Investors,

In the second quarter of 2026, Deep Sail Capital Partners (the "Fund") returned 41.6% net of fees while averaging 88% net long exposure. The fund returned 16.8% net of fees year to date through the second quarter. Please consult your individual capital account statements for your individual net returns.

Performance Summary	Net Returns				Deep Sail Capital Vs Benchmark			
	Q2 - 2026	YTD - 2026	3 Yr Annualized	Since Inception Annualized	Q2 - 2026	YTD - 2026	3 Yr Annualized	Since Inception Annualized
Deep Sail Capital Partners LP	41.6%	16.5%	30.2%	13.6%				
Russell 2000	21.5%	22.6%	22.3%	10.8%	20.1%	-6.1%	8.0%	2.8%
Russell Mid Cap Growth Index	12.3%	5.2%	19.6%	11.8%	29.3%	11.3%	10.6%	1.8%

In the second quarter, the fund significantly outperformed both of its benchmarks, the Russell 2000 Mid Cap Growth Index and the Russell 2000 Index by over 20%. While I mentioned in our Q1 letter that I view the results of Q1 as somewhat atypical to the negative side, I view Q2 in a similar vein on the positive side. To highlight this fact, I will note that if Q1 was extended by 2 weeks the returns in Q1 would be -2.5% and the returns in Q2 would be 25%. In essence there was a push-forward of performance in Q1 that ended up showing in Q2 in several positions, partly due to the impacts from the Iran War, but also due to individual idiosyncratic impacts on positions in the fund. But that is the nature of investing in small and midcap growth equities.

Market Commentary – Mega IPOs a sign of the end?

When we look back at this year's market environment from a historical perspective, it might be the case that it was clear that the top of the AI market cycle was almost exactly timed with the Mega IPOs of the foundational AI model companies (Anthropic, OpenAI, and SpaceX). But, the timing might not be exactly aligned with the IPO dates, it might be lagged, as we saw with the Dot-Com bubble. It seems these IPOs might not be the end but might be the signal that we are very near the end.

Speculative bubbles tend to end not when the hype is loudest but when the insiders at the center of the mania monetize. This monetization, or "exit liquidity", is the key catalyst that causes the rest of the market to fear the end is near. There is also the question of whether the overall market can absorb the liquidity from these Mega IPOs. But the IPO day is not the day of mass liquidity hits the market, it is when the lockups expire, thus the driver of a lagged nature in the peak being after the IPO dates.

Regarding the question, can the market absorb the liquidity of these IPOs, the best comparison we can draw is to the Dot-Com bubble. The Dot-Com bubble saw a massive number of IPOs (around 1500 over 4 years) in comparison to what we are looking at now which is just 3 Mega IPOs. But if you add up all the IPO liquidity required of the Dot-Com bubble you get about

$205B vs what we are looking at now in the AI wave of about $225B. Now adjusting the Dot-Com IPO proceeds from year 2000 dollars to today's dollars would equate to $460B. This suggests that the current AI wave IPOs are relatively small in comparison to the Dot-Com era IPOs.

The key distinction though is not the IPO liquidity, but the post lockup liquidity. When SpaceX IPOed it only sold 4.5% of the company's float. That is extremely small in comparison to a traditional IPO's float issuance at IPO, which is usually around 15% of the company. I assume Anthropic and OpenAI will follow suit based on the forecasted IPO liquidity figure of $225B ($75B for SpaceX + $150B for Anthropic & OpenAI). Thus, the IPO liquidity relative to the post-lockup liquidity in the case of the AI wave is significantly higher than in the case of the Dot-Com bubble. The post IPO Lockup Liquidity of the AI Wave is 3x the size of the entire Dot-Com bubble. Even adjusted for inflation the post IPO lockup liquidity is 50% higher. This suggests that as the lockups expire on these AI mega IPOs the market will have trouble ingesting the liquidity required to keep the valuations of these IPOs and the overall AI-related stocks at their current levels.

	IPO Proceeds	Float @ IPO	Post Lockup Liquidity
Dot Com	$240B	15%	$1.6T
Dot Com - Inflation Adjusted	$450B	15%	$3.0T
AI Wave	$225B	5%	$4.5T

Even if the market deems the valuations of these AI companies as viable, there needs to be selling of other S&P 500 companies to provide the necessary liquidity to maintain the valuations as lockups add significantly more available shares to the market. This reflexivity of the market is what will likely lead to a decline in the overall market in early 2027.

Timing-wise, you can assume 3-6 months after the IPOs of OpenAI and Anthropic is the peak demand for liquidity to buy these names, which puts us at Q1-Q2 of 2027 depending on the timing of the IPOs and the lockup schedules (note SpaceX uses a ladder-style lockup schedule unlike previous IPOs, which Anthropic and OpenAI may adopt). I think the question in my mind after knowing this, is will this be "The Peak" or will this just be a leg down, but we eventually grind higher. AI is such a materially impactful technology that I wouldn't be surprised if the speculative bubble with AI-related stocks has multiple legs up over the course of a decade similar to the Dot-Com bubble. We may get another group of AI startups going public in a few years as the entire AI ecosystem and product offerings mature.

Long Portfolio Summary

	Q2
Average Long Exposure	129.3%
Contribution (gross)	50.2%

Best Performing	Q2 Contribution	Worst Performing	Q2 Contribution
Credo Technology Group	11.2%	Sanuwave Health	-2.8%
Amplitech Group	6.3%	Kraken Robotics	-2.3%
Micron Technologies	5.6%	Intuitive Machines	-1.2%

In the second quarter, the long portfolio significantly outperformed both of our benchmarks, the Russell 2000 Index and the Russell Midcap Growth Index. There were a few large detractors at the end of the Q1 that have reversed in Q2 including our two biggest contributors in Q2 Credo Technology and Amplitech. Credo Technologies was down over 50% from its ATH by the end of March on the narrative that "Copper is dead" in data centers. That narrative has since changed in Q2 with the market beginning to realize that Credo's ZeroFlap optics platform is a real second leg for the company and the acquisition of Dust Photonics, an integrated circuit optics company, makes Credo a viable optics player. The company returned 191% in Q2. I continue to view the company favorably on a growth and valuation basis and it is one of the fund's largest holdings.

Amplitech (which I shared my long thesis in the fund's Q1 investment letter) returned even more in Q2 at 266% driven on a narrative pushed by retail investors that Amazon has become a client and that their devices will be used in future satellite launches. The fund exited the position in May with a return of 166% because we believe this narrative is incorrect and the stock had reached our valuation target of $6. I had no idea Amplitech would get caught up in this retail bubble, but I'll take the win and move on.

In Q2, the fund closed eight positions and opened five new positions. The fund closed positions in Micron, Amplitech Group, Vertiv, Ouster, and MDA Space among others. The new positions in Q2 included Celestica, SK Hynix, SuperCom, Intuitive Machines, and Capstone Energy + (formerly Capstone Green Energy).

Current Position: Celestica (CLS)

Celestica has transitioned from its legacy roots as an IBM captive manufacturer to become a design and technology integration leader within the AI and cloud infrastructure space. Celestica was founded in 1994 as a subsidiary of IBM Canada. It was subsequently acquired by PE, and then IPOed in the late 1990s. The company's strategy from there was an acquisition model for the next two decades, acquiring various electronics and computer peripherals manufacturing and supply companies, highly tied to major OEMs like IBM, Avaya, and Lucent. At the beginning of the AI boom, the company found itself incredibly well positioned to provide specialized design, operational, and engineering services to large technology companies looking to build data centers or associated integrated rack systems.

The business segments of Celestica are split into two highly specialized operational segments: Advanced Technology Solutions (ATS) and Connectivity & Cloud Solutions (CCS). Within the CCS segment, the company serves enterprise AI companies and the hyperscalers, including Google, Meta, Dell, HPE, IBM, Juniper Networks, and Oracle Corporation, among others. Within the ATS segment, Celestica supports highly complex capital equipment, aerospace, and defense programs for Tier-1 customers such as Applied Materials, Honeywell, Lam Research, and Raytheon.

Its customer base has significant near-term customer concentration among hyperscalers. This is one of the main knocks on the company. In the first quarter of 2026, Celestica's top three customers individually accounted for 35%, 15%, and 15% of total revenue, representing a collective 65% concentration. In early 2026, reports that Google intended to diversify its L10-L11 TPU server assembly orders to Taiwanese manufacturers like Inventec caused an immediate 8% decline in Celestica's share price. To mitigate this risk and further entrench the company into hyperscalers, Celestica has integrated its operations into its customers' long-term capacity roadmaps. The company expanded its domestic manufacturing capacity in the United States, scheduled for completion in 2027, to support Google's U.S. production of complex TPU systems and secure multi-year program visibility. To be clear, Celestica is extremely tied to Google's TPU architecture success; any investor in Celestica should be bullish on Google's TPU systems.

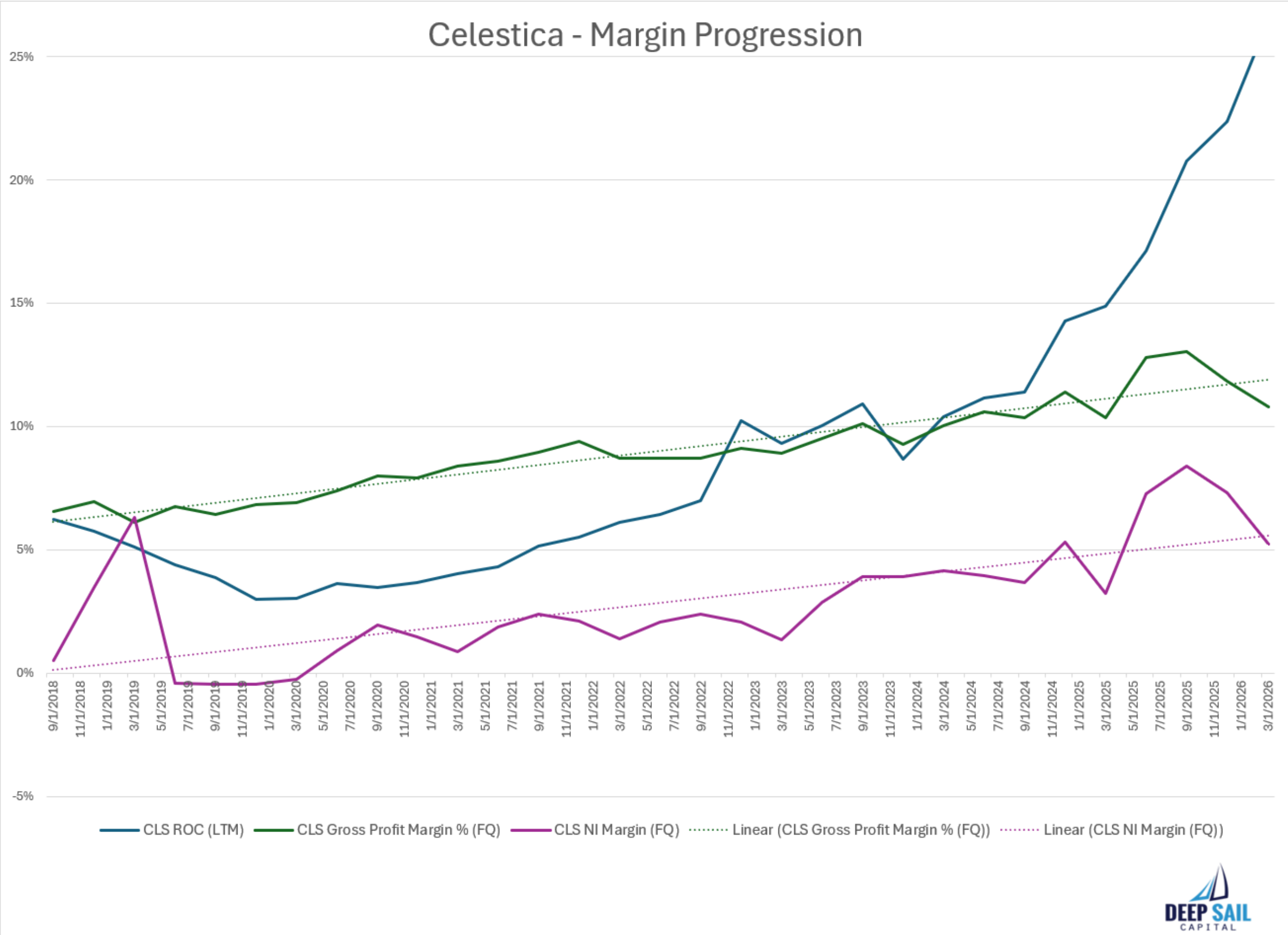
High quality business model

Celestica's business model combines global manufacturing capabilities, specialized engineering services, supply chain orchestration, and aftermarket lifecycle support, giving the company exposure to both data center design and construction as well as ongoing service and support.

The Connectivity & Cloud Solutions (CCS) segment represents the primary volume engine of the company, generating 80% of total revenues in the first quarter of 2026. Within CCS, the Communications vertical accounts for 60% of total revenue, driven by 800G networking switch ramps and hyperscaler networking demands, while the Enterprise vertical contributes 20%, supported by next-generation AI/ML compute program ramps and storage platform growth. The core differentiator within the CCS segment is the Hardware Platform Solutions (HPS) portfolio (previously called Joint Design and Manufacturing (JDM)). HPS builds custom system-level rack integrations, which command higher margins than its traditional design process.

The Advanced Technology Solutions (ATS) segment comprises highly regulated, capital-intensive businesses across Aerospace & Defense, Capital Equipment, HealthTech, and Industrial/Smart Energy. This segment provides a strategic counterweight to the rapid technology cycles of the cloud market. ATS programs are characterized by long product lifecycles, strict regulatory barriers, and high switching costs.

Celestica is undergoing a structural margin expansion driven by its shift away from standard, low-margin contract manufacturing toward proprietary JDM services-led monetization. By co-developing proprietary, highly complex hardware with customers, the company compresses product launch cycles by approximately 30% per IR materials while capturing premium engineering margins. This HPS strategy allows Celestica to capture higher ASPs and secure customer stickiness through co-designed intellectual property. The financial success of this strategy is evident in the company's profitability progression with non-GAAP adjusted operating margins expanding from historical ranges of 4.0% to 5.0% to a record 8.0% in the first quarter of 2026, supporting further margin expansion.



Outstanding management

Overall, the management team is a group of long-tenured Celestica executives who have been with the company throughout its transition into this new AI landscape. Robert Mionis has served as President and Chief Executive Officer since August 2015 and assumed the role of Chair of the Board in 2026. Mionis brings a deep operational background, having served as President and CEO of StandardAero. He also held senior leadership positions at Honeywell, Honeywell Aerospace, and GE. Over his ten-year tenure at Celestica, Mionis has realigned the company's physical footprint with customer demand, reducing the company’s manufacturing footprint by consolidating underutilized sites. He also holds over 1M shares in Celestica, almost 1% of the company.

Chief Financial Officer Mandeep Chawla leads the company's capital allocation and financial risk management and has been with the company since 2010. Overall, the financial management of the company is conservative with a debt-to-EBITDA ratio of 0.6x. The company repaid over $530M of debt in the last year, which was a near term major use of excess cash. The company also has periodically executed share buybacks with excess cash over the last 5 years, reducing shares outstanding by 8% since 2020.

Substantial Long-Term Growth Prospects

Celestica is well-positioned for multi-year revenue and profitability growth, driven by secular tailwinds in AI data center expansion specifically leveraged to 1.6T networking and Co-packaged Optics (CPO), both of which are burgeoning trends in data center architecture.

The primary driver of Celestica's long-term growth is the rapid expansion of AI applications and the associated data center infrastructure required. As hyperscalers scale their cloud networks to support complex large language models, demand for integrated AI/ML compute, high-density storage platforms, and complex rack systems are growing. The global data center networking market is projected to expand at a compound annual growth rate (CAGR) of 17.2% from 2025 to 2033. Celestica is a key hardware partner in this ecosystem, providing custom rack integrations, AI servers, and high-speed switches directly to hyperscaler clouds. The company's visibility is supported by non-cancelable, non-returnable long-term agreements, which provide superior revenue and capacity planning compared to previous technology cycles.

The transition within data communication networks from 400G to 800G and next-generation 1.6T networking platforms represents a significant near-term catalyst for the company. Within its HPS portfolio, Celestica is ramping up production of its DS5000 800GbE switches, capturing higher average selling prices and superior margin profiles compared to legacy systems. Looking further ahead, the company has secured three separate 1.6 Terabit switching platform program awards with major hyperscaler customers, with initial production volumes scheduled to begin ramping in 2027.

Additionally, Celestica has secured a strategic CPO Ethernet switch design win with a leading hyperscaler (likely Meta).

Reasonable valuation

At a current share price of approximately $340, Celestica trades at a forward EV/EBITDA multiple of 20.8x. Relative to other AI-datacenter-leveraged GARP companies (VRT, ANET, APH, FN, ALAB), this multiple is very cheap, especially when you consider the company is forecasted to grow 53% in 2026 and 40% in 2027. My assumption is that the margin improvements will continue into 2027 as CPO and 1.6T program ramps occur.

This valuation gap suggests the market may still view Celestica as a traditional contract manufacturer rather than a custom hardware and systems integration partner. Analyst sentiment remains strongly positive, with all but one analyst rating the company a Strong Buy or Buy.

Ticker	Name	Sub Market	P/E (NTM)	EV/EBITDA (EST FY1)	EBITDA/CAGR (1Y TTM)	EBITDA/CAGR (3Y TTM)	Total Revenues/CAGR (1Y FQ)	Total Revenues/CAGR (3Y TTM)	Gross Profit Margin % (LTM)	Return on Capital (%) (LTM)
JBL	Jabil Inc.	Integration/EMS	20.6	12.9	15%	-1%	12%	-2%	9%	21%
APH	Amphenol Corporation	Connectors/cabling	31.1	19.2	84%	39%	58%	27%	38%	17%
CLS	**Celestica Inc.**	**Integration/EMS**	**30.5**	**23.2**	**79%**	**44%**	**53%**	**22%**	**12%**	**26%**
FN	Fabrinet	Integration/EMS	29.5	29.1	33%	18%	39%	18%	12%	12%
VRT	Vertiv Holdings Co	Power/thermal	44.2	34.2	36%	50%	30%	21%	37%	19%
COHR	Coherent Corp.	Optical components	41.7	37.5	25%	10%	21%	11%	37%	4%
ANET	Arista Networks Inc.	Networking	48.6	39.5	32%	33%	35%	26%	64%	22%
CIEN	Ciena Corporation	Networking/optical	58	46.9	130%	19%	40%	11%	43%	9%
ALAB	Astera Labs Inc.	Connectivity chips	109	102.7	NA	NA	93%		76%	11%

Catalysts and Conclusion

- **Hyperscaler AI design wins and CPO announcements:** Investors are looking for confirmation that Celestica is expanding beyond rack integration into higher-value networking platforms, including co-packaged optics (CPO), 1.6T Ethernet switches, and next-generation AI infrastructure. It's assumed Meta is already a CPO partner, but any other hyperscaler announcements would be bullish for long-term revenue forecasts.
- **Execution of the $1 billion capex program:** Celestica's 2026 expansion plan is fully funded through operating cash flow. Progress on new U.S. manufacturing facilities (widely believed to support next-generation Google TPU systems and other hyperscale AI programs, including AMD Helios) would reinforce the company's long-term AI growth outlook while helping alleviate concerns around customer concentration.
- **Ramp of next-generation AI infrastructure platforms (1.6T Ethernet & rack-scale systems):** The transition to 1.6T networking, liquid-cooled rack integration, and custom AI platforms (including its AMD Helios collaboration) should increase the dollar content per AI deployment. Successful production ramps would support higher revenue growth and margin expansion over the next several years.

Overall, I still believe the AI data center ramp has at least three years left in it, with very significant architecture changes driving huge demand across all hyperscalers in 2027 and 2028. These are the years that architecture in data centers begin to push the envelope of technology and physics, which requires specialty design, engineering, and manufacturing that Celestica specializes in. Celestica is the cheapest way to invest in growth in these AI trends; believe me I have looked at the entire space.

Short Portfolio Summary

	Q2
Average Short Exposure	40.9%
Contribution (gross)	-6.7%

Best Performing	Q2 Contribution	Worst Performing	Q2 Contribution
Everspin Technologies	0.5%	Avis Budget Group	-1.8%
Blaize Holdings	0.3%	Sharon AI	-1.4%
Fastly	0.3%	New Era Energy	-0.8%

The short portfolio was mixed in the second quarter, outperforming the Russell 2000 but underperforming the Russell 2000 Mid Cap Growth on a total return basis. The core drivers of the short book in 2026 were shorting individual AI names that were pumped by retail without proper fundamental justification (Pump & Dumps) like Everspin Technologies, which was pumped on the basis it had the ticker symbol "MRAM" and was lumped in with the other memory makers like Micron and SK Hynix. But Everspin makes Magnetoresistive RAM (MRAM), which is persistent memory. Large AI clusters (NVIDIA GPUs, AMD GPUs, TPUs) require enormous amounts of working memory, not persistent memory. This misinterpretation of the memory opportunity led to a quick pump and dump of the stock.

The weakest performers in the short book were what I consider "fake" neoclouds. These are neoclouds that are trying to ride the wave of excitement for data centers but lack both the technical and financial resources to succeed. New Era Energy was the most obvious one.

In regard to the overall opportunity set for shorting, I believe there will be a huge opportunity to short stocks with AI-related end markets at some point in the future (mainly memory stocks as their current valuations are driven largely on price hikes that will eventually reverse) but now is not that time.

Top Holdings & Current Exposure

Long Portfolio	Industry/Segment	% of NAV	Short Portfolio	Industry/Segment	% of NAV
SuperCom	IoT Devices	10.0%	Falcon's Beyond Global	Entertainment	-2.6%
SK Hynix	Semiconductors	10.0%	Carvana	Ecommerce	-2.5%
Credo Technologies	Copper and Optical Connectors	8.7%	Cava	Quick Serve Restaurants	-2.4%
Hydreight Technologies	Healthcare	8.7%	Sharon AI	Neocloud	-2.4%
Clearpoint Neuro	Medical Devices	8.5%	ARK Next Generation Internet ETF	ETF	-2.3%

At the end of the second quarter, the fund held 21 long positions and 23 short positions. The fund ended the quarter with an exposure of 123% long and 37% short or an 86% net long exposure.

Fund Update and Planet Microcap Pitch

Earlier this year, I left BP after 15 years in finance, investment, and strategy roles to run Deep Sail Capital full-time. I plan to run Deep Sail Capital for the rest of my career and build the company into something that I can truly be proud of. As part of that I am seeking additional limited partners to help support me in taking the next step in becoming an institutional-grade investment manager. Please feel free to reach out to me directly at sean@deepsailcapital.com for more information on the fund.

In June, I attended the Planet Microcap Conference in Las Vegas and pitched the conference on my SuperCom (SPCB) long thesis. Please take a second to check out the video of that pitch. Slides from that pitch can also be found on the fund's blog section of our website.

Sincerely,

Sean Westropp
sean@deepsailcapital.com

Disclaimer Deep Sail Capital LLC ("Deep Sail Capital") is an investment adviser to funds that are in the business of buying and selling securities and other financial instruments. This information is provided for informational purposes only and does not constitute investment advice or an offer or solicitation to buy or sell an interest in a private fund or any other security. An offer or solicitation of an investment in a private fund will only be made to accredited investors pursuant to a private placement memorandum and associated subscription documents. Past performance is no guarantee of future results.

"Deep Sail Capital Partners" returns in this document are shown as net returns or gross returns where stated. Historical net returns assume a 1.5% and 15% management and performance fee, respectively. For net-of-fees return figures, please reach out to the fund manager at the email sean@deepsailcapital.com.

"Deep Sail Capital LLC" name was changed on April 7th 2022, from the previous name "Organon Capital LLC".
"Deep Sail Capital Partners LP" name was changed on April 6th 2022, from the previous name "Westropp Funds LP".

* - "Strategy Since Inception" refers to the Strategy inception date of July 2016. Deep Sail Capital Partners LP's predecessor incubator fund, "Westropp Funds LP" pivoted from a Value Investment style to a Growth at a Reasonable Price (GARP) style fund on that date. For more details on this transition or the calculation behind the "Strategy Since Inception" returns please reach out to the fund manager at sean@deepsailcapital.com.