



Lucille Capital

Letter to Limited Partners: Q3 2025

In retrospect, we should have just invested the whole fund into EchoStar options...

Dear Partners,

When we launched Lucille Capital eight months ago, our goal was simple: protect capital and strike when the odds were stacked in our favor. Through September, that approach has produced **+31.4% net returns** — ~4.5x the Russell 2000.

Our disciplined approach has delivered strong early results, and we believe this repeatable framework can compound capital for years to come.

Strategy in Action

We have maintained an average cash balance of more than 50% since inception, both to shield against market volatility and to ensure ample dry powder for deployment into compelling opportunities. At the same time, we selectively use options to capture asymmetric payoffs while risking only a fraction of capital.

For example, one EchoStar option position represented just **0.05% of fund capital** yet generated a gross return equivalent to nearly **9% of total gross returns**.

We know ideas as asymmetric as EchoStar won't appear every quarter, but it illustrates how our disciplined framework can produce outsized results when the odds are in our favor.

Performance Highlights

The monthly performance against benchmarks is summarized below.

| | | Monthly Performance Net of Fees: | | | | | | | | | |
|------|--------------------|----------------------------------|-------|-------|-------|------|------|------|-------|------|-------|
| | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | YTD |
| 2025 | Lucille Capital | | -0.5% | 0.6% | 2.1% | 2.1% | 5.1% | 2.0% | 11.9% | 5.2% | 31.4% |
| | Russell 2000 (IWM) | | -4.9% | -6.9% | -2.3% | 5.2% | 5.5% | 1.7% | 7.2% | 2.3% | 7.2% |
| | S&P 500 (SPY) | | -1.8% | -5.6% | -0.9% | 6.3% | 5.1% | 2.3% | 2.1% | 3.1% | 10.5% |

All returns are net of management fees, incentive allocation, and fund expenses.

Over the last quarter, we had some very notable wins including **EchoStar (SATS)**, **Gilat Satellite (GILT)**, and **Treehouse Foods (THS)** options. Each of these positions have more than doubled since our initial investment.

EchoStar was the culmination of years of research. Watching the spectrum thesis finally play out was a reminder of why patience and asymmetric positioning matter so much.

Our largest loss to date came from **Sarepta (SRPT)**, where we incurred a 3% decline after heightened uncertainty around the FDA's review of *Elevidys* made the risk/reward balance more challenging.

Notably, no other position has cost the fund more than 1%.

Investment Opportunities

We continue to systematically review opportunities in the market for compelling, misunderstood, deep value opportunities, especially those undergoing a special situation with a clear catalyst on the horizon. We are very excited about several that we currently have in the portfolio.

One example is our largest position in TreeHouse Foods (**THS**), the leading private-label food manufacturer in North America. Private-label continues to take share from branded peers as consumers seek lower cost with comparable quality. TreeHouse operates 27 manufacturing sites across North America and supplies major retailers including Walmart, Aldi, and Costco.

In recent years, the company has repositioned its portfolio toward higher-growth, higher-margin categories while divesting lower-return businesses. Despite this progress, THS shares are down nearly 50% year-to-date as broader consumer staples have faced slower sales, margin pressure from inflation, and concerns about the impact of GLP-1 drugs on snacking demand. These issues have weighed on the whole sector.

We believe these headwinds are cyclical rather than structural. Consumers will continue to eat, and inflation only strengthens the appeal of private-label products. With scale, category breadth, and entrenched retail partnerships, TreeHouse remains a strategic asset in a consolidating industry. We see a dual path to value creation: either compounding earnings power as an independent company or becoming an attractive acquisition candidate for someone seeking private-label manufacturing and distribution capabilities.

At our investment levels, we view the setup as asymmetric: downside is limited by the resiliency of private-label demand, while upside could be significant as TreeHouse's true earnings power develops or an acquirer emerges.

We were pleased to learn that our potential acquisition scenario may play out sooner than expected as Octus recently reported that London-based private equity firm Investindustrial is preparing a ~\$3 billion bid to take TreeHouse private, with Goldman Sachs advising and financing discussions under way. Investindustrial previously acquired TreeHouse's meal prep division in 2022 for \$950 million, and at \$3 billion, THS would be valued at ~\$27 per share. Octus's sources also stressed that other bidders could emerge.

We initiated our position prior to these reports and added ahead of the 30% rise since then. Regardless of whether a deal materializes now, we believe TreeHouse remains undervalued and strategically attractive.

We also recently initiated a starting position in **Iridium (IRDM)**, which is down nearly 50% year-to-date amid concerns that it could be displaced by Starlink, AST SpaceMobile, or other planned constellations. While Iridium will inevitably face more competition in certain verticals, we believe it retains durable advantages across most of the niche markets it serves.

Iridium operates a purpose-built, narrowband constellation offering global, protected L-band spectrum, crosslinked LEO satellites, and deep regulatory entrenchment in safety and defense. Its network provides mission-critical coverage that is exceptionally difficult to replicate, while most new constellations are focused on wideband applications and mass-market use cases.

At an enterprise value of ~\$3.5 billion, Iridium is largely supported by the intrinsic value of its global L-band spectrum rights alone, while the business generates over \$300 million in annual free cash flow. Several catalysts could unlock further value: renewal of the EMSS government contract in 2026, continued capital returns (25% of shares repurchased over the last five years), and the broader adoption of satellite connectivity through 3GPP Release-18.

We are satisfied with our entry point but would welcome the chance to increase our position at lower prices.

Looking Ahead

As we head into year-end, we see a rich pipeline of catalyst-driven special situations and remain confident in our ability to compound capital through disciplined, asymmetric investing. With capacity available, we welcome introductions to long-term partners aligned with this approach.

Thank you again for trusting me with your capital in this early stage of Lucille Capital.

Building this with you has been the most rewarding part of 2025, and I look forward to compounding both our capital and our relationships in the years ahead.

Best regards,

Daniel Miller

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Managing Partner, Lucille Capital

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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 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.