



Lucille Capital

Letter to Limited Partners: Q2 2025

We Picked One Heck of a Time to Start a Fund

Dear Partners,

I'm pleased to share our inaugural investor letter, reflecting on Lucille Capital's progress since our launch in mid-February. These first few months have certainly been eventful, as we navigated geopolitical turbulence including the Liberation Day tariffs and the Israel–Iran war.

In response to this heightened volatility, we maintained a sizable cash position, both as a hedge and to ensure we remained well-capitalized to act decisively when compelling opportunities emerged. While this conservatism modestly tempered returns early on, it also provided meaningful downside protection and strategic flexibility.

Despite our elevated cash levels, we're encouraged by our early results and confident in the investment framework we've established. Since inception, Lucille Capital has returned **+12.0% net of fees** through June 30, 2025. The monthly performance is summarized below.

		Monthly Performance:						
		Jan	Feb	Mar	Apr	May	Jun	YTD
2025	Lucille Capital		-0.5%	0.7%	2.6%	2.6%	6.2%	12.0%
	Russell 2000 (IWM)		-4.9%	-6.9%	-2.3%	5.2%	5.5%	-3.9%
	S&P 500 (SPY)		-1.8%	-5.6%	-0.9%	6.3%	5.1%	2.7%

These results reinforce our belief that high-conviction special situations, when timed well, can generate attractive returns even in turbulent markets.

Performance Highlights

We remain focused on uncovering mispriced, catalyst-driven special situations offering asymmetric return potential. This disciplined strategy has already delivered several early successes, including:

- **Echostar (SATS)** options
- **Markforged (MKFG)**

- **nLight (LASR)**
- **AST SpaceMobile (ASTS)**
- **Telesat (TSAT)**

Each of these positions has nearly doubled, or more, since our initial investment, with some already exited at a gain. These results reinforce our core belief: that misunderstood, event-driven situations can offer exceptional risk-adjusted returns when carefully timed.

We continue to pursue misunderstood or overlooked opportunities that offer compelling near-term upside with well-contained downside, in line with our mandate to seek asymmetric returns while preserving capital.

Investment Opportunities

At Lucille Capital, we continue to focus on powerful themes that offer compelling, asymmetric investment opportunities. Key themes we are actively pursuing include:

- Satellite connectivity
- Spectrum scarcity
- AI
- Defense (Golden Dome)
- Federal cannabis regulations

One of the most compelling special situations we are actively monitoring and positioning around is **EchoStar (SATS)**. The company controls nearly \$60 billion worth of spectrum assets, yet trades at a fraction of that value. Since acquiring Boost Mobile and valuable Sprint divestiture spectrum in 2020, EchoStar (formerly Dish Wireless) has invested over \$6.5 billion building a native, open-RAN 5G network that now covers over 80% of U.S. PoPs. Despite this massive investment to become the fourth national carrier, EchoStar has struggled to gain meaningful market share or reach operating profitability. However, recent quarters show some traction including 150,000 net subscriber additions in Q1 signaling a potential turning point for the Boost business.

In a surprising twist, the company's strong Q1 results were soon overshadowed by intensifying regulatory pressure. FCC Commissioner Brendan Carr issued a sharply critical letter citing EchoStar's failure to put its spectrum to productive use, launching two formal investigations: one into the company's recent request for an extension on its 5G buildout commitments, and another concerning its underutilized MSS spectrum, a highly strategic band that Elon Musk has aggressively sought access to for Starlink.

The spectrum story surrounding EchoStar has been unfolding for over 15 years, with many investors viewing Charlie Ergen's wireless ambitions as either quixotic or a shrewd long game to hoard spectrum until the right exit materializes. Throughout this

time, Ergen has deliberately kept his strategic options open, and we believe that multiple plausible outcomes remain on the table.

What's different now is that the window for inaction is closing. Commissioner Carr has publicly stated that the "status quo must change quickly" and that the FCC is prepared to intervene if EchoStar fails to act. EchoStar has considered a Chapter 11 filing as a defensive maneuver, but the company recently made its interest payments, signaling that bankruptcy may now be a last resort.

With pressure building on multiple fronts, regulatory, financial, and competitive, we believe the conditions for a strategic shift are finally aligning. If EchoStar can structure a deal that satisfies the FCC and unlocks even a fraction of the embedded spectrum value, the upside for equity holders could be significant. We are closely monitoring the situation and believe the risk/reward has become increasingly favorable.

Looking Ahead

As we look to the second half of the year, Lucille Capital remains grounded in its core principles: protecting capital, staying disciplined, and seeking asymmetric opportunities with meaningful upside. The volatility that markets have experienced since launch has reinforced the importance of patience, selectivity, and a strong risk framework. While a more aggressive posture might have yielded higher short-term returns, we believe the measured approach we've taken will allow us to deploy capital into high-conviction ideas from a position of strength.

We remain excited about the opportunity set ahead and energized by the foundation we've laid in just a few short months. Thank you for your continued trust and support.

We look forward to the journey ahead, and to sharing continued success with you.

Please don't hesitate to reach out directly with questions or thoughts. Your feedback is always welcome.

Best regards,

Daniel Miller

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Managing Partner, Lucille Capital

Disclosures

Investment in Lucille Capital LP is subject to risk, including the risk of permanent capital loss. The Fund may experience greater volatility and drawdowns than broad market indexes. An investment in Lucille Capital is intended for long-term, patient investors with higher risk tolerance and should not be considered a complete investment program. Prospective limited partners should carefully evaluate their financial circumstances and ability to tolerate volatility before investing.

While Lucille Capital Management LLC believes the data and statements presented in this letter are accurate, it does not guarantee the absence of errors in calculation, transcription, or analysis. This letter does not constitute an offer to sell or a solicitation to buy any security or investment product, nor should it be construed as investment advice.

Performance Notes

Net performance reflects a typical limited partner account under Lucille Capital's standard fee structure, inclusive of all fund expenses, management fees, and performance-based allocations. Actual performance may vary for individual partners based on specific fee arrangements or timing of capital contributions.

Performance figures are calculated by NAV Consulting, Inc. Year-to-date returns are unaudited and subject to revision upon the completion of the Fund's annual audit. Lucille Capital LP's fiscal year ends December 31.

Contact

We welcome inquiries from prospective partners and interested parties. Please feel free to reach out to: Daniel Miller at dmiller@lucillecapital.com