climb.

While I had flagged VIK's pricing opportunity in last year's Annual Letter, I never thought it would come through as quickly and strongly as it did. Structurally, I'd expect the blended rate to mix down a bit as the booking window progresses. But, when combined with double-digit capacity growth and the likelihood of further yield expansion, even a mid-to-high single digit pricing umbrella bodes very well for VIK's earnings trajectory in 2027 and beyond.

That said, the recent decision by VIK's legendary CEO, Torstein Hagen, to assume the role of Executive Chairman (with CFO Leah Talactac replacing him) inevitably injects some "key man" and strategic continuity concerns. I'm equally cognizant that, at ~20x forward EBITDA, VIK now trades at a wide premium to peer Royal Caribbean. But, weighing these risks against the combination on offer – VIK's inimitable brand, impressive growth runway, and unmatched returns on capital – I don't feel it's the right time to idle down this incredible compounding engine.

Hammond Power Solutions, Inc. ("HPS")

I first bought HPS for our Partnership in June 2023, when the stock traded for ~C$50 a share. At that time, the market viewed it as a commodity transformer maker enjoying a transitory pricing windfall, valuing it at only ~6x forward EBITDA. What I saw was a leading manufacturer of custom-engineered, mission-critical components positioned squarely in the path of a structural surge in demand for electric power. Given industry-wide capacity constraints, I reasoned it could keep leveraging price to sustain or improve its already attractive margin profile.

That is exactly what unfolded over the next two years, as HPS grew its revenues by ~15% per annum and expanded its gross margins from ~30% to ~33%. This invited a valuation re-rating (from ~6x to ~12x forward EBITDA) that sent the stock to ~C$140 by summer 2025. Unfortunately, HPS suffered a notable margin setback in last year's second quarter as input costs spiked on firm demand, while phased capacity additions left factory overhead under-absorbed. I expected these pressures to abate as price increases took hold and throughput ramped at HPS' new Mexican plant, but not immediately. Concerned that several reports of softer margins might usher in a narrative that HPS was finally "over-earning", I sold our Partnership's entire stake for ~C$125 a share.

Sure enough, when HPS issued results last October, the third-quarter margin contraction was even more acute than it was in the second. Initially, I felt vindicated for exiting when I did – until I read something surprising in the press release: HPS' backlog rose an impressive ~18% sequentially, then jumped another ~53% in the three weeks after quarter-end. Management cited large orders from certain datacenter customers as the catalyst, scheduled to ship throughout 2026 from its recently completed Mexican facility. This suggested to me that discerning buyers were scrambling to secure their spot in HPS' custom product queue – precisely the high-specification work that carries the best margins. Plus, my math suggested these orders could fill HPS' new capacity outright, resolving the under-absorption issue in a single stroke. So, in an about-face, I re-established a position at ~C$160 a share.

The stock remained range-bound until March 2026, when HPS reported fourth quarter earnings. Its backlog leapt a whopping ~75% sequentially, and management intimated that quotation activity stayed robust into the new year. Although margins remained muted, investors cheered the swelling order book and what it portended for utilization, driving shares to ~C$300. Then, in May, first quarter revenues far exceeded consensus estimates and margins finally inflected – proof that management was now converting bookings to billings down in Mexico. And despite record quarterly sales, HPS' backlog had expanded further still. The stock closed on June 30th at ~C$347, up ~118% year-to-date. But, since I added some shares along the way, our Partnership's return was more modest.

There's no question that HPS' recent re-rating has been driven, in part, by the market's positive new perception of it as an "AI beneficiary". However, with comparable electrical equipment providers trading for ~25x or higher (and some growing a lot slower), its ~19x forward EBITDA multiple doesn't appear all that stretched in context. And HPS isn't a one-trick pony – its datacenter exposure is only ~25% of sales. So, if that end-market demand slows, it should continue benefiting from the electrification of everything else. It's also becoming more diversified from a product perspective, with the acquisition of AEG adding UPS and power conversion prongs to its previously transformer-centric portfolio. Lastly, I believe it's on the cusp of a genuine margin inflection. So, while investor appetite may ebb thematically – as it has in recent weeks – I'd expect HPS to continue delivering fundamentally.

Auto1 Group SE ("AG1")

Recall, from 2022 to 2024, AG1 expertly navigated a period of falling vehicle prices and rising interest rates that felled less-advantaged competitors, emerging firmly as Europe's leading digital platform for buying and selling used cars. By late 2025, management had realized significant profitability improvements and decided it was time for AG1 to pivot back to "growth mode." But as investors internalized what this meant – that per-unit gross profit progression in 2026 would be countered by brand marketing to hasten share gains – they began to sell the stock.

That selling slowed and, ultimately, reversed in January of this year, which lifted AG1's stock price from ~€27 to ~€31 a share. However, the rally was short-lived. Despite management's direct advisement on its third quarter earnings call that analysts "maintain the current consensus EBITDA expectations for 2026", sell-side estimates drifted higher in the days that followed. So, when AG1 issued its fourth quarter results in February, the midpoint of its 2026 EBITDA guidance range (~€263 million, up a robust ~33% vs. 2025) fell a bit short. This softer-than-expected outlook couldn't have come at a worse time, as concerns around AI disruption had begun to weigh on broader market sentiment. Combined, these twin catalysts sent AG1's stock price careening toward ~€14 a share.

As I reflected on this retracement, I convinced myself of three things. First, AG1's execution left very little to be desired, and its 2026 forecast was only disappointing against a lofty bar. Second, AG1's competitive moat – deep vertical integration and the scale and profitability benefits it produced – was not the kind of edge AI could erode. Indeed, AG1 was "AI native" from the start, suggesting that the very technology in question had already proven to be more of an enabling tool than a disintermediating force. Third, AG1's sales and earnings were set to grow far too robustly for it to trade at ~11x forward EBITDA… that's, of course, unless the market knew something I didn't. Sadly, it was that final caveat – the threat of a "known unknown" – that kept me from adding at the lows.

I spent the next few weeks desperately searching for something I may have overlooked to justify AG1's prevailing discount. I asked management if they knew what I was missing, but they didn't. I spoke with competitors, who seemed as surprised as I was by the recent price action. At some point, I even contacted one of AG1's registered short-sellers, hoping his "bear thesis" would enlighten me. But, after exhausting as many touchpoints as I could, I hadn't discovered anything new. So, I finally decided to buy more of AG1's stock as it hovered in the high teens. Thankfully, AG1's first quarter results were well received and a Capital Markets Event in June spurred confidence in *AutoHero's* path to retail profitability. The stock rebounded to ~€23, down a palatable ~15% to start the year.

Having recently returned from meeting with AG1's management team and touring operations in the Berlin metro-area, I'm even more stunned that shares of this impressive business were unceremoniously discarded during the first quarter of 2026. But I'm also more disappointed in myself for not fully capitalizing on that buying opportunity. My visit to Germany confirmed what I already knew – but was initially scared to act on – when the stock was on its back: that AG1 has only scratched the surface of an immense ~€700 billion market and has myriad levers to become the largest and, importantly, most profitable used-car retailer in Europe. I won't forget that the next time.

Watches of Switzerland Group PLC ("WOSG")

I'm pleased to report – in a welcome and long overdue turn of events – that WOSG contributed quite positively to our Partnership's performance in the first half of 2026. My last letter noted that I had proverbially placed it "under indictment", awaiting evidence that its operating margins were poised to recover. Despite it trading for only ~11x forward P/E, WOSG's earnings had modestly declined over our multi-year ownership period. And "cheap stocks" aren't cheap if earnings don't grow. So, I was fully preparing to exit if it didn't buck this trend of contraction soon.

To be fair, much of WOSG's recent margin pressure has been outside of management's control (e.g. tariffs, mix) and its revenue growth has certainly been impressive over the last few years. In fact, my initial investment thesis hung primarily on this "top-line" angle: WOSG became the UK's leading retailer of high-end timepieces through elevated showroom fit-outs and selective acquisitions, and I believed it was in the early innings of running that same playbook in the larger, more fragmented US market. This hypothesis began playing out, as underlying US revenue grew ~11% in FY '24, ~14% in FY '25, ramping to ~24% when FY '26 results were issued in May. That acceleration delivered better operating leverage than budgeted, limiting full-year margin compression to roughly half of prior guidance. Further, management's FY '27 forecast called for 40 – 80 basis points of margin expansion.

In my view, this was enough to delay WOSG's "sentencing date". The market agreed as well, propelling the stock to ~£710p a share by the end of June – up ~50% from the start of the year. Looking ahead, there's good reason to believe that margins will begin inflecting upwards as management expects. For example, WOSG should benefit from recent retail price increases enacted by Rolex and other key brand partners, outsized growth in its profitable jewelry segment (led by Roberto Coin), and scaling its US e-commerce business. But all this remains to be seen, so I'll be vigilantly watching for tangible progress over the coming months before granting WOSG a "full pardon".

FTAI Aviation, Ltd. ("FTAI")

Point-to-point, FTAI's stock was up ~37% through June. However, the path to get there was considerably non-linear. From ~$197 at the start of 2026, shares briefly touched ~$320 in late February as excitement built around

its newly announced "FTAI Power" initiative. After years in development, management's proprietary architecture for converting jet engines into aeroderivative gas turbines was on the cusp of commercialization. Beyond offering FTAI another way to monetize its end-of-life assets, this granted it access to a second market that was just as supply constrained as the market for its current-generation propulsion systems. As such, the power business had the potential to be very profitable. If FTAI achieved its 100-unit sales target at prevailing rates, it could generate an additional ~$750 million of EBITDA in 2027. This compared to guidance for ~$1.5 billion of EBITDA in 2026.

From its origins as a traditional lessor, FTAI has transformed into an end-to-end aftermarket platform for the CFM56 – the world's most ubiquitous jet engine. So, the power business was an exciting and logical next step in this evolutionary journey. But just as exciting was the performance of FTAI's core business, which demonstrated continued traction through the fourth quarter of 2025. In its high margin "Aerospace Products" segment, FTAI refurbished record modules for its small- and mid-sized airline customers, achieving the requisite scale to receive inbounds from some major carriers who now expressed budding interest in its low-cost maintenance model. And, in its increasingly capital-light "Aviation Leasing" segment, it announced the successful launch of a second ~$6 billion vehicle to buy on-lease aircraft on behalf of outside investors, which FTAI would then manage and service.

However, when oil prices spiked amidst the US-Iran conflict, concerns began to build that airlines might retire older, less fuel-efficient planes faster than planned. This was perceived as a potential threat to FTAI's momentum in marketing its "modular swaps", offered exclusively to operators of the CFM56 – a mid-life engine franchise. I questioned whether carriers would make such long-term fleet decisions based on short-term oil price volatility, especially when facing multi-year delays in new deliveries from Boeing and Airbus. Before "mothballing" aircraft, it seemed more likely to me that they would seek savings in engine maintenance (their third-largest cost behind fuel and labor) by doing even more business with FTAI. But clearly the market disagreed, as shares slid to ~$213.

In April, FTAI reported first quarter results in which "Aerospace Products" revenue far surpassed even the loftiest sell-side estimates, allowing it to capture two points of market share (from ~10% to ~12%) in only three months. But this growth had come at a cost, as segment margins fell to ~30%, down from ~35% in the fourth quarter and well below the ~40% contemplated by full-year guidance. Yet, management had conditioned that guidance at the outset: given the chance to finally onboard a major airline, it would prioritize share gains – and absolute EBITDA growth – over margins. On the quarterly earnings call, FTAI's CEO proudly confirmed that these results reflected just that. However, it was FTAI's comments on the burgeoning power business that carried shares back to ~$285.

Management revealed that it was in "advanced negotiations" with prospective customers and that it expected 2027 production to be "sold out imminently". But, in the weeks that followed, no announcement of initial orders materialized. As each day passed, investor optimism began curdling into doubt, and shares retreated to ~$225. Luckily, the arrival of a Middle East ceasefire arrested that decline, assuaging the fuel-driven retirement fears weighing on FTAI's maintenance arm. The stock ultimately closed on June 30th at ~$271. What a wild ride it was.

After quarter-end, the moment finally arrived. On July 22nd, FTAI announced a ~$1.5 billion order from a leading international cloud service provider for a "substantial portion" of its targeted 2027 aeroderivative units. Given our Partnership's policy of backing only credible management teams, it shouldn't surprise you that a deal was "imminent" all along. What should surprise you is that, as of this writing, the stock is *down*, not up. I see a handful of explanations. For one, there has long been excessive short-term positioning in FTAI's shares. So, with margin headwinds in "Aerospace Products" poised to continue and market sentiment shifting around the "land-grab" for compute, the short-termers may simply just be short. FTAI's stock story is also complex, leaving it underfollowed and misunderstood. But the main factor, I think, is that investors can't seem to agree on what FTAI is truly worth.

One camp views FTAI as a collection of disparate business segments masquerading as a high-quality aerospace platform, and values it as a "sum-of-the-parts". Another camp doesn't think it's masquerading at all, and rejects

severing the very interconnections that make FTAI's business segments demonstrably more valuable together than they are apart. I bet you can guess which camp I'm in. Now, many high-quality aerospace platforms with lower growth, lower margins, and lower returns on capital trade for well north of ~20x forward EBITDA. I expect FTAI's core business alone to generate nearly ~$2 billion of EBITDA in 2027. Applying a multiple comparable to appropriate peers suggests an enterprise value at least ~30% higher than where FTAI's stood at the end of June, *even if the power business never delivers a single unit.* And that seems far less likely now than it did back then.

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In closing, I'm pleased with our Partnership's performance through the first half of 2026. Still, I remain in awe of how the market's behavior has changed from what I used to know. Its compressed time horizons, its often-myopic focus, its erratic pricing of both good and bad outcomes – this is not your parents' stock market. Nor am I alone in feeling this way. Lately, I've watched some of the most adamant fundamental investors abandon high-quality businesses altogether to chase the market's pendulum. "Adapt or die," they say. But it's one thing to adapt and another to trash the playbook. Rest assured, as I adapt to this new order, I won't be departing from our framework.

Thank you for your support and trust.

Sincerely,

William R. Cleary
Carriage House Capital Management, LP
Chief Investment Officer

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