2Q 2026

Finding Patience in...
an Early 2000s Hip-Hop Song?

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My original version of this letter led with the intro and first verse of Nelly's Hot in Herre. Apparently, copyright laws don't allow that. With Baltimore's recent extreme heat warning (heat index at 114°) following record-breaking European temperatures, and markets freshly off new highs with semiconductors on fire, it indeed seems hot and his lyrics about trying to stay patient are appropriate.

The investor's behavioral barometer reads optimistic. Though we believe the path of least resistance for the market continues to be higher, this quarter I was struck by advancing enthusiasm. Market prospects are best when moods are sour, though some of the best returns occur during the latest stages of a bull market. We think that's where we sit today.

The S&P 500 gained 15.2% in the quarter as markets recovered their first quarter losses and semiconductors surged on the back of AI-driven shortages. The Patient Opportunity Trust gained 17.2% [1] net, in line with the index. For the first half, the Fund gained 10.2% inline the benchmark.

This year, it's been difficult to outperform without exposure to beneficiaries of AI spend, particularly semiconductors -- the Philadelphia Semiconductor Index exploded a whopping 101.7% in the first half. Our only exposure, Nvidia (NVDA $202.78), didn't help much, as it lagged the market. Technology overall accounted for 82% of the market's first half gains whereas our modest tech exposure was a net drag.

We find ourselves in familiar territory. We've managed to outperform despite being underweight technology, the market's main driver for the past decade-plus (a bad call!).

In the quarter, our healthcare exposure drove most of our performance despite the sector lagging the market overall. Six of our seven healthcare companies gained more than 20% in the first half, contributing 935 basis points to Fund performance.

	1H26 Return
RPRX	46.5%
PGEN	36.4%
ILMN	34.1%
CVS	32.5%
UNH	27.6%
BIIB	22.8%
TEM	-1.9%

These investments are emblematic of our process. A few years ago, healthcare hit a 50-year relative valuation low. The sector was ripe for contrarian, value investors. We initiated positions during weakness when the market didn't reflect the long-term fundamentals of the businesses. It took the market some time to come around to our view, but our patience was rewarded.

We think elevated single stock volatility, and the market's myopic focus on the next quarter or 6 months, continues to create significant opportunities for contrarian, patient investors like us.

At a macro conference I attended in June, during a hedging discussion, one moderator from a big bank mentioned the challenge of monetizing hedges effectively. She said her hedge fund clients failed to profit from hedges in March's selloff because the market rebounded before they cashed in.

[1] Returns referenced are for the Class I share as of quarter end 6/30/26 Gross (Net) Expenses (%): Class A 1.69 (1.69); Class C 2.44 (2.44); Class FI 1.74 (1.74); Class I 1.44 (1.39); Class IS 1.33 (1.33); Class R 1.94 (1.94). The Philadelphia Semiconductor Index (SOX) is a modified market capitalization-weighted benchmark tracking the 30 largest U.S.-listed companies in chip design, manufacturing, and sales. It serves as a primary economic indicator for the global semiconductor industry and technology sector demand. Performance shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. Patient Capital Management has agreed to waive fees annual operating expenses will not exceed 0.88% through 4/30/27, subject to recapture as described below. With respect to Class I only, the Adviser has agreed to waive fees and/or reimburse operating expenses such that the previously described annual operating expenses, plus intermediary servicing fees and other class specific expenses, will not exceed 0.93%. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than the original cost. Class A shares have a maximum front-end sales charge of 5.75%. Class C shares have a one-year contingent deferred sales charge (CDSC) of 1.0%. If sales charges were included, performance shown would be lower. Total returns assume the reinvestment of all distributions at net asset value and the deduction of all Fund expenses. Total return figures are based on the NAV per share applied to shareholder subscriptions and redemptions, which may differ from the NAV per share disclosed in Fund shareholder reports. Performance would have been lower if fees had not been waived in various periods. YTD is calculated from January 1 of the reporting year. All classes of shares may not be available to all investors or through all distribution channels. For the most recent month-end information, please call 800-655-0324 or visit patientcapitalmanagement.com/opportunity-trust.

She recounted their conclusion: "the best hedge is being ready to buy the dip." The audience nodded in support. At lunch someone cited the insight as a top takeaway. A bull market insight born of optimism if I've ever seen one.

When I mentioned to my partner Bill Miller that I was troubled by this bubbly sentiment, he astutely reminded me that few consistently practice what they are preaching.

It's not surprising to see elevated complacency after 17 years of 15% annualized returns for the S&P 500. Dip buying has been rewarded for decades. Investors now see opportunity.

This wasn't always the case. In the early days of this secular bull market, every rally was met with fear of an imminent reversal. Risk management was the top consideration. Demand for hedges surged.

In 2010, after hedge funds lagged the market significantly, one article included the following quote: "Hedge fund managers are significantly more conservative than they were at the beginning of 2008, and I don't think there are really the mega opportunities, like there were in subprime in '07 and '08," said Virginia Parker, chief investment officer at Parker Global Strategies, a firm that advises institutional investors on hedge funds." [2]

Now the market is nearly 6x higher and valuations 55% greater and investors see abundant opportunities! There's finally confidence that every selloff should be bought. The irony is that the best opportunities are born from low prices and moribund sentiment. But the perception of opportunities follows trailing returns.

Other speculative indicators grew too. SpaceX (SPCX $152.16) completed the largest IPO (initial public offering) in history, raising $86B -- more than double the previous record (Saudi Aramco). Retail demand, a driving market force, was astronomical, with retail buying hitting a single day record that day. Margin debt is at record levels and levered ETFs have exploded. M&A (Mergers and Acquisitions) also set a record in the first half.

Today's retail trading environment echoes the late 90's. Shortly after I started in the business in the early 2000's, I attended a Harvard Behavioral Finance seminar where we learned about irrational exuberance. The following hilarious video, a commercial from Ameritrade from 1999 (https://www.youtube.com/watch?v=MhaBb6nrH2M), was shown. Today, the vibe would resonate with many.

That's not to say the bull market is doomed. Frothiness still falls short of what we observed at the peak of the Innovative Disruption bubble in the second quarter of 2021, and pales in comparison to the late 90's.

By the middle of 2021, the S&P 500 had gained 41% over the prior twelve months (vs. 22% today) with the hottest stocks, exemplified by Cathy Wood's ARK Innovation ETF up 86%. While today's biggest winners, the semiconductors, are up far more (+159% 12-month gain for Philadelphia semiconductor index), other indicators look better.

Both periods register as euphoric on Citigroup's panic-greed index, but 2021 was more extreme. Today, S&P 500 valuations are lower while earnings growth is higher. Elevated inflation plagues both periods, but today's interest rate levels better reflect the situation *(see details in Exhibit A below).*

Exhibit A

SPX VALUATION

Metric	6/30/2021	6/30/2026
Fwd 1Yr P/E	22.3x	21.0x
Fwd 1Yr P/S	28x	3.3x
P/B	4.7x	5.7x
TTM Earnings Growth	-0.2%	15.1%
Fwd 1Yr Earnings Growth	13.7%	18.1%

INFLATION / MACRO

Metric	6/30/2021	6/30/2026
10-Year Rate	1.47	4.47
CPI YoY	5.00	4.20
Core CPI YoY	3.80	2.90
Core PCE YoY	3.54	3.41
Fed Funds Effective	0.08	**3.63**
Fwd 1 Year Est. Rate Hikes	0.28	1.27
5 Year Inflation Breakeven	2.50	2.27
Forward 5 Year Inflation	4.36	

Source: PCM internal estimates

P/S (Price to Sales) compares company's stock price to its revenue, P/B (Price to Book) compares the company's market value to its book value Fed Funds Effective rate is the actual average interest rate banks charge each other for overnight loans, calculated as a volume weighted median and published daily by the Federal Reserve.

[2] Source: Reuters

Market losses in 2022 resulted from sharp interest rate increases (SPX down 18.2% and ARKK down 67.1% in 2022). We won't see similar increases from here with the Fed funds rate sitting above the core inflation rate.

The late 90s reached euphoric extremes. Outside of semiconductors, the Tech Bubble gains dwarfed current ones. From Netscape's IPO in August 1995, the S&P 500 gained 195% through the peak in March 2000, with the tech sector up 564%.

Since Chat GPT's launch in November 2022, the S&P 500 has gained 93% with tech up 187% (note: we need another year to match the duration of that 90's run). Back then, semiconductors gained 589% vs. the current 535%.

At the stock market peak in 2000, the S&P 500 traded at 24.6x forward 12-months earnings vs. 20.0x today. Today's tech sector valuation of 24.8x pales in comparison to the prior period's 61.0x. Fortunately, unlike the late 90's, stock prices have moved in lockstep with earnings and multiples haven't expanded, creating a more stable base.

Citigroup's bear market checklist has 11.5 of 18 indicators flashing caution vs. 17.5 at the March 2000 peak.

The chief determinant of market prospects likely remains the AI revolution, where some concerning signs have emerged. AI has accounted for a significant chunk of economic growth. Surging demand and supply constraints have boosted prices and earnings.

A period of "tokenmaxxing" (eg – maxing out your AI/token usage) has evolved into more rationality. Companies like Uber and Microsoft have gated usage to manage exploding costs. Companies are saving money by swapping to cheaper open-source Chinese models. One startup we spoke with rationalized agent prompts, cutting token usage to 1/3 of their allotted amount. They weren't yet cutting the amount they purchased due to shortages and additional potential use cases, but that prospect remains.

Many question the risk of model commoditization and companies' ability to generate adequate returns on capital for their massive investment.

Recent evidence suggests AI data center returns on capital (ROIC) are currently very strong. xAI's (SpaceX) deals with Google (GOOGL $358.89) and Anthropic suggest phenomenal ROICs of 30-40%, as detailed in an excellent Substack note by *Journal of a Golfing Investor* [3].

	Google deal	Antropic deal
Annual contract revenue	$11.0B	$15.0B
Less runnings costs	- $0.7B	- $1.25B
Cash operating profit	$10.3B	$13.75B
Less depreciation, using 4-year life	-$3.75B	- $5.25B
Operating profit	$6.55B	$8.50B
Capital base used	$15B	$21.0B
ROIC before tax	~ 44%	~ 40%
ROIC after tax, using 21% tax rate	~ 35%	~ 32%

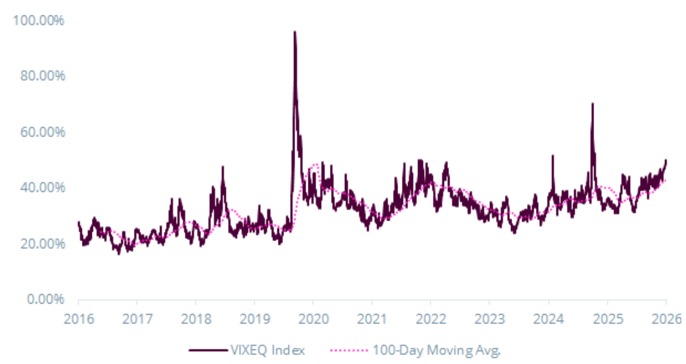
Source: Journal of a Golfing Investor

ROIC – Return on Invested Capital (ROIC) calculated by dividing net operating profit after tax by invested capital.

Overall, we think the environment continues to be favorable. We remain extraordinarily early in the AI evolution, and transformation potential is enormous. Public market valuations are reasonable. AWS raised prices in early July suggesting overall demand continues to exceed supply – the most critical factor of all!

Still, we prefer pessimism to optimism. As Warren Buffett says, it's better to be greedy when others are fearful. We avoid areas with excessive enthusiasm and rotate into those with more favorable conditions.

Fortunately, while overall market volatility has been low, single stock volatility remains elevated. The chart below shows the single stock VIX of the S&P 500. These swings create continuous pockets of opportunity to exploit gaps between market expectations and long-term fundamentals.



Source: Bloomberg

[3] https://journalofgolfinginvestor.substack.com/p/journal-23-the-trillion-dollar-question

We've recently been adding to weakness in numerous areas, including (QXO $14.58), Adobe (ADBE $222.65), Coinbase (COIN $158.44) and (Meta $631.48). We've also initiated new positions in several payments companies, Adyen (ADYEN €834.50) and Global Payments (GPN $74.38).

QXO is one of our favorite ideas at these levels. The stock traded down 50% from the highs. The cause was arb pressure from their Topbuild deal and hedge fund selling pressure due to expectations for a weak quarter from fewer storms (less roofing business) and a weak housing market.

These myopic, short-term pressures have allowed us to add to our stake at attractive prices. We think the stock should compound at ~30% per year over the next 3-5 years as the company increases profits by 2-3x by 2030.

Payments companies traded off broadly due to myriad concerns, from declining secular growth from cash digitization, to competitive concerns, and blockchain/stablecoin threats. We think business fundamentals are better than market prices suggest. Global Payments (GPN) and Adyen (ADYEN) are at opposite ends of the spectrum.

GPN is an acquisitive legacy merchant acquirer that just completed a large acquisition (Worldpay) transforming it into the most scaled player. The stock recently hit a 5-year low this year. At current prices, it's down 2/3 from the 2021 highs. Poor deals and competitive pressures have plagued the company.

We think a combination of improved competitiveness and a beaten down valuation has finally made the stock attractive. Its expanded scale and Genius point-of-sale offering are helping it compete more effectively. We think the company can sustain growth at a mid-single digit rate.

It recently reached a deal with activist investor Elliott to add new Board members, which should prevent more unattractive acquisitions. The valuation is attractive. We expect it to generate ~$10 in free cash flow per share next year resulting in a handsome 13% free cash flow yield. We expect this to grow ~40% to $14+ per share in 2028 (19% yield). We also expect most of this cash to go towards share repurchase.

Adyen (ADYEN €834.50), on the other hand, sports one of the most digitally advanced payments infrastructures. Still, the stock price has been pressured by competitive concerns. At the recent lows, it was nearly 60% off its 2025 all-time high. While the core ecommerce business has reached ~50% penetration in the US and Europe, we believe omnichannel and international markets still present huge runway for growth. Adyen's advantages should enable it to expand wallet share and sustain mid-teens topline growth for the foreseeable horizon, well above market-embedded expectations of mid-to-high single digits. We expect this compounder to yield high teens-to-low twenties rates of return.

Last quarter, we discussed Coinbase and Adobe so we won't drill in on those here. We still find them all quite compelling.

While the Mag 7 have mostly trailed the market, of the ones we own, Meta is the notable laggard, down 14% over the past year. The market has grown concerned about its aggressive AI investments on the verge of taking free cash negative. We think this pessimism created an attractive area to add to our position.

Meta's new formidable AI talent and access to compute create the conditions for success. Mark Zuckerberg is a beast. We aren't surprised to hear rumors that Meta might sell compute given the ROICs on recent deals (see above). If Meta shows any positive signs from its recent investments, as we expect, we could see the stock behave in a similar manner to Alphabet's after its successes.

We also still have confidence in our other top holdings: Precigen (PGEN $5.53), Royalty Pharma (RPRX $57.96), Citigroup (C $139.57) , Alphabet (GOOGL $358.89), UnitedHealth Group (UNH $431.68) and Amazon (AMZN $247.04).

One of our biggest challenges is striking the right balance between letting our winners run and opportunistically deploying capital to new ideas. We try to balance both carefully.

We appreciate our clients' support and investment. Please reach out anytime with questions or for an update.

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PATIENT CAPITAL MANAGEMENT

Patient Capital Management LLC is an SEC registered investment advisor founded in 2020 by Samantha McLemore, majority owner and Chief Investment Officer. Formerly operating with Miller Value Partners, Patient Capital acquired the Opportunity Equity business in May 2023 in a transaction completing Bill Miller's succession plan. As of 6/30/26, Patient Capital operates independently managing $3B in assets featuring opportunistic, long-term, value-oriented equity strategies. The Firm is supported by a team of 11 professionals. Bill Miller remains a minority owner and adviser.

Click here for Patient Opportunity Trust standardized performance.

Securities Prices referenced are as of 7/9/2026.

Before investing, carefully consider a Fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus if available, which is available at patientcapitalmanagement.com/opportunity-trust. Please read it carefully. Click here for the Fund's holdings as of 6/30/2026.

Fund holdings are subject to change at any time and should not be considered a recommendation to buy or sell any security. The S&P 500 Index (SPX) is a market capitalization-weighted index of 500 widely held common stocks. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Mag 7 refers to the Magnificent 7 stocks are a group of large-cap companies in the technology sector, including Alphabet (GOOGL), Amazon (AMZN), Apple (AAPL), Meta (META), Microsoft (MSFT), Nvidia (NVDA), and Tesla (TSLA) that due to their size and performance accounted for roughly one-third of the S&P 500's total market capitalization. The Enterprise Value to Operating Income ratio (EV/EBIT) measures a company's total value (including debt) relative to its core operating profit, serving as a key valuation tool. BDCs are Business Development Companies that are closed end investment funds that help small and mid sized private US businesses raise capital. Free cash flow (FCF) is operating cash flow minus capital expenditures divided by the number of shares outstanding. Basis point (bps) is one hundredth of one percent. PE (price-to earnings) measures a company's current share price relative to its earnings per share (EPS). Enterprise Value to Operating Income ratio measures a company's total value, including debt, minus cash, relative to its operating earnings. Mutual fund investing involves risk and principal loss is possible. Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. Real estate investment trusts (REITs) are closely linked to the performance of the real estate markets. REITs are subject to illiquidity, credit and interest rate risks, and risks associated with small and mid-cap investments. The Fund may focus its investments in certain regions or industries, increasing its vulnerability to market volatility. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. The manager's investment style may become out of favor and/or the manager's selection process may prove incorrect, which may have a negative impact on the Fund's performance. Short selling is a speculative strategy. Unlike the possible loss on a security that is purchased, there is no limit on the amount of loss on an appreciating security that is sold short. The fund does not directly invest in or seek access to the spot price of Bitcoin. Bitcoin and other cryptocurrencies are a relatively new asset class and are subject to unique and substantial risks.

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Investment Objective
The ARK Innovation ETF's ("Fund") investment objective is long-term growth of capital.

Fund Fees and Expenses
The table below describes the fees and expenses that you pay if you buy, hold and sell shares of the Fund ("Shares"). Investors may pay other fees, such as brokerage commissions and other fees to financial intermediaries on their purchases and sales of Shares, which are not reflected in the tables and examples below.

Shareholder Fees (fees paid directly from your investment): None

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)

Management Fee:	0.75%
Distribution and/or Service (12b-1) Fees:	0.00%
Other Expenses: [a]	0.00%
Total Annual Fund Operating Expenses:	0.75%

[a] Pursuant to a Supervision Agreement, ARK Investment Management LLC ("ARK" or "Adviser") pays all other expenses of the Fund (other than acquired fund fees and expenses, taxes and governmental fees, brokerage fees, commissions and other transaction expenses, certain foreign custodial fees and expenses, costs of borrowing money, including interest expenses, and extraordinary expenses (such as litigation and indemnification expenses)).

The principal risks of investing in the ARKK include: ***Equity Securities Risk****.The value of the equity securities the Fund holds may fall due to general market and economic conditions.* ***Foreign Securities Risk****. Investments in the securities of foreign issuers involve risks beyond those associated with investments in U.S. securities.* ***Health Care Sector Risk.*** *The health care sector may be adversely affected by government regulations and government health care programs.* ***Communications Sector Risk.*** *Companies is this sector may be adversely affected by potential obsolescence of products/services, pricing competition, research and development costs, substantial capital requirements and government regulation.* ***Information Technology Sector Risk.*** *Information technology companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. Detailed information regarding the specific risks of ARKK ETF can be found in the prospectus. Additional risks of investing in ARKK include equity, market, management and non-diversification risks, as well as fluctuations in market value and NAV. An investment in an ETF is subject to risks and you can lose money on your investment in an ETF. There can be no assurance that the ETF will achieve its investment objective. The ETF's portfolio is more volatile than broad market averages. Shares of ARKK are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. ETF shares may only be redeemed directly with the ETF at NAV by Authorized Participants, in very large creation units. There can be no guarantee that an active trading market for ETF shares will develop or be maintained, or that their listing will continue or remain unchanged. Buying or selling ETF shares on an exchange may require the payment of brokerage commissions and frequent trading may incur brokerage costs that detract significantly from investment returns.*

As of 06/30/2026

ARKK	1 Year	3 Years	5 Years	10 Years	Since Inception
NAV	14.82%	22.29%	-9.05%	16.16%	13.63%
Market price	14.98%	22.34%	-9.03%	16.25%	13.65%

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than the original cost. Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future. The Fund's most recent month-end performance can be found in the fund material section. *Returns for less than one year are not annualized. Net asset value ("NAV") returns are based on the dollar value of a single share of the ETF, calculated using the value of the underlying assets of the ETF minus its liabilities, divided by the number of shares outstanding. The NAV is typically calculated at 4:00 pm Eastern time on each business day the New York Stock Exchange is open for trading. Market returns are based on the trade price at which shares are bought and sold on the NYSE Arca, Inc. using the last share trade. Market performance does not represent the returns you would receive if you traded shares at other times. Total Return reflects the reinvestment of distributions on ex-date for NAV returns and payment date for Market Price returns. The market price of the ETF's shares may differ significantly from their NAV during periods of market volatility.*