

Dear All,

Rod Capital has turned 10 years old!

That marks 10 years for me as a hedge fund manager. Before that, I spent fifteen years as a retail investor, starting with money borrowed from credit cards, with no professional training and very little guidance. I do not say that with pride so much as perspective. It would have been wiser to learn the business with professional training and guidance. But for better or worse, I learned by doing, and my life became centered around research, investing, and shorting stocks. Building a firm, however, was a very different challenge.

In 2016, I met a young MBA graduate from Georgia named Irakli Mindadze. We had shared interests like meditation, and if you had seen us walking on the beach at the time, you might have guessed we were about to start a band, or a cult. Instead, we started a hedge fund.

I launched the fund with capital I had built over the previous fifteen years. The next challenge was figuring out how to persuade anyone besides myself to invest. Irakli soon moved on, and my friend Bardia Maghami joined me. He also came in without much direct experience in the business, which tells you something about my priorities. Fortunately, Bardia learned quickly and became a real professional.

At the fund's peak, outside investors found their way in. When performance turned against us, most of them looked for the exit. That is not a complaint; it is simply one of the recurring lessons of this business. Investors understandably prefer high returns, low volatility, and steady reassurance. Delivering all three at once is harder than it looks.

As a retail investor, I experienced extreme swings. After institutionalizing the strategy, volatility came down, but it remained higher than most investors are comfortable with. I also underestimated how important communication, trust, and relationship management are in this business. Investing skill matters enormously, but so does the ability to keep people steady when markets are not.

That challenge is made harder when most of your own liquid net worth sits in the fund and the outcome is deeply personal. If the fund represented a small portion of my capital, perhaps I would be more relaxed during drawdowns and better at calmly reassuring everyone around me. When it is deeply personal, I also wish someone with authority would reassure me!

March 2026 was one of those disappointing months. But it was one month out of the first 120 months of Rod Capital, during which we have, overall, outperformed both the S&P 500 and the Russell 2000. My objective is to do the same over the next 120 months, and I am happy to have investors with a long-term horizon.

2026 Investment Environment – April 15th, 2026

This is not a convenient time for war. Rising government spending, combined with a continued unwillingness to raise revenues, increases the risk of a more unstable fiscal backdrop. A larger debt burden also makes the economy more sensitive to interest rates, which in turn raises the temptation for policymakers to suppress rates even in an inflationary environment.

It is an especially difficult time for a conflict involving Iran. Low energy prices had helped keep inflation more contained. Higher oil prices would place additional pressure on businesses, consumers, and policymakers at a time when the economy is already vulnerable. More government funding needs and weaker corporate cash flow are not a favorable combination.

As an Iranian-American, I support a hard line against the Islamic Republic. At the same time, the risks and costs of escalation are significant and require competent leadership. My concern is that inflationary pressure may build further and become the catalyst for a broader recession. For that reason, I remain conservatively positioned.

2026 Investment Positioning and Focus

Our current portfolio is positioned across four primary buckets:

- 1) 65% in special situations, including investments tied to potential near-term acquisitions.
- 2) 10% net in long and short equities, with the long book tilted toward growing companies trading at low multiples and the short book tilted toward high-multiple companies with weak or slowing growth.
- 3) 10% in cash-rich companies and businesses trading near, or below, underlying asset value.
- 4) 0%–20% in shorter-duration event-driven positions tied to earnings or other near-term catalysts.

A recent example of a long position that has performed poorly for us is Yext (YEXT), a software company whose CEO and Chairman offered to acquire the company at a modest premium to its then-trading price. We believed that, with financing, he was prepared to pay roughly \$1.3 billion for the company in August 2025. Since then, software valuations have contracted sharply, and that financing was no longer available to the CEO. The company subsequently repurchased roughly one-fifth of its shares using available cash at an implied valuation of approximately \$600 million. Today, the stock trades closer to a \$500 million valuation, or roughly 40% of what the buyer appeared willing to pay just eight months ago – with no observable changes to the business. YEXT is now a 7% position for us given the heavy discount. Software stocks overall have declined significantly amid both the perceived and real threat that AI poses to the sector, and given the discount we currently have approximately 15% net exposure there.

A recent short position that helped offset some of the Yext weakness is eXp World Holdings (EXPI), a real estate platform whose economics, in our view, are materially weaker than they appear on the surface. This is a low-margin business that looks substantially less profitable once you account for the large volume of stock issued to agents each year, while the company simultaneously repurchases shares to offset part of that dilution. In economic terms, a significant portion of the equity base is being transferred over time to agents, who are independent contractors rather than employees. That model works best when agents hold the stock and the share price remains strong. Both conditions have become less reliable as the stock has fallen materially this year. At the same time, the company must issue more shares to maintain its compensation structure and repurchase more shares to manage the resulting dilution. We also note that the Chairman and CEO, who remains the company's largest shareholder, has continued selling stock over time. EXPI is a less than 2% short position given its decline. For context, our largest individual short position is a 6% position in Carvana, which we believe is brazenly committing outright fraud.

Our overall portfolio leans heavily on "inflation fighting" stocks in the industrial, health care, and energy sectors among others. We are net short consumer discretionary and underweight in technology as we get more defensive with this uptick of inflation.

Please reach out if you have any questions. I hope you and your families are well.

Best Regards,
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The 2016-present Fund results are compared to the performance of the S&P 500 Total Return Index (the "SPX") and Russell 2000 Index (the "RTY") and others for informational purposes only. The Fund's investment program does not mirror those indexes and the volatility of the Fund's investment program may be materially different from them. The securities included in those indexes are not necessarily included in the Fund's investment program and criteria for inclusion in those indexes are different than those for investment by the Fund.

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