Atai Capital Management

Q2-2026 Letter

Dear Partners, **August 25, 2026**

Atai Capital experienced a gain of 22.2% in the first quarter net of all fees. This compares to a 15.2% gain for the S&P 500, a 21.5% gain for the Russell 2000, and a 25.6% gain for the Russell Microcap for the second quarter of 2026.

	Atai Capital	Russell Micro	Russell 2000	S&P 500
Q2-2026	22.2%	25.6%	21.5%	15.2%
YTD	30.2%	27.5%	22.6%	10.2%
Since Inception	127.7%	95.0%	80.3%	105.1%
Annualized	26.6%	21.1%	18.4%	22.8%

Portfolio Commentary:

The portfolio's top contributor for the quarter was AstroNova, which was acquired for a steep premium in mid-June. BKTI, [Redacted], and Trifast also contributed positively to the quarter. The only notable detractor for the quarter was Haivision.

During the quarter, we made initial purchases of [Redacted] and added to Trifast and [Redacted]. The only idea we sold during the quarter was AstroNova after the acquisition announcement. As of writing, our top five positions account for ~55% of our portfolio.

Trifast PLC ("TRI.L"):

We first wrote about Trifast in our Q4-2025 letter to partners, and it was redacted in the public version of our letters – since our last update, the company has been performing well and to our expectations. After that letter, I posted a more lengthy version of the idea on an investment forum in early June and have shared a slightly updated version here for you all.

We believe Trifast offers us the opportunity to buy a decent business at a rock-bottom valuation, with earnings set to inflect significantly. This opportunity comes to us following several temporary headwinds: a difficult, multi-year ERP implementation, a cyclical end-market downturn, and numerous operational inefficiencies caused by a prior management team that eventually led the company to sell certain products at a loss. However, since late 2023, the business has been led by a new management team that has successfully executed on a multi-year turnaround plan.

Based on our run-rate earnings estimate, we believe Trifast trades at less than 9.0x UFCF at the time of writing after deducting leases, SBC, and capex. This multiple is far too low for a business that has made several operational improvements over the past several years, has significant operating leverage left to garner, should likely grow the topline at LSD-MSD, and previously traded at a much higher multiple when the business was of lower quality.

Trifast is a C-Class component manufacturer and distributor of industrial fastenings (think nuts, bolts, screws, and washers). The primary value-add for their customers isn't the products themselves, which are largely commoditized, but rather the Vendor Managed Inventory (VMI) service that Trifast provides. Essentially, Trifast handles the sourcing, delivery, and restocking of these components to ensure its customers' inventory levels are always maintained. Somewhat similar to electronic component manufacturers, but to a lesser degree, their products also fall into the “low-cost, but high-cost-of-failure” bucket. If a customer building seat assemblies for an auto manufacturer is missing a critical fastener, they risk shutting down their production line while waiting for a replacement. Because of this, so long as Trifast consistently sources the correct products and delivers them on time, customers have little incentive to switch distributors and risk costly production interruptions. Furthermore, the business benefits from greater stickiness when Trifast products are "spec'd" into a customer's design, making them difficult to swap out later.

Under the old management team, Trifast was very focused on top-line growth, with little regard for ROCE, cost controls, customer contract structures, and margins. Since then, Trifast has implemented a three-part plan they call Recover, Rebuild, Resilience.

Following the announcement of our Recover, Rebuild, Resilience transformation plan last year, the business is seeing positive change and demonstrating operational and financial resilience through strategy execution

We continue to effectively navigate the current global challenges and economic conditions by focusing on our key objectives of margin management, focused growth, organisational effectiveness and operational efficiency, all of which are supporting improved returns despite the mixed demand backdrop.

Read more in the CEO review on pages 4 and 5

Recover

In FY25, we successfully completed the Recover stage of our strategy, delivering measurable progress in profitability, margins, cash generation and return on capital employed

Having launched our new business strategy, we have made significant progress in all four strategic initiatives.

In FY25, our performance has benefitted largely from the driving of self-help initiatives. These have included negotiating improved value-based pricing and/or walking away from low-margin business, strengthening our total cost of ownership with our key strategic suppliers, driving logistics and operational efficiencies, particularly in the UK following the stabilisation of our warehouse consolidation into the NDC, and manufacturing utilisation efficiencies across all our manufacturing locations and through implementation of the organisation's development work centred around our OneTR business model.

Rebuild

Looking ahead, our focus now turns to delivering the continued profitability, margin and returns progression towards our mid-term target of >10% EBIT margin and ROCE >12% through continued execution of our strategy with our OneTR business model

Our value proposition of supply chain simplification, manufacturing and engineering excellence will deliver value and profitable growth in our chosen markets of automotive, smart infrastructure and medical equipment.

We will continue to drive self-help benefits in FY26 through our four key strategic initiatives of margin management, focused growth, operational efficiency and organisation effectiveness with the expectation that the economic recovery will support top and bottom-line growth over the mid-term.

Resilience

Our final stage is to ensure our business delivers sustainable double-digit EBIT margins and ROCE by being a stronger, more capable and more agile business. As we move through the transformation and turnaround journey, we are building better business processes, leveraging best practices and enhancing our talent and bench strength to enable this sustained performance

Our long-term goal is to be measured alongside the best in our industry, meaning we need to demonstrate resilient and sustained level of high performance through the economic cycle.

We have made significant progress in FY25 in strengthening our leadership and bench including internal talent development, putting in place standard business processes across many aspects of our business which build on the investments made in technology like D365 and on the OneTR business model and culture. These foundational improvements will be built on and expanded every year to support this long-term goal.

Read more about our Future Leadership Programme on pages 11 and 24

Our Recover, Rebuild, Resilience strategy is delivered through four key initiatives:

Margin management
Read more on page 9

Focused growth
Read more on page 10

Organisational effectiveness
Read more on page 11

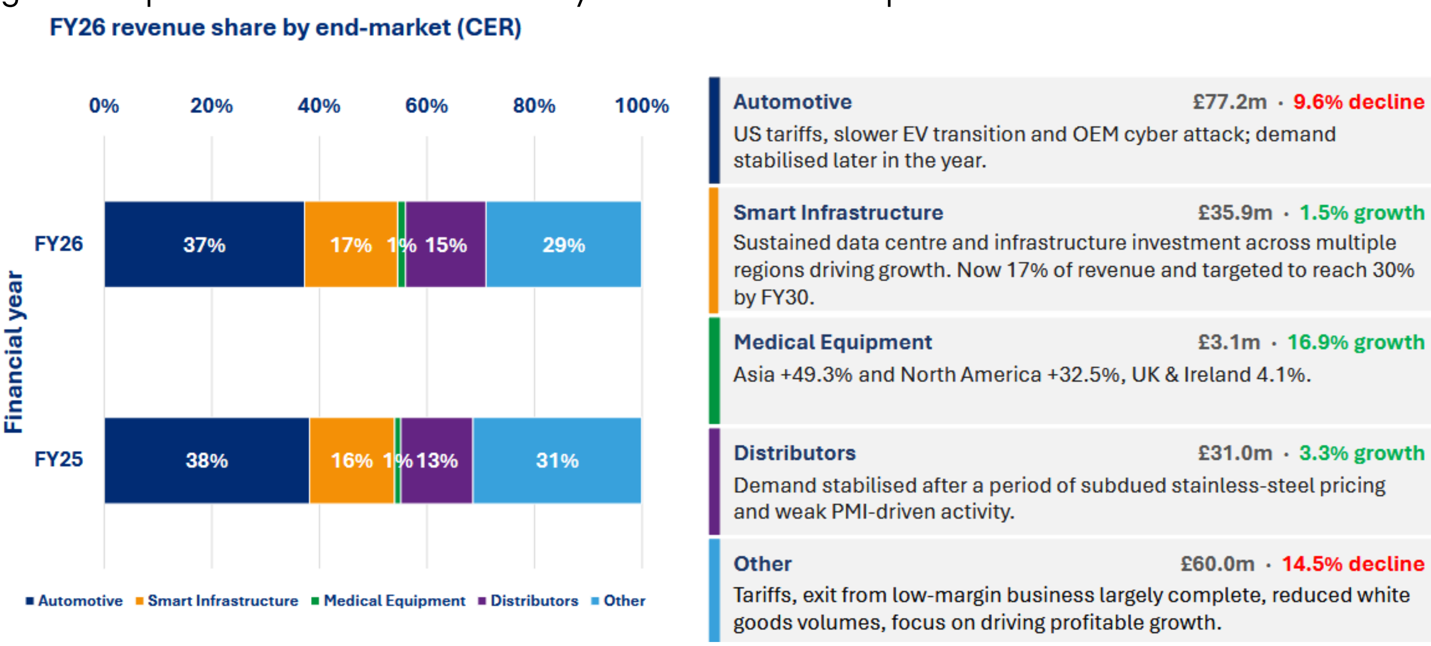
Operational efficiency
Read more on page 12

From FY-2025 Annual Report

Trifast's “Recover, Rebuild, Resilience” transformation began shortly after the appointment of current CEO Iain Percival in September of 2023, following the resignation of long-tenured CEO Mark Belton earlier that year, alongside a profit warning. Shortly after Iain’s hiring, the board also appointed activist investor Harwood Capital’s Nicholas Mills to the board in October of that same year – Harwood is the largest shareholder of Trifast today, owning ~20.5% of the company after purchasing additional shares in March and July of this year as shares traded down.

I won't be going through all of the changes management has implemented, but to touch on some of them at a high level, the new management team has exited 1,000+ low-margin or unprofitable customer accounts, implemented new, much stricter pricing and procurement policies, including indexed linked pricing to avoid the impact of raw material costs, with other cost recovery mechanisms implemented where/when needed. These changes have led to "value-based" pricing across Trifast's existing customer base, which the company did not have previously. In addition to these contract changes, the company has undergone several other typical "turnaround" procedures, such as several distribution/manufacturing facility rationalizations, headcount reductions, the completion of a companywide ERP system called "Project Atlas," and a focus on higher-growth end markets.

All of these improvements have led to gross and EBIT margins expanding from 25% and 5%, respectively, in 2023 to ~30% and ~9.5% today, despite significant end-market weakness this year. To give you a further idea of the improvements made here and how much "bad business" Trifast had before the new team, revenues in 2023 (FY24) were $238M, versus $207M in 2025 (FY26). It's also worth noting, though, when looking at the topline decline, that the business still does have quite a bit of automotive exposure (37% in FY-26 compared to 41% for FY-24) and UK auto production was down ~20% in Q-1 of this year vs Q-1 of 2024 pointing towards potential organic growth in parts of the business that they have elected to keep.



FY-26 Investor Presentation

Based on what we know, it appears that the company continues to execute well on its cost-saving and efficiency initiatives as of the most recent trading update in July. Despite missing on the topline, $207M vs $214M guided, due to factors mostly outside their control, the company still hit their bottom-line guide, which points to further improvements in gross margins and SG&A reductions. They are also already at/very near their medium-term EBIT margin target of 10% (based on their 2nd half of FY26, backing into EBIT margins, they are at ~9.5%) and should still have several opportunities to expand margins further as contracts continue to reprice and operating leverage kicks in. Furthermore, the CEO also purchased ~$100K back in February of this year at $0.80/share, and stated in the July that "Our pipeline is the strongest since the strategy was implemented. With increasing exposure to higher-growth areas such as Smart Infrastructure, Medical Equipment and India, and supported by scalable systems and improved commercial execution, we are well positioned to transition from rebuilding margins to rebuilding revenue."

As of the time of writing, at $0.86/share, Trifast has a market cap of $117M, ~$16M in net debt, so an EV of ~$133M. While not obvious to the market yet, we believe they are already run-rating at $15M+ in UFCF compared to what was $12M in UFCF for FY26 (ended in March). I'll be honest and say I have no clue what "normalized" earnings look like for this business, given that a healthy chunk is still coming from UK/EU automotive. The amount of business they've walked away from in the past few years is also somewhat of a question mark. Still, I don't believe it is unreasonable to assume this business can return/get to LSD-MSD revenue growth, given their continued focus on diversifying their end-markets. However, let's just assume that they can hit $220M in revenue at 12% EBIT margins by the end of 2028, that'd imply $20M in UFCF and the stock would be trading at ~6.5x today, presumably by then their end market mix would be more attractive and they'd be growing at a more sustainable LSD-MSD clip.

Their publicly listed peers Bufab and Bossard trade at 15x-25x earnings, have EBIT margins in the 10-15% range, and gross margins in the low thirties. Trifast pre-COVID traded at 15x-20x with ~11% EBIT margins, when it was perceived as a better business than it actually was once you looked under the hood. We obviously believe the company is in a much better place now than it was back then, despite the lack of topline growth in recent years, which we believe is mostly due to the company purposefully choosing to prune bad business and the cyclical downturn in some of their end markets. Anyways, running with $20M in UFCF at a 12.5x multiple before cash generation gets me to $1.70 a share or ~100% upside. This scenario does not seem unrealistic to us, and even if it doesn't play out as expected, we don't believe today's earnings are likely to go anywhere, nor do we believe 9.0x run-rate UFCF is remotely the correct multiple for this business.

Once you start modeling out peer-level margins and multiples, plus give them some credit for cash generation over the next few years, the upside starts to get a bit absurd on this one, with significant downside protection today.

Conclusion:

As mentioned in our Q4-2025 letter, I am mostly running out of things to say, so I apologize for the lack of a philosophical rant or lecture in this letter that you all have probably excitedly come to expect! But rest assured, I am not done lecturing and ranting to you about our investment philosophy or whatever else it may be. However, after three and a half years of writing about my beliefs, I'm sort of hitting a wall, so as mentioned previously, future letters are more likely to focus on new ideas and portfolio updates rather than my opinions on investing or macro-events.

As a reminder, we are open to new clients, and if you know someone who might be a good fit, please feel free to pass along my contact information. For those interested, I have updated our pitch deck through year-end, and a copy is available here and on our website.

As always, I am humbled by and grateful for the opportunity to invest your capital alongside my own, and I will continue to make every effort to compound that capital at attractive rates.

Cordially,

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"We have embraced the 21st century by entering such cutting-edge industries as brick, carpet, insulation, and paint. Try to control your excitement."
– Warren Buffett

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Any return amounts that are reported within this letter are estimated by Atai Capital on an unaudited basis and are subject to revision. Atai Capital's returns are calculated net of a 2.00% annual management fee and reflect a client's performance who would have joined the firm on its inception date (01/03/2023). Actual Individual investor returns will vary based on the timing of their initial investment, the impacts of additions and withdrawals from their account, and their individually negotiated fee structure. Atai Capital believes showing returns net of a 2.00% management fee better reflects actual performance as of 8/25/2026 since no account that Atai Capital currently manages is charged a fee more than the stated 2.00% management fee. Past performance is no guarantee of future results.

All statements, opinions, and analyses expressed in this letter regarding AstroNova are solely the author's own and are based exclusively on independent research of publicly available information.

Index returns referenced in this letter include the S&P500, Russell Microcap, and Russell 2000. Atai Capital's returns are likely to differ from those of any referenced index. These returns are calculated from the respective provider's websites, spglobal.com for the S&P500 and ftserussell.com for the Russell Microcap and Russell 2000, and include the reinvestment of all dividends in both cases.