TIGER ROCK CAPITAL MANAGEMENT LP

July 1, 2026

Brendan Burns
Chief Investment Officer
bburns@tigerrockcapitalmanagement.com

<u>First: Why Do 90% of Gamblers Lose Money?</u>

Ever wonder why casinos consistently win 90% of the time while their edge in most games is only a few percentage points? We've all heard the saying, "the house always wins." But why, if they have only slightly beneficial odds? It goes far beyond odds or even the compounding effect of slightly beneficial odds over time.

Blackjack, when played according to a set strategy, gives you a 49% chance of winning. Even roulette, one of the notoriously worst bets in the casino, has a house edge of only 5%. Yet why do 90% lose? Because of human emotion and frantic betting behavior.

The pattern is clear, and it's bad:

When gamblers win, they think they're "hot" and start overbetting. Statistically, however, the odds of winning are exactly the same as before. But rather than rack chips and keep bets steady, winners make excessively risky bets and give their profits back.

Similarly, when gamblers are losing, they aggressively overbet to chase their losses to try to win them back. They operate from emotion rather than calm, and *change their strategy* at the time where consistency matters most. They double down, triple down, and bet bigger and bigger trying to get even quickly. What started as a $50 loss becomes a $500 loss, then $2,000, and then catastrophic.

It's the exact inverse of what works. The small minority of successful gamblers do the opposite: they stick with their process through the highs and lows, know that odds don't change, and even walk away from sessions if they aren't emotionally sober. The 11% who win share one trait: they stay steady, composed, and consistent in their process no matter what.

Why This Matters for Investing

The lessons from Las Vegas apply to how Tiger Rock manages positions and controls emotions. Our goal is to avoid behavioral traps that crush gamblers as well as investors.

1. How We Respond to Stock Gains and Losses

When a stock runs up significantly, the emotional temptation is to buy more and chase the high. But our process requires us to generally do nothing, or in some rare cases, sell some. If valuation becomes stretched and better opportunities exist, we may trim and redeploy capital. We fight hard against the urge to buy more after big rallies and do nothing.

On the contrary, when a stock drops, the emotional temptation is to sell. "This isn't working. Cut it." But we try to do the opposite again. As long as our thesis remains intact and the business fundamentals have not changed, we see this as an opportunity and generally add to the position. We always reevaluate our thesis on significant downward moves, but we do not sell simply because of price movements alone.

As we discuss in our portfolio update below, some of our best returns have come from positions that sold off with no fundamental change to the underlying business, or went nowhere for 12-18 months before the market recognized the value we saw and re-rated the stock appropriately.

2. How We Respond to Bull and Bear Markets

We apply this same framework at the macro level. When the market feels like it will never go down again, when everyone is getting rich and every bone in our body wants to plow in more capital, we resist. Our goal is to maintain discipline, keep dry powder, and not chase.

Stanley Druckenmiller, one of the greatest investors of all time, learned probably his greatest lesson as an investor during the dot-com bubble. In early 2000, despite being bearish on tech valuations, he watched the market rip higher and higher without participating in the gains. The pain of missing out became unbearable. He finally capitulated, flipped everything from short to long, and poured billions into tech stocks at the peak. When the dot-com bubble burst, he suffered some of the largest losses of his career.

Conversely, when sentiment is extremely negative and it feels like stocks will *never* go up again, our goal is to deploy capital cautiously but consistently. The best opportunities come when everyone else is panicking.

The Bottom Line

The lesson from Vegas isn't that gambling is a guaranteed loss. It's that the difference between consistent winners and losers lies much more in emotional discipline and betting strategy than pure odds. Losers bet big when desperate. Winners also often bet incorrectly and give their profits back.

Just like the 11% of casino players who end the year ahead, our goal is to execute on a consistent behavior pattern without emotion. With that framework in place, let's turn to a discussion of markets and our portfolio.

The Current Market Environment: Discipline Being Rewarded

Discipline in a Deep Bull Market

We entered 2026 with the S&P 500 trading at approximately 26 times trailing earnings, well above its 10-year average of 19x. The concentration picture was also noteworthy: the Magnificent ("Mag") Seven[1] represented nearly 40% of the entire S&P 500, mirroring prior peaks such as the Nifty Fifty in 1972, the Japan asset price bubble in 1988, and the tech/telecom boom of 1999.

That said, we are not in the business of calling tops. As someone cleverly remarked, "Michael Burry has predicted 10 of the last 3 stock market bubbles." Additionally, concentration doesn't necessarily mean overvaluation. But given the heavy weight of tech stocks coupled with inflated company valuations, we entered the year cautious regarding our exposure and focused on valuation of the names that made up our portfolio.

Then, on February 28, the US and Israel launched surprise airstrikes on Iran that sent markets tumbling. As oil prices spiked and stocks sold off hard, we began asking ourselves: is this a permanent impairment to future earnings, or a short-term distraction? While the answer is now becoming more clear, this scenario did create several strong buying opportunities.

Geopolitical Arbitrage and Fear Creating Opportunity

The U.S.-Iran conflict and disruption of the Strait of Hormuz sent shockwaves through global markets in March. Equity markets sold off hard, especially Asian markets that rely heavily on the Strait for their oil supply. The South Korean benchmark index, the KOSPI, triggered a Level 1 circuit breaker on Wednesday, March 4, 2026, amid an absolute freefall. The index dropped as much as 12.6% intraday, marking its steepest single intraday decline in market history and

---

[1] The Magnificent Seven ("The MAG 7") is composed of Nvidia, Apple, Microsoft, Alphabet, Amazon, Meta, and Tesla.

surpassing the record set on September 11th, 2001. Just days later, on Monday, March 9, a second Level 1 circuit breaker was triggered as the index plummeted more than 8%. To put this volatility into perspective, the Korean stock market experienced as many circuit breakers in the span of a single week as it did over the previous three years combined.

Despite the noise, this appeared to be a geopolitical arbitrage opportunity. Was the market overselling a geopolitical event as a permanent fundamental impairment when the underlying reality may have suggested a more temporary disruption? The question we always ask is simple: will this event *materially* impair the earnings power of the businesses we own over the next three to five years? If the answer is no, the selloff is an opportunity.

We saw South Korea as a mature, globally integrated economy with strong infrastructure and decades of experience navigating regional instability. I've spent time in Seoul, staying at a Samsung-built and branded residential complex to witness this first-hand. The notion that a Strait disruption would permanently impair Korean technology manufacturers at the level the stocks were selling off was excessive. We were confident that alternative energy supply routes would activate if necessary, and that the selloff was compounding two distinct forces: genuine fear about oil supply, and profit-taking by investors who had previously ridden a significant KOSPI rally. Both created the same outcome. Prices disconnected from fundamental value.

Lucky for us, one of our highest-conviction positions at the time was South Korean memory manufacturer SK Hynix. This created a window to size up our existing position into an even larger part of our portfolio.

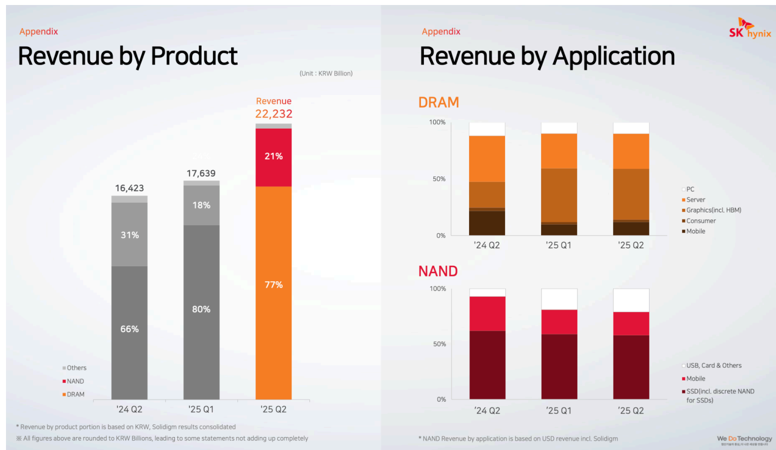
SK Hynix: Changing the On-Device Inference Game

> *"***This is a hundred-year flood.** I've **never seen anything like it** in any area in over 40 years.*"*
>
> -Tim Cook, Apple CEO on the current global memory shortage

In January 2026, a little over a month before the Iran airstrikes, we initiated a position in SK Hynix Inc. The company had a strong growth trajectory and a highly attractive trailing valuation of just 13x trailing GAAP P/E. Its products served as important bottlenecks in both data-center GPU AI architectures and on-device hardware such as iPhones. This positioning aligned with a broader thesis: the traditionally highly cyclical memory industry traded at lower valuation multiples, but was shifting toward long-term stability, driven by the demands of the current multi-year AI supercycle, creating an undervalued buying opportunity.

Unlike their U.S.-based competitor Micron, we felt that South Korean SK Hynix had a better valuation and stronger technological lead in the High Bandwidth Memory (HBM) race. Their HBM3E and HBM4 products led the industry in both performance and manufacturing yield, and the company had been a first-mover in memory development while competitors struggled to match SK Hynix's execution.

We also saw a diversified customer base beyond pure AI infrastructure, including clients such as Mobile/Smartphone OEMs, PC & Consumer Electronics OEMs, and even Automotive companies. Lastly, we saw an event-driven catalyst as well: the company exploring a U.S. listing for later this year, which would open SK Hynix to a larger pool of American retail investors who cannot access Korean-listed equities, and which would reduce the structural ownership friction inherent in Korean stock market mechanics.



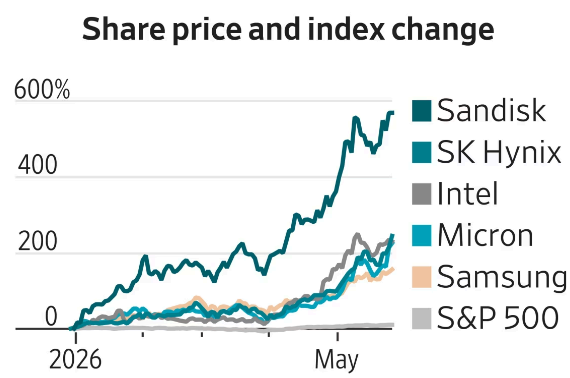
We entered our position with that thesis in hand. What we did not predict, but luckily inherited, was significant geopolitical uncertainty surrounding Iran that impacted the Korean peninsula and oil markets, thus creating an opportunity to double down on the position just as the underlying thesis was starting to play out. The forces converged, and we used the non-fundamental Korean market crashes to build it into an even more significant position. SK Hynix dropped 26.7% peak-to-trough, falling from a high of ₩1,099,000 on February 26, 2026, to a low of ₩806,000 on March 31, 2026, following the Iran airstrikes. We did not catch the bottom, and that is not our goal. But we consistently and meaningfully added to the position at prices that reflected fear-based overselling rather than any kind of fundamental business re-pricing.

The Thesis, and Why Memory Is the Secret Ingredient

> *"The real key to making money in stocks is **not to get scared out of them.**"*
>
> -Peter Lynch, The Magellan Fund

On a technical level, large language models (LLMs) are the foundation of AI. Whether it's ChatGPT, Claude, Grok, or Gemini, they operate in two distinct phases. The first is **training**, where the model processes vast datasets to learn patterns, language, and reasoning. This is a one-time process per model version that consumes enormous compute. The second is **inference**. Every time you ask ChatGPT a question and receive an answer, that is inference. Inference is continuous, growing exponentially with adoption, and represents the dominant and expanding share of total AI compute.

Both phases require memory. A processor can only compute as fast as data can be fed to it from memory. High Bandwidth Memory (HBM) is the highest-performance memory available, and it sits directly on the same package as an Nvidia GPU, connected through microscopic connections that transfer data at extremely fast speeds. SK Hynix currently supplies the majority of HBM chips used in Nvidia's H100 and H200 GPUs, which dominate the AI market, and their HBM4 products are already in advanced collaboration for Nvidia's next-generation Rubin platform. SK Hynix manufactures more than 60% of all HBM sold globally.



In a Wall Street Journal interview published just on June 17th, 2026, Apple CEO Tim Cook stated that price increases on Apple devices are “unavoidable” due to surging memory and storage costs. He called the current DRAM shortage a "hundred-year flood," stating he has never seen anything like it in over 40 years. AI-driven demand for HBM has diverted supply away from consumer devices, and Apple has already raised prices across its Mac, iPad, and device lineup as a result. Apple is now lobbying the U.S. government for clearance to purchase memory from ChangXin Memory Technologies (CXMT), a Chinese DRAM maker currently on the Pentagon's 1260H list. This directly supports our view on the structural, multi-year tightness in the memory market and SK Hynix’s strong positioning.

<u>**The Two Risks We Are Monitoring**</u>

(1) The Cyclicality Question: AI CapEx Demand + Competition and Supply Increases

Our primary concern surrounding SK Hynix is that memory has been notoriously cyclical historically. 2022 to 2023 exemplified this risk as excess inventory and weaker PC and smartphone demand drove memory prices sharply lower, pushing SK Hynix and peers into losses for Fiscal Year 2023.

We do not dismiss this history. Memory cycles are real and we believe they will happen again. Samsung, SK Hynix, and Micron are all investing heavily in HBM capacity, and if all three ramp supply production and demand moderates, pricing pressure will return. We are monitoring

supply and demand dynamics, customer capital expenditure trends, and memory pricing indicators closely and will adjust our position size accordingly.
What we believe is shifting is the scale and nature of the memory demand commitment. Unlike cryptocurrency mining or mobile phone upgrade cycles, enterprise AI adoption appears to have genuine productivity and economic value that justifies sustained capital deployment. The HBM supply agreements SK Hynix has secured extend multiple years into the future. Management has stated that customer demand for the next three years already exceeds the company's supply capacity. SK has projected that the global HBM wafer shortage will persist through 2030, with capacity expansion requiring four to five years to materially move the supply picture. Supply and demand is now being shifted by the AI infrastructure use-case of memory.

The AI infrastructure cycle also provides a level of demand visibility that prior memory cycles lacked. Companies like Microsoft, Google, and Amazon publicly declare their annual capital expenditure with notice, which gives us insight into future HBM demand. Our goal is not to immediately sell our entire position the moment the Magnificent Seven hyperscalers cut their CapEx. That said, we do expect to receive some advance notice of any slowdown in AI infrastructure buildout and HBM demand, based on the forward outlook and CapEx budget guidance provided on quarterly earnings calls.

(2) How Critical is HBM to AI Infrastructure Long-Term?

While the current HBM position in the AI GPU stack remains critical, we are monitoring technological advances that could potentially threaten memory's long-term role. For instance, hyperscalers are already making custom ASICs that integrate memory more tightly or optimize bandwidth requirements through software efficiencies such as Google's TurboQuant. Additionally, CXL memory is a long-term architectural alternative. Compute Express Link is an emerging process that could eventually allow pooled memory that reduces the need for HBM on every GPU accelerator. This appears to be more of a 2028-2030 risk, but it's worth having in our peripheral vision.

These efforts could gradually alter the economics of the stack and reduce the need for memory. NVIDIA's platforms (and successors like Rubin) are heavily dependent on high-stack HBM supplied primarily by SK Hynix today, but technological ecosystems always evolve. We are tracking potential shifts toward co-packaged optics, on-package memory innovations, or even disaggregation. On-device AI acceleration in consumer electronics further diversifies demand but could also introduce new technology less reliant on today's HBM datacenter configurations.

We do not view these as near-term disruptors to HBM's critical bandwidth advantages. In fact, many argue that the Jevons Paradox is at play: an economic principle stating that technological progress which increases the efficiency of a resource often leads to an increase in the overall consumption.

That said, prudent ownership requires long-term vigilance: memory's centrality is real and persistent for now, but the infrastructure is not static. Technological leaps in bonding, interconnects, or model efficiency could moderate per-GPU memory intensity over time or redistribute value across the stack. We maintain close watch on these vectors, ready to adjust as the evidence evolves, while remaining bullish on SK Hynix's place in the industry at present.

Lastly, SK Hynix and the broader memory sector (Micron, DRAM ETF) have seen a retail-driven sell-off following a historic run in the past few weeks. We view this as profit-taking, retail trading, and ETF-amplified volatility, not a change in the underlying HBM demand or supply picture. We plan to hold for the next several years and would look to add on further weakness, barring any fundamental deterioration in HBM supply, demand, or other thesis break.

Other Portfolio Contributors

Other contributors to year-to-date performance include Interactive Brokers (IBKR) and Taiwan Semiconductor Manufacturing Company (TSM). Both positions were discussed in our 2025 year-end letter, and we continue to like both underlying businesses. That said, we are cautious on valuation at current levels for both names, especially Interactive Brokers.

What we particularly appreciate about TSMC is its positioning in the AI supercycle. As long as *anyone* wins, *TSMC wins*. Whether it's Nvidia, Apple, AMD, or others, TSMC benefits with their chip production business. They are the foundry that fabricates the chips powering the ecosystem, giving us exposure to the upside of the boom with somewhat less company-specific risk.

In Closing: The 11% Who Win

The lesson from Las Vegas is not about gambling. It's about the gap between how most people behave under pressure and how those who consistently win behave under that same tension.

When the KOSPI circuit breakers trigger and Korean equities sell off hard, many investors mimic losing. They *reduce* exposure. "Risk-off" traders declare. Many take profits or abandon ship on bloody days. They tell themselves they'll get back in when things settle down, which is another way of saying they will buy back in at higher prices after the opportunity passes and fear settles.

We attempt to do what the brave 11% do. We ask ourselves: has anything changed about the fundamental earnings power of the business over the next 3 to 5 years? If the answer is no, we either do nothing or add to the position. Not recklessly, not without analysis, but with the conviction that comes from having done the work before the market gave us the gift of panicking.

The businesses in our portfolio are not lottery tickets. They are real companies with real earnings, real competitive advantages, and real pricing power. The 11% who leave the casino in the black know this too. They are more grounded. They have a process, they trust it, and they do not abandon it when there is discomfort. That is the best edge that compounds over time. And it is the edge we seek to maintain on your behalf.

To our partners: thank you for your continued trust. The first half of 2026 was volatile, but we are much more focused on the next five years than the last six months. The opportunity set has upside for investors with discipline and patience.

We look forward to reporting back at year end and appreciate your continued trust and partnership.

Best,

Brendan H. Burns

Managing Partner and Chief Investment Officer

Tiger Rock Capital Management GP LLC
Laguna Hills, California

E: bburns@tigerrockcapitalmanagement.com

TIGER ROCK
CAPITAL MANAGEMENT

Disclaimer

This letter does not constitute an offer to sell, or the solicitation of any offer to buy, any interest in any Fund managed by Tiger Rock Capital Management LP (“Tiger Rock”). Such offer may only be made (i) at the time a qualified offeree receives a confidential private placement memorandum describing the offering and related subscription agreement and (ii) in such jurisdictions where permitted by law.

This letter expresses the views of the author as of the date cited, and such views are subject to change at any time without notice. The information contained in this letter, including but not limited to references to any stocks, securities, or investments, should not be construed as investment advice. While information used in this letter may have been obtained from various published and unpublished sources considered to be reliable, Tiger Rock does not guarantee its accuracy or completeness, accepts no liability for any direct or consequential losses arising from its use, cannot accept responsibility for any errors, and assumes no obligation to update any information in this letter.

The discussion in this letter is not intended to indicate overall performance that may be expected to be achieved by any Fund managed by Tiger Rock and should not be considered a recommendation to purchase, sell, or otherwise invest in any particular security. Securities and private funds referred to in these materials do not represent all of the securities or private funds held, purchased, or sold by Tiger Rock. Any references to largest or otherwise notable positions are not based on the past or expected future performance of such positions.By accepting receipt of this communication, the recipient will be deemed to represent that they possess, either individually or through their advisers, sufficient investment expertise to understand the risks involved in any purchase or sale of any financial instruments discussed herein.

Forward Looking Statements

Certain information contained herein constitutes "forward-looking statements", which can be identified by the use of forward-looking terminology such as "may," "will,"' "should," "expect," "anticipate," "target," "goal," "project," "consider," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of an individual investment, an asset class or any Fund managed by Tiger Rock may differ materially from those reflected or contemplated in such forward-looking statements. Past performance is not indicative of future results. Tiger Rock undertakes no obligation to revise or update any forward-looking statement for any reason, unless required by law. Any projections, market outlooks or estimates in this document are forward-looking statements and are based upon certain assumptions and should not be construed to be indicative of the actual events which will occur. Unless otherwise stated, all representations in this document are Tiger Rock’s beliefs at the time of its initial distribution to recipients based on industry knowledge and/or research. The forward-looking statements contained in these materials are expressly qualified by this cautionary statement.