PRAETORIAN CAPITAL

Q2 2026 Investor Letter July 16, 2026

During the second quarter of 2026, the Praetorian Capital Fund LLC (the "Fund") depreciated by 4.39% net of fees. Given the Fund's concentrated portfolio structure and focus on asymmetric opportunities, I anticipate that the Fund will be rather volatile from quarter to quarter. During the second quarter, our core portfolio positions depreciated moderately, while the Event-Driven book also experienced declines.

Praetorian Capital Fund LLC		
	Gross Return	**Net Return***
Q1 2026	20.91%	16.44%
Q2 2026	-4.99%	-4.39%
YTD 2026	14.87%	11.33%
2025	13.94%	12.39%
2024	-9.41%	-10.55%
2023	34.70%	26.45%
2022	16.38%	11.95%
2021	181.80%	142.87%
2020	161.87%	129.49%
2019	18.71%	14.97%
Since Inception (1/1/19)	1528.17%	915.33%

*Net return varies from gross return as it accounts for management fees and incentive allocations. Please see the additional disclaimers on the final page of this document.

Markets Are Complex

Six months ago, if you had asked me what would happen during a Mid-East war, I'd have guessed that gold and US Treasuries would rally on a global flight to safety. Nope, they declined—markets are complex. I would have guessed that if we drew more than a billion barrels of global commercial inventories, oil would scream out of control. Nope, it's effectively unchanged since the conflict began—markets are complex. If you asked me how our core book would do, I'd have told you that we'd likely outperform given our heavy weighting towards volatility and inflation beneficiaries. Nope, we've given up ground—markets are complex.

I've always been of the view that in the short run, markets can trade at literally any price level. Throughout my career, I have repeatedly been humbled by securities that have exceeded even my wildest expectations of where they could trade. While the overall decline in our portfolio was quite moderate by

this Fund's standards, I remain humbled, as I really would have expected our book to have performed better in a Mid-East war that saw increased volatility and inflation readings. Markets are complex.
It's worth taking a step back and trying to frame what happened. As you know, **I'm firmly of the view that we're in a Feudalist economic system.** Rather than rehash my view of Feudalism again, just think of it this way: the oligarchs of foreign countries underpay their workers to produce products for our citizens to consume. Their resulting dollar earnings are then recycled into US Dollar risk assets, leading our currency and assets to be overvalued, our businesses unable to compete globally outside of a handful of sectors like technology, and our economy effectively hollowed out. Our overpriced assets then allow increased consumption, and the cycle begins anew. This ecosystem benefits the top few percent of families in both nations, while impoverishing everyone else. Economic Feudalism.

When Hormuz was closed, some unique trends happened, briefly alleviating Feudalism globally. As Asian Mercantilists were unable to procure affordable energy products, they chose to ration supply to their industries. Products that had been subsidized by cheap loans and labor for decades suddenly traded up to free-market levels, and US industries suddenly became competitive again. There was then a wave of hiring across dozens of US industries, as Asia was unable to produce competing products. You could say that the Iranians undertook the anti-involution campaign that China keeps talking about, yet never seems to pursue. The global economy upticked dramatically, and the global recession took a pause, as the chains of Feudalism were briefly broken. The result was that many of our portfolio's trends reversed—we're long Feudalism. Many years ago, they used to talk about Risk-on or Risk-off trades. I think in terms of Feudalism and Run-It-Hot. Main Street actually had a few good months due to the war, but our book is not positioned for that. Now with the war seemingly trailing off (or maybe not??), our positions are beginning to bounce back.

For better or worse (mostly worse), Feudalism is the dominant mindset amongst elites globally—in many ways, our domestic economic policies are simply a mirror reflection of our trading partners' imbalances. We all suffer together economically, though it is quite good for those at the top. Last April, Trump tried to put up trade barriers and reverse this situation, but to undo Feudalism, US equities would decline dramatically. As I like to remind people, during the Trade War, Main Street won for 6 days. Trump couldn't even take that much pain. Hence my confidence in Feudalism accelerating, until both sides make a political decision to undo it. But why would they?? Everyone at the top is winning—hence it will continue, with brief pauses along the way. In our portfolio, we continue to double down on Feudalism (though we do have a large refinery position to hedge this exposure, and it hedged beautifully), while focusing on eliminating positions that are tied to real GDP growth. The most recent quarter was a short-lived speed bump in this process, but even the Iranians have a stock market—maybe they also prefer Feudalism??

Thoughts on the Event-Driven Book

Ever since Trump returned to power, our Event-Driven book (ED) has underperformed my expectations. I'm used to a world where securities trend, and I can use very tight risk profiles to manage the exposures within this book. The staccato nature of Trump tweets leads to an extreme level of disjointed market action, which doesn't really work well with many of our strategies. During the second quarter, we gave back the majority of the gains from the first quarter, before I chose to cut off the ED book for the summer (risk discipline says that when you're taking losses, you stop what you're doing). We're roughly flat for the year on the ED book, which is annoying for something that's almost always been a profit center. While it hasn't caused harm, the recent performance of the ED book is certainly not what I'd normally underwrite in our Fund's return profile, especially as we've now had seven consecutive years where the ED book has been additive to returns.

The book did poorly during Trump's first term, only to excel when events moved beyond his control during COVID. When I reboot the book during the fall, I plan to target more single-stock situations, where we've done well over the past year and change, avoiding macro-type situations, where Trump frequently creates discontinuous markets. This is quite similar to what worked during the last Trump Presidency. Unfortunately, sometimes I need to relearn the old lessons.

Let's Talk AI

Clearly, AI has been the biggest market trend for the past few years. I'm embarrassed to say that not only did we miss participating, but we actively sought out ways to fade it. To date, I remain of the view that most of the capital invested in this sector will be impaired. I think of AI much like other massive multi-year capex programs over the past two centuries: the canals, the railroads, and the fiber buildout. Great expenditures of capital produced only bankruptcy and loss for those who spent the capital.

When looking at AI, I frequently think of the Panama Canal, which bankrupted the French, before getting completed by the US government. To date, it is unclear if the canal has even earned its construction cost in inflation-adjusted terms, much less a positive return on capital, and that is for one of the most strategic and monopolistic assets in the world. On the other hand, the railroads and the fiber buildouts suffered from endless competition, overcapacity and high fixed costs, necessitating endless discounts to gain share. They've been even worse investments. At the same time, they've been great value creators for those who were adjacent. As I look around my office, I see many items that transited the Panama Canal or rode the rails. This communication is likely reaching you through fiber that was laid down by a now-bankrupted telecom. We are all beneficiaries of this malinvestment, while the shareholders who funded it have suffered the consequences. Unfortunately, I used my history lens to contemplate AI, rather than join in the orgy of speculation.

If you think of the railroad buildout, two types of players won. On one hand, you have Carnegie, Frick and the other suppliers to the railroad buildout. On the other hand, you have Rockefeller and the agriculturalists who played the railroads off each other to procure cheap transport. We should have owned the suppliers to AI, which have been phenomenal trades. Unfortunately, I kept thinking that eventually adult supervision would step in and end this overspending. Why would asset-light tech companies pivot to become asset-heavy capital immolators?? **No one wants to be a shale company**. In that vein, I was wrong—or at least early in seeing AI for what it is. The buildout continues, even though there's a dawning realization that the economics are brutally awful (**much as I intimated almost a year ago**). It has gone on for three years longer than I ever thought possible, but I now think that we're nearing a crossroads in terms of the ability to continue growing capex spend at the current rate—the rate of change in spend is indeed inflecting lower. As a result, those funds chasing the AI bottlenecks will be painfully surprised when new supply magically comes online, just as growth slows, in my opinion. It was an amazing run (which we missed). However, I think these cyclical industries will ultimately return to their roots and be cyclical—crushing the hopes and dreams of shareholders. I have feared this moment, and missed out on the AI capex plays—much to our detriment, as they've been one of the strongest macro trends in a market that has been surprisingly devoid of deep and liquid trends to play over the past few years.

Having missed out on being Carnegie, I want to focus on being Rockefeller. What industries will use AI to dramatically reduce their costs?? Who will find ways to grow revenue by utilizing AI?? We have some interesting ideas, and I'm sure we'll think of more. Taking it a bit further along in this process, if corporates become focused on using AI to reduce headcount, who else benefits as millions of workers need to reskill?? We've purchased shares of the two largest technical colleges in the US (more below in the positions section), as I believe that they'll be dramatic beneficiaries of this reskilling trend. I'm sure there are other ancillary trends for us to try and capture, and we're actively seeking them out as AI continues to evolve.

We're decidedly an anti-tech fund. We watch tech as it drives trends, but we rarely invest in tech itself—instead I want to seek out the second-order beneficiaries, as tech is **a really tough place to make money**. The corollary is that in a market that's driven by a handful of tech names, we're likely to lag on the performance side. In a complete AI mania, as we've just witnessed, I'd expect us to lag even worse, hopefully catching up through outperformance on the flip side as AI names surrender their gains. It's too soon to tell if the bubble has reached its peak, but for the first time since it began, I am recognizing a growing realization that much of the capital invested in AI has been squandered. If that becomes the accepted wisdom, I'd expect that the spending will slow, followed by the deluge.

It's worth remembering that the AI buildout represents between 2 and 3% of GDP before including the multiplier effects inherent in any massive capex program. The Wealth Effect is many multiples larger. I feel fully justified in saying that this bubble now supports in excess of 10% of US GDP, with many other countries also benefitting mightily. I don't mince words when I say that if this goes in reverse, it will be a mess. The fiber buildout within the internet bubble was a little more than 1% of US GDP, with a far smaller Wealth Effect. Even then, the unwind led to a mild recession, which coincidentally caused the S&P to decline by 49% and the NASDAQ to decline by 78%. I think the AI unwind could lead to a deeper recession and a nasty decline from much higher starting valuations.

In fact, it's so scary to contemplate that I expect the government to step in and halt the decline. This will officially kick off phase II of "Project Zimbabwe."

Positioning

In the Q1/26 letter, I noted that many of our names were breaking out to new highs, and that experience taught me that I should expect them to continue to trend higher—especially as I expected that many of them would report strong calendar Q1 earnings. While I was correct on the second part of this view (with few exceptions, earnings were quite strong), I was wrong about new highs. You could say that a quick pause in Feudalism was responsible, as we mostly saw a bifurcation in performance, and our only "Run-It-Hot" sector, refiners, powered higher. Unfortunately, this was offset by pullbacks in our Precious Metals basket (somehow war is bad for precious metals??) and our Emerging Markets basket, as war is potentially bad for them. Fortunately, Marex (MRX – USA) powered higher on elevated volatility, though our Event-Driven book gave back prior gains. In all, it was an uneventful quarter compared to many others, though frustrating all the same, as things seemed like they were setting up to blast off.

With the war seemingly on-again/off-again, depending on what middle-of-the-night posting Trump sends out on any given day, I remain hopeful that prior trends in motion can resume their upwards motion.

My Own Exposure to This Fund

I would never ask you to invest in this Fund, if I didn't have the vast majority of my own capital also invested in this Fund. Due to an accident of history, for the past 8 years, I have had a large personal investment in a publicly traded company, Mongolia Growth Group (MGG) that I couldn't figure out what to do with, as I couldn't figure out how to liquidate the assets in Mongolia.

In 2025 after much toil and heartache, we started the process of returning capital to shareholders and during May of 2026, that process was completed. I personally received a large cash distribution, and invested almost all of it into the Fund as of July 1, excluding a portion that was used to pay off a loan tied to the office building that our Fund operates out of (you could say that paying off this loan was an investment in strengthening our Fund's management company).

Subsequent to these transactions, my only investments outside of the fund are 50 Class B shares of Berkshire Hathaway (BRK/B – USA)—the legacy of a single share I bought while in college, so that I could attend the annual meetings, and my residual shares of MGG. At this point, MGG has a small pool of capital and is seeking to merge with some other company. Should we find an attractive merger partner, I will likely step down as Chairman of the company, ending a 15-year journey in public markets—I have already stepped down as CEO. Hopefully, this will complete a process to concentrate all of my personal investments through this fund.

I want you to know that there are positives and negatives to having the fund's CIO with such a focused personal investment. On one side, I'm rather highly incentivized to get it right. On the other side, I'm likely to be rather risk-adverse. Unlike anyone else in this fund, I do not have other investments to balance out my investment in this fund, and I literally cannot afford to get it wrong. This risk discipline can cut both ways, hence why I flag it. However, I want you to know that after many years, I've finally concentrated all of my personal investments into this fund.

Position Review (Top core position weightings at quarter end from largest to smallest)

Emerging Markets Basket

For the past decade and change, Emerging Markets have been in a relative bear market, as investor capital has migrated to US markets. In the process, many Emerging Markets have gotten quite cheap when looking at them from a valuation perspective. This Fund has a sweet spot for cheap assets, but Emerging Markets have been cheap for quite some time now. You could have said the same thing years ago and would likely be sitting on paper losses today, while having tied up capital. What you need is a catalyst that unlocks this value. I believe that catalyst is a potential decline in the US Dollar, tied to policy changes emanating from the Trump Administration. For MAGA policies to work, the US needs to follow a weak-Dollar policy. At the same time, Emerging Markets, which frequently borrow in US Dollars, are hamstrung by a strong Dollar, but a weakening Dollar is a boon to their economies. As a result, I've built up positions in various Emerging Markets that are highly impacted by the US Dollar, with the view that a weakening Dollar should be a catalyst for asset values.

Precious Metals Basket

In an inflationary world with loss of faith in Central Banks, precious metals tend to do well. We own two companies that should be beneficiaries of precious metals either appreciating or at least staying at elevated prices. Neither of these companies is directly in the mining business, which is risky and capital-intensive—though one is a service provider to miners.

Technical Colleges; Lincoln Educational Services (LINC – USA) and Universal Technical Institute (UTI – USA)

These two technical colleges are helping to train the next generation of skilled tradespeople and medical workers. As AI reduces the demand for office workers, many millions of existing workers must be reskilled, while high school graduates will naturally seek out better job opportunities that offer higher wages, with less career risk.

LINC and UTI are the two largest technical colleges in the US. I expect them to continue opening new campuses and growing student counts. Based on management guidance, they're both quite cheap looking out a few years, net of startup costs for new campuses. I think they'll dramatically overshoot guidance in terms of new student starts, utilization and recruitment costs, leading to substantial margin growth on relatively fixed-cost structures.

Refiners

Refiners have suffered for over a decade (excluding the immediate aftermath of the Ukraine war), leading many Western refiners to shut, rather than invest substantial capital in upgrades to meet spurious mandates. Meanwhile, China flooded the world with refined product, destroying economics for everyone. Over the past few years, China has chosen to shut so-called teapot refiners and pivot larger refiners to petrochemicals. At the same time, demand for refined products has continued to grow, and for the first time in very many years, the crack spread has become elevated on a forward basis, indicating a tightness in the markets.

On the supply side, we have relatively good visibility in terms of which new refineries will come online, with some uneconomic ones still slated to shut. On the demand side, most data providers assume a rather balanced market with demand growth staying anemic. I don't think this is a bad assumption, as the world is in a recession.

However, should there be economic growth, even just some wisps of growth as the Dollar declines and Emerging Markets (which have a huge marginal propensity to consume petroleum products as they see growth) recover, energy demand could exceed estimates.

This had previously been my energy thesis, basically that 8 billion people want the same standard of living that 1 billion in the First World have today. Now, I believe I've found a better way to express it, as it takes many years to build a new refinery. Meanwhile, new oil supply can come online far faster, leading to a bottleneck that extracts most of the pricing economics in a demand recovery.

We own two diversified refining companies with clean balance sheets, a strong propensity for buybacks, and a valuation that is at a substantial discount to replacement cost of their refineries. I think this trade works if governments return to pro-growth policies or the US Dollar weakens enough that EM energy demand can increase.

Think of this position as a hedge should global economic growth accelerate, though it can also experience periods of excess earnings should geopolitical volatility change global trading patterns and increase domestic crack spreads.

St. Joe (JOE – USA)

JOE owns approximately 165,000 acres in the Florida Panhandle. It has been widely known that JOE traded for a tiny fraction of its liquidation value for years, but without a catalyst, it was always perceived to be "dead money."

Over the past few years, the population of the Panhandle has hit a critical mass where the Panhandle now has a center of gravity that is attracting people who want to live in one of the prettiest places in the country, with zero state income taxes and few of the problems of large cities.

The oddity of the current disdain for so-called "value investments" is that many of them are growing quite fast. I believe that JOE may grow revenue at a rapid rate for the foreseeable future, with earnings growing at a much faster clip. Meanwhile, I believe the shares trade at an attractive multiple on Adjusted Funds from Operations (AFFO), while substantial asset value is tossed in for free.

Besides the valuation, growth, and high Return on Invested Capital (ROIC) of the business, why else do I like JOE? For starters, land tends to appreciate rapidly during periods of high inflation. More importantly, I believe we are witnessing a massive population migration as people with means choose to flee big cities for somewhere peaceful.

I suspect that every convulsion of urban chaos and/or tax-the-rich scheming will launch JOE shares higher, and it will ultimately be seen as the way to "play" the stream of very wealthy refugees fleeing for somewhere better.

In summary, our names mostly suffered a setback this quarter, despite putting up strong first quarter earnings results in the aggregate. I expect continued positive results for the second quarter, to be reported over the coming weeks.

On the flip-side, there is a growing realization that the AI buildout was a massive misallocation of capital. Should this buildout slow, I think we will get a steep decline in equity markets and finally set the stage for "Project Zimbabwe." My plan remains to keep exposures lower than normal and await such a smash before deploying capital at bargain levels.

Sincerely,

Harris Kupperman

Appendix

Praetorian Capital Fund LLC Quarterly Returns		
	Gross Return	Net Return*
Q1 2026	20.91%	16.44%
Q2 2026	-4.99%	-4.39%
YTD 2026	14.87%	11.33%
Q1 2025	2.76%	2.44%
Q2 2025	3.91%	3.59%
Q3 2025	6.11%	5.70%
Q4 2025	0.57%	0.21%
2025	13.94%	12.39%
Q1 2024	11.90%	9.25%
Q2 2024	-1.76%	-1.69%
Q3 2024	-2.51%	-2.29%
Q4 2024	-15.48%	-14.76%
2024	-9.41%	-10.55%
Q1 2023	-1.78%	-2.09%
Q2 2023	9.79%	8.00%
Q3 2023	15.04%	11.92%
Q4 2023	8.57%	6.85%
2023	34.70%	26.45%
Q1 2022	19.79%	15.55%
Q2 2022	-18.16%	-15.69%
Q3 2022	0.01%	-0.30%
Q4 2022	18.69%	15.26%
2022	16.38%	11.95%
Q1 2021	57.50%	45.66%
Q2 2021	28.14%	23.96%
Q3 2021	11.42%	9.85%
Q4 2021	25.32%	22.44%
2021	181.80%	142.87%
Q1 2020	-41.22%	-41.22%
Q2 2020	54.32%	54.32%
Q3 2020	34.09%	29.32%
Q4 2020	115.28%	95.63%
2020	161.87%	129.49%
Q1 2019	6.10%	4.88%
Q2 2019	7.96%	6.44%
Q3 2019	-10.23%	-8.40%
Q4 2019	15.44%	12.42%
2019	18.71%	14.97%

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