



MASSIFCAPITAL

Thursday, July 30, 2026

Dear Friends and Investors,

During the second quarter of 2026, the Massif Capital Real Assets Strategy fell 5.16% net of fees, bringing year-to-date net of fees returns to 10.7%. April and May were strong months, but June proved a difficult month with losses concentrated in the European energy book and significant selling in single names across the materials sleeve that appear primarily driven by either a rotation out of materials or by a more general risk off mood in the markets.

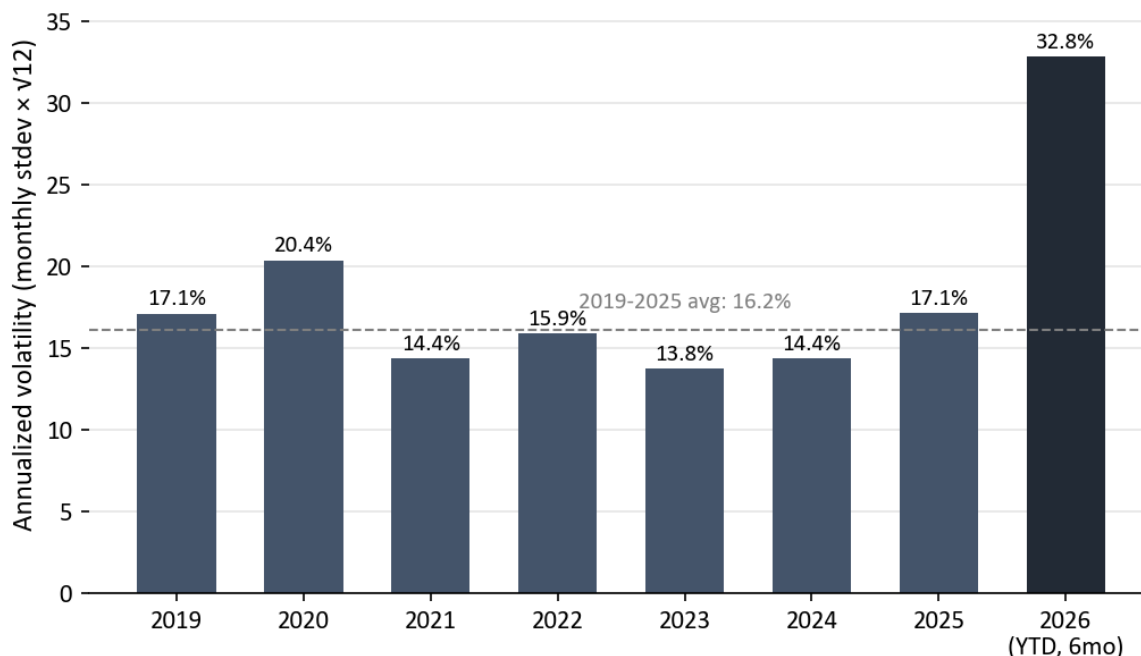
Portfolio Volatility: 2026 in Historical Context

Thus far 2026 has been an abnormal year for the portfolio with extremely high levels of volatility. Annualized portfolio volatility from January 2019 through the end of 2025 has been 16.2%. Annualized volatility during the first six months of 2026 has been 32.8%, roughly double the historical average and higher than any full calendar year, including 2020. On a twelve-month trailing basis, from July 2025 through June 2026, annualized volatility is running at 25.9%, above every full calendar year in the series, including 2020's 20.4%. The elevation is not being driven by a single month either: four of the first six months of 2026 moved more than 8% in either direction, a frequency no prior full year matched except 2020, which had three such months across twelve.

Year	Annualized Volatility	Annualized Return (Net of Fees)	Largest Monthly Move	Months with Moves Over 8%
2019	17.1%	-2.8%	7.6%	0 of 12
2020	20.4%	52.0%	12.7%	3 of 12
2021	14.4%	24.6%	8.8%	1 of 12
2022	15.9%	-5.8%	9.3%	2 of 12
2023	13.8%	-6.1%	6.2%	0 of 12
2024	14.4%	12.0%	8.1%	1 of 12
2025	17.1%	50.0%	12.7%	2 of 12
2026 (YTD)	32.8%	10.7%	12.5%	4 of 6

Admittedly, the 2026 figure annualizes six data points rather than twelve, which is a small sample for a standard-deviation estimate and can overstate the durable level of volatility. Perhaps the next six months are calm as can be and the volatility at year end mirrors that of previous years. Even discounting for that, which we believe is unlikely, the twelve-month trailing figure of 25.9%, built from a full year of data spanning both 2025 and 2026, confirms the elevation is not purely a small-sample effect. 2025 was already running above the historical average before 2026 began. We have searched for a proximate cause of this increased volatility and believe to have found it in the form of increasing commodity beta at the portfolio level.

Annualized Return Volatility by Year



Source: Massif Capital monthly NAV returns, Jan 2019 – Jun 2026.

We have extended our work from last year examining the impact of commodity factor exposure at the individual security level to the portfolio and while we are still in the process of building out the database that allows for a full assessment of the portfolios sensitivity to commodity prices over the long-term, we can say that until the 4th quarter of last year our commodity sensitivity was relatively low with a large portion of returns explained by idiosyncratic factors. Over the 4th quarter of 2025 the portfolios' variance sensitivity (absolute value of the movement) to the rate of change in commodity prices (commodity convexity factor) increased, without a meaningful change in sensitivity to commodity prices (commodity price factor), and then toward the end of the 1st quarter of this year the sensitivity to rate of change began to fade while the sensitivity to the underlying commodity price movement increased. This transition, from convexity sensitivity to commodity sensitivity, also corresponded to a stall in positive appreciation of positions.

The variance trends were mirrored in return attribution trends, with returns accruing first to idiosyncratic variables not captured by our factor model, followed by a period of returns attributable to the rate of change in commodity prices and then finally by commodity price changes. As we expand our research and improve the quality of the factor related tools we are using, this pattern is showing up in past positions we have existed.

We are still studying the data, but we are intrigued by this pattern and have identified the following possible causal explanation that we are still studying (this is functionally a “hot take”, not a settled or well tested hypothesis)¹:

¹ For the particularly wonkish amongst our readers there is also a possible mechanistic explanation for this pattern that we have also not fully tested: We use a rolling window ordinary least squares regression in this analysis, as such, a fresh commodity-price shock might enter the analysis window as unexplained variance before the regression has accumulated enough co-moving observations to estimate a stable beta on it. Early in the window, the shock looks like residual (idiosyncratic) return simply because n is too small for the price factor to “claim” it. As more days accrue, the convexity term picks up curvature before the

- Idiosyncratic returns lead because they do not require macro pass-through, so company-specific catalysts, permitting, guidance, M&A, are priced immediately whereas commodity-linked returns have to work their way through the company's cost structure before they register as commodity exposure rather than noise.
- Commodity convexity then leads to commodity price because natural resources equities can behave as options on the underlying commodity near their cost-curve breakeven. Early in a price move, the payoff is convex, not linear, so the model attributes it to convexity before it attributes it to price. When the moves in the underlying commodity are sharp this might be more impactful as the rise in price cuts through cost-curve breakeven sharply.
- Finally, commodity prices only dominate once the move is large and sustained enough to push the company well past cost inflection. At that point the relationship stops being optionality and starts being a straightforward linear exposure, and the attribution shifts accordingly.

What Changed in the Book

While our commodity factor work helps explain the shape of the quarter's volatility, the texture of it is easier to see name by name, with the caveat that the volatility is not where one might have expected. We have large positions in small-capitalization mining and critical-minerals developers within the Materials sector, which held 62-65% of assets in every month from March through June, the largest and most stable sector weight in the book. Volatility is the price of entry for owning these equities, which can deliver highly asymmetric returns: several of the largest positions including Allied Critical Metals (since position inception return of +480%), Midnight Sun Mining (+10%), and new positions in the last twelve months Surge Copper (+55%) and Blue Moon Metals (-0.18%), are thinly traded, early-stage developers for whom large share-price moves on no identifiable news are wholly expected. Those stocks did affect the portfolio's performance, but the impact was 36% less than the second quarter's drag from our oil investments and in line with the losses from our producing miners.

Larger, liquid stocks do not usually move the way junior miners do, yet two of ours have this year, for reasons the fundamentals cannot explain. Lundin Mining fell 12.6% on June 8 with no stated catalyst, then a further 7% on June 23, all while the news flow ran the other way. The company closed an additional purchase of 5% of Caserones and a 30.9% stake in Los Helados for \$215 million, reported Q1 free cash flow of \$380 million on 80,000 tonnes of copper production, and on June 22 filed NI 43-101 technical reports confirming a 2.3-billion-tonne combined reserve base across Candelaria, Caserones, and Chapada, building on enhanced fiscal-stability status Argentina had already granted the Vicuña project under its RIGI regime, which the country's economy minister called the largest mining project in Argentina's history. A Capital Markets Day added targets of more than 500,000 tonnes of copper and 550,000 ounces of gold annually. None of it moved the stock until June 30, when Lundin rose 2% on Commerce Secretary Lutnick's recommendation of a 15% refined copper tariff from 2027.

The distinction that matters here is between a transient repricing of sentiment and a durable repricing of the asset: the June 8 decline preceded the reserve filing and the RIGI status by two weeks, and the market did not reprice the stock once they arrived, which suggests the daily move carried little information about the business the filings and the government approval later confirmed. Equinox Gold showed the same pattern in a more extreme form: the stock fell 34% during the second quarter and 22% in June alone, yet the underlying business improved on nearly every dimension. Q1 production came in at 197,628 ounces, debt fell from \$1.15 billion to \$252 million on an asset sale, and the company declared its inaugural dividend and announced a definitive all-stock merger with Orla Mining on May 13 that would create an approximately \$18.5 billion North American senior producer targeting 1.1 million of 2026 production, and 1.9 million in 2027. The stock fell 8% on June 10 as gold itself dropped 3.5% to \$4,136 an ounce, and

linear price beta stabilizes, because nonlinear terms fit local curvature with fewer observations than a linear term needs to separate signal from noise.

another 4.7% on June 23; on June 25, Equinox signed 20-year land-access agreements with all three communities surrounding its Los Filos mine, ending a 14-month suspension and clearing the way for a restart that will produce 280,000 ounces of gold a year for 15 years, though production guidance already excludes any contribution from it, leaving that upside for whenever the market decides to notice it.

Gold itself fell 15% for the quarter and closed June on pace for its worst monthly decline since October 2008, against a 17% drop in the GDX (the largest Gold Miners ETF); Equinox fell twice as much. Within our four-factor model for commodity price sensitivity, commodity price and convexity explain most of the day-to-day variance in the stock, but only half of the negative return, currency exposure and idiosyncratic factors explain the rest. As the operations and fundamental financials only improved, we are left attributing much of the negative idiosyncratic factor return to negative sentiment. This is unfortunate as the market tends to extrapolate sentiment moves as lasting verdicts on the business, which can be harder to shake.

The same dynamic showed up in our energy book but unlike the mining's stocks there was a genuine macro shock layered on top of it. Brent round-tripped from a \$107 spike in April to a sub-\$80 close in June on an alternating sequence of Iran-Hormuz escalation and ceasefire headlines, several of which reversed within days, and Var Energi, Aker BP, Equinor, and Harbour Energy, roughly 29% of the book across the quarter, fell five to nine percent in single sessions on multiple occasions, almost always on a headline about the negotiation itself rather than any change to reserves, contracts, or dividend capacity. Equinor's June 12 decline of 7.8% came the same day OPEC issued its second consecutive demand-growth downgrade; its 6.4% decline on June 16 coincided with a Capital Markets Day that doubled the 2026 buyback to \$3 billion, raised its dividend-growth framework, and scrapped the 2030 renewables target, shareholder-friendly news overwhelmed by a 4.9% fall in Brent that day.

Var Energi fell 6.9% and Aker BP 5.7% on June 12, with both down a further 5-8% on June 16; Harbour Energy tracked Brent almost tick for tick, falling 4.3% on June 12 and drifting lower through month-end as crude settled near \$72-75. What moved, in every case, was the market's estimate of how long the Strait of Hormuz would stay at a risk, a variable the market has consistently gotten wrong, continuing its largely unbroken streak as a geopolitical forecaster with skills on par with the average television talking head. None of it touched what the businesses did. Var Energi posted record Q1 production of 406 kboepd (+51% year over year), sanctioned \$300 million dividends for both Q1 and Q2, took final investment decision on Balder Next New Wells and the NOK 14 billion Gjøa subsea project, and sold stakes in Goliat and Fenja to PKN Orlen for up to \$350 million.

Aker BP's Q1 EBITDA came in at \$2.66 billion on 97% operational efficiency, with Symra field reaching first oil nine months ahead of schedule; the company agreed a development concept for Ringvei Vest and swapped assets with Equinor in May, picking up 19% of that project and a UK license stake. Equinor delivered record production of 2.3 million boe/d and adjusted operating income of \$9.77 billion in Q1, though cash flow missed consensus on elevated trading-collateral requirements. Harbour Energy raised full-year production guidance to 480,000-500,000 boepd, won a tax dispute over the Waldorf acquisition, and closed a \$215 million sale of its Indonesian assets in late May. None of the four companies stopped signing deals through the drawdown.

The 2026 volatility reading is real, not a sample-size illusion: the trailing twelve-month figure confirms it, and the frequency of large individual months has no precedent in the series outside 2020. It is best explained by a concentrated book sitting through a period of acute event risk in the Norwegian energy sleeve and outsized idiosyncratic moves in materials names that largely appear unassociated with fundamentals. None of that speaks to whether the underlying businesses are more or less likely to produce a permanent loss of capital, which is a separate question; it speaks to how much the fund's marked value moved while that question got answered. The rest of the book had a quieter version of the same story.

Alphamin Resources reported record Q1 EBITDA of \$158 million on realized tin prices of \$49,278 a tonne, paid a C\$0.13-per-share final dividend on June 5, and spent the back half of June trading with tin, down 6% on June 24 and up 5.6% two days later as tin held near \$50,000 a ton. Meanwhile, the stock, which we fully understand will never trade at its proper fundamental value as it is a single asset firm in the Democratic Republic of Congo and if there is anything market participants don't understand it is Africa related risks, is on pace this year, in our estimation, to produce \$500 million in free cash flow on a market capitalization in USD of roughly \$1 billion. Between Ebola, M23 rebels, and the general high level of ignorance of Africa in general, let alone specific locations in Africa, AFM should trade at a discount fundamental value, but these are not new risks, they are the risks the firm has managed successfully for a decade. Some credit for that track record and the operational acumen of management is warranted. While the market catches up with reality, we will need to be satisfied with this year's dividend, which we estimate will be greater than 12%.

A different pair of single-name stories closed out the books volatile quarter, one driven by policy reversals, the other via death by a thousand cuts, and both, in their own way, a preview of the argument we will make in closing out this letter. Chemring's H1 results on June 2 showed revenue up 6.5-7% to £237.3 million and a record £1.40 billion order book, but underlying operating profit fell 7.5-8% to £24.5 million on a £6.7-8.3 million impairment tied to declining US Department of Defense demand for its Alloy Surfaces decoy flairs; the shares fell 5-7% on the print and the company paused its buyback with only £8.7 million of a planned £40 million completed. That reversed entirely on June 25, when the US Department of War awarded the Alloy Surfaces subsidiary \$345 million in new contracts, moving the unit back from discontinued to continuing operations. A single procurement decision erasing and then recreating a product line inside of three weeks.

Enovix fell in three separate steps through June: 12.9% on June 7 when an outside investor exited its position citing the departure of a manufacturing-process lead ahead of a product launch, a further 9.2% on June 10 as investors read a soft Q2 revenue guide as limited visibility into its smartphone-battery qualification with Honor, and 10.2% on June 23 in a broad Nasdaq semiconductor selloff; the company's own Q1 disclosure had already flagged that Honor's qualification process was taking longer than anticipated.

If we run the quarter back, a pattern emerges that has nothing to do with balance sheets or businesses. Iranian diplomacy moved our Norwegian energy book more than any company factor did. Argentine and American trade policy moved our copper names more than any drill result did. A single Pentagon contract decision erased and then restored a defense supplier's product line in three weeks. None of that is noise to be averaged away, it is the operating environment now, and it is the subject of the rest of this letter.

Investing in a World of Zero-Sum Geopolitics

We published two papers during the second quarter which argued that the price of a thing is increasingly set by who controls the corridor rather than by the cost of producing it. In from [Geology to Geography](#) we made the case for commodities: the cleared price of copper, cobalt, or a barrel of crude has migrated from a geology-first regime, in which the marginal producer's cash cost set the price, to a geography-first regime, in which chokepoints, processing nodes, export licenses, and sovereign policy set it. In the [Cartography of the Risk-Free Rate](#) we extended the same logic to interest rates: the long end of the sovereign curve now carries a persistent geopolitical premium, and the risk-free rate that anchors every valuation in the portfolio is no longer a quietly anchored constant. Both papers reached the same investment conclusion. The implication is increased dispersion, not direction, and an environment that favors stock picking not passive ownership. The current environment demands deep due diligence in search of ambitious but realistic management, not allocation to opportunities for which all the value sits in a terminal variable that is far off in the future and driven by a management story of a future that is impossible to put odds on.

This operating environment is one of zero-sum geopolitics: a regime in which states increasingly treat control over nodes in a shared economic network as a positional asset, where one state's security is purchased at another's expense, and where the option to weaponize, interdependence against foes and allies alike, is considered a readily available tool, not a last resort. Countries are in search of a defensible strategic autonomy, and in that pursuit "the strong do what they can and the weak will suffer what they must."² Henry Farrell and Abraham Newman gave the mechanism its name in a 2019 paper: Weaponized Interdependence.³ A state with jurisdiction over a central node can weaponize it, through the panopticon effect⁴ of monitoring the traffic or the chokepoint effect of denying access. The commodity paper explored those nodes in Hormuz, in Chinese rare-earth refining, in Indonesian nickel licensing. Our interest rate focused paper found opportunities in the Treasury market and the dollar-clearing system. The concept is the same in both: interdependence is not peace, and when the dominant node is a single state with revisionist intentions, interdependence amplifies coercion rather than defusing it.

The consequential shift is not that geography matters again. Geography has always mattered. The shift is that geography, and all is accompanying baggage (domestic politics, social and cultural variables) has moved from an exogenous economic variable to an endogenous one. In the financial models and frameworks a generation of investors have learned and acted on, Geopolitical, Regulatory, Institutional, Political, and Social risk, GRIPS, were a residual: a haircut applied at the end, an occasional exogenous shock to be diversified across jurisdictions and otherwise ignored. In a zero-sum regime GRIPS become terms inside the equation, present in the revenue line, the discount rate, the working-capital cycle, and the reliability of the physical asset itself. Diversification only smooths idiosyncratic risk. When geopolitics becomes a systematic factor priced into every cargo, every permit, and every fiscal regime, spreading exposure across jurisdictions averages the mispricing rather than eliminates it.

In the [Cartography of the Risk-Free Rate](#) we examined cases in which the United States sits on the favorable side of chokepoints, as issuer of the reserve currency and operator of the dollar-clearing system. That framing is incomplete. In a genuinely zero-sum regime, the weaponization runs in every direction at once, and the same state can be the chokepoint holder in one network and the chokepoint hostage in another. This letter takes two cases that make the point sharply. In the first, artificial intelligence, the United States holds a chokepoint and has begun to pull the lever. In the second, large power transformers, the United States is the dependent party, and the lever sits abroad. Read together, they show that no participant in the modern economy, the hegemon included, gets to stand outside the regime.

We take no view here on whether Washington was right to reach for the lever, or Beijing right to close the door. That is not our lane. Our concern is narrower and more frankly mercenary: what the pulling of these levers does to the price of the assets we own.

Case One: The Chokepoint the United States Holds

The clearest recent demonstration that access to a commercial service can vanish by administrative decree arrived in June 2026. On June 12, the Commerce Department directed Anthropic to suspend access to its Fable 5 and Mythos 5 models for all non-US persons, invoking export-control authority due to the models' cyber capabilities. Because the models are served over an API, and real-time nationality checks were not feasible, the practical result was a global suspension. Access was restored on July 1 with more restrictive guardrails, and the Commerce Department lifted the controls on June 30. The episode lasted under three weeks. Its signal will last considerably longer.

² Thucydides, History of the Peloponnesian War.

³ <https://direct.mit.edu/isec/article/44/1/42/12237/Weaponized-Interdependence-How-Global-Economic>

⁴ The panopticon effect is the informational advantage that arises from controlling a central node which in turn allows a state to understand flows through the hub and gain a strategic intelligence advantage over other actors.

What had been understood as a commercial service, procured on ordinary vendor terms, was revealed to carry revocation risk that the provider itself could not remedy. AWS Bedrock, Google Cloud, and Microsoft Foundry were all affected at once through a compliance obligation imposed on their supplier, with no independent notice to the enterprises that had built on those foundations. This is not the service-outage risk that business-continuity plans are built to address. It is a legally mandated revocation, delivered without advance notice, contractual remedy, or recourse period.

The reaction from allies is/will be the reaction the rates paper attributed to the marginal reserve manager after 2022. At the G7 summit, the French president warned that no one would buy a model that could be switched off from one day to the next by a foreign government. A European parliamentarian argued that Europe cannot keep building its technology stack⁵ on access that Washington can revoke overnight. Within days, Rio de Janeiro published a municipal model built on Alibaba's Qwen, and a Japanese lab released a model marketed on the explicit promise of frontier capability without export-control risk. Even Palantir, a US defense contractor, advised its customers to pursue corporate "sovereignty" through open-weight models so they could control their fate (also notice the injection of geopolitical language into a corporate level discussion). The logic is not abstract: enterprise buyers who had already made the switch to open weight models cite the same data-sovereignty concern driving the diplomatic reaction, control over where a model runs matters because a revocable API cannot guarantee it. The behavioral response to a weaponized node is diversification toward whatever cannot be weaponized, and the diversification begins the moment the weapon is shown, not the moment it is used.

The parallel to gold is exact. In the reserve system, the marginal reserve manager's revealed preference is an asset that carries no counterparty risk and cannot be frozen, and the bid persists whether or not the confiscation is ever repeated. In AI, the revealed preference is the open-weight model that runs on infrastructure the user controls, and the bid persists whether or not the suspension is ever repeated. The largest model-routing platform, www.openrouter.ai, noted during the second quarter that Chinese open-weight models climbed from under 2% of token traffic in late 2024 to a majority of usage among the top models in 2026. As with the dollar, the point is not imminent dethronement. The US frontier model lead is real, and the switching costs are high. The point is that the franchise has been called into question, and a franchise that has been questioned trades at a different multiple than one that has not.

For the investor, the case reframes the AI trade. The market has valued the compute and model layer as a set of commercial platforms competing on capability. A zero-sum regime prices in a second variable the capability benchmark does not capture: whether the deployment path survives contact with an export-control regime, and whether a controlled model, like a controlled reserve asset, structurally seeds demand for the uncontrolled substitute that competes with it. The holder of the chokepoint extracts leverage and pays for it in trust, and trust, once spent, reprices the terminal value of the whole franchise.

Case Two: The Chokepoint That Holds the United States

The second case inverts the first. The large power transformer is a nineteenth-century technology, an iron core and copper coils, unglamorous and physically enormous. It is also the single component on which the entire American electricity system, and by extension the American AI build-out, now depends, and the United States does not make enough of them. Imports account for roughly 80% of US power-transformer supply and nearly 90% of large-power-transformer demand in 2024. Lead times that ran from one-to-one half years before the pandemic now run three to four years. Executives who source this equipment globally describe the same causal chain in blunter terms: a market that has seen essentially no demand growth for years is now being driven to two-plus-year backlogs almost entirely by AI data-center buildout. Prices are 60% to 90% higher than in 2020 depending on category. This is the geography-first

⁵ A technology stack (or "tech stack") is the set of tools, languages, frameworks, and infrastructure combined to build and run a piece of software or a system.

regime operating on the importing side of the ledger, and it operates on the United States exactly as the commodity paper described it operating on everyone else.

The dependency compounds one layer up. The transformer core requires grain-oriented electrical steel, and the United States has a single domestic producer of it, meeting roughly one-fifth of demand; the remaining 80-plus percent is imported from South Korea, Japan, and Germany. This is the same structure the commodity paper found in Chinese rare-earth refining and Indonesian nickel processing: a concentrated processing node, one hard-to-substitute input, and a physical chokepoint upstream of the finished good. The vulnerability does not need an adversary to activate it. It is a standing risk rather than a tail risk, after all, as we threaten to remove all our troops from Europe, maybe the German response is to stop selling grain-oriented electrical steel to the US. Either way, recognition that it is an ever-present risk, not a unique one-off risk that is unpredictable and unforeseeable (the previous paradigm for considering such things), is what moves it from exogenous to endogenous.

The demand side is where the two cases converge into one. The AI build-out that gives the United States its chokepoint in the first case is the same build-out that is exhausting transformer supply in the second. Hyperscalers have become price-insensitive buyers of power equipment, paying deposits to lock factory windows years out. Global data-center electricity demand is on a path to reach roughly 945 terawatt-hours by 2030, and the physical plant to serve it does not yet exist.⁶ As of April 2026, nearly half of US data centers planned for the year were expected to be delayed or cancelled, with shortages of transformers, switchgear, and batteries among the primary causes, including projects tied to Microsoft and OpenAI.⁷ The country that can switch off the world's access to a frontier model cannot, on its own schedule, energize the data centers that run it. The chokepoint the United States holds and the chokepoint that holds the United States are wired into the same machine.

There is a security dimension that rhymes with the AI case, and it runs in the opposite direction. In 2019 federal officials seized a large power transformer at the Port of Houston and removed it to a national laboratory, an action a senior industry figure called unprecedented; a 2020 executive order and a subsequent prohibition order restricted some utilities from buying transformers of 69 kV or more from China.⁸ The iron and copper are not the concern. The digital monitoring devices and sensors embedded in a modern transformer are. The panopticon effect and the chokepoint effect that the United States exercises through the dollar-clearing system are the same two effects a supplier can exercise through the sensor package in critical grid hardware. Weaponized interdependence does not respect the direction of the hegemon's preference.

The capital cycle here is textbook, and it is the reason the case is investable rather than merely alarming. Underinvestment produced shortage; shortage produced a 60-to-90 percent price move and multi-year lead times; the price signal is now producing announced capacity, roughly 1.8 billion dollars of it, and the GE Vernova acquisition of Prolec GE in February 2026. The gap between capital deployed and capacity delivered, though, is measured in years, because a transformer plant is a batch-of-one operation constrained by skilled labor, testing bays, and a single domestic supplier of its critical input. The shortage is not cyclical noise around a stable mean; it is structural, born of a regime in which the input, the finished good, and the corridor that delivers both are each subject to geographic capture. That structure, and the mirror-image one in Case One, are what the rest of this letter is underwriting.

⁶ <https://www.iea.org/reports/energy-and-ai/energy-demand-from-ai>

⁷ <https://www.theaiconsultingnetwork.com/blog/us-data-centers-2026-half-delayed-canceled-cre-investors>

⁸ [https://www.energy.gov/sites/default/files/2021-10/2021-08-26%20FERC%20Complaint%20\(Mabee\)%20Final%20w.%20Exhibits.pdf](https://www.energy.gov/sites/default/files/2021-10/2021-08-26%20FERC%20Complaint%20(Mabee)%20Final%20w.%20Exhibits.pdf)

Portfolio Implications

The two cases sharpen the four implications our second quarter white papers reached. We restate them here, along with describing where the portfolio already sits in regards to each, as they will continue to guide our investing in the quarters ahead.

Single-network risk is the new single-geography risk. The commodity paper warned that a pure-play producer in one contested jurisdiction carries concentrated risk that its multiple does not reflect. The same is now true of a business built on a single controllable network, whether that network is a frontier model served from one jurisdiction or a grid dependent on one foreign input. Two names in our own portfolio make the point concrete rather than theoretical. Alphamin runs the highest-grade tin mine in the world at Bisie in the eastern Democratic Republic of Congo. Alphamin passes any ownership test as a non-Chinese producer; its concentrate nonetheless moves to Chinese smelters under an offtake that runs to 2028, which leaves it non-Chinese at the mine and Chinese-controlled at the node that clears the metal. The company does not maintain ownership throughout that supply chain, the company transfers ownership of tin concentrate within the DRC to its offtake partner, but a Chinese node remains in the value chain. The multiplicity of actors involved in a supply chain now diminishes that supply chains GRIPS risk resilience. In the old days the multiplicity diversified your risk, now the multiplicity increases your risk.

Global Atomic is building Africa's highest-grade uranium deposit at Dasa, in a Niger whose junta has since the 2023 coup revoked Orano's Imouraren permit (legally in our opinion), withdrawn GoviEx's license (they withdrew it early but GoviEx could not have met the requirements necessary to maintain in the time available), and nationalized the Somair mine, leaving Dasa the last un-expropriated foreign uranium asset in the country. Both Alphamin and Global Atomic are concentrated single-node or single-jurisdiction risks that are poorly priced by the market, and the discipline is to own those risk deliberately and be paid for it, not to be surprised by it.

The regime rewards the un-weaponizable and the domestically supplied. Gold expresses this in reserves; open-weight models express it in software; domestic transformer and electrical-grade oriented steel capacity expresses it in hardware. In each case the premium attaches to the asset that cannot be switched off, and in each case the market has paid for that premium partially and late. On the supply side of the mineral chain, we own the mirror image of the risk above: producers whose critical output sits in a credible, allied jurisdiction. Allied Critical Metals is advancing two tungsten projects in northern Portugal, inside the EU's critical-raw-materials perimeter, into a Western tungsten market that fractured from China's after Beijing added the metal to its dual-use export-control list in February 2025, and that a US ban on Chinese-mined tungsten in defense procurement will wall off further starting in January 2027.

Producers who sourced from China describe the fracture as immediate rather than gradual: Beijing's licensing regime amounted to a near-total stop on tungsten-ore exports, and buyers who had built supply chains around Chinese material spent the following months scrambling for Western alternatives. Larvotto is bringing the Hillgrove antimony mine in New South Wales into production in a market China banned outright in December 2024, with offtake already secured to Wogen and Glencore rather than to a Chinese converter. We except single node risk if we can be paid for it but have a bias toward producers and platforms whose critical outputs sit in credible, self-supplied jurisdictions as the best equity expression of our zero-sum geopolitics' thesis.

Operating leverage into a physical bottleneck is an appreciating option. The transformer shortage is a supply-driven, policy-insensitive price event of exactly the kind the commodity paper argued rewards operating leverage. So is a critical mineral fractured into a two-price world by an export ban. Allied Critical Metals illustrates the embedded optionality directly: its April 2026 preliminary economic assessment on the Borralha project returns an after-tax net present value near C\$473 million and a 48.8% internal rate of return on a tungsten price deck around US\$1,000 per metric tonne unit, struck at roughly a third of a mid-2026 ex-China spot above US\$3,000. The equities that convert a

structural shortage of a physical good into free cash flow, whether the good is a transformer or a tone of un-weaponizable metal, hold an option that models calibrated to pre-2020 volatility systematically underprice.

Avoid the overlay; take exposure to the real asset. The honest hedge against a weaponized network is not a financial overlay, which decouples from its underlying precisely when the supply shock arrives. It is ownership of the un-weaponizable real asset itself. This is the conclusion both prior papers reached, and the two cases here do not soften it; they generalize it from commodities and sovereign debt to software and grid hardware. Our own exposure to the transformer build-out of Case Two is taken in this spirit, in the copper transformer coils are wound from rather than in a financial proxy for it, held through producers whose tonnes the machine cannot substitute away.

The through-line is that geopolitics has become an ever-present endogenous variable, and the portfolio built for the interlude in which it was an occasional exogenous shock is miscalibrated in a knowable direction. The miscalibration underprices dispersion, and dispersion is where the alpha sits. We are, as we wrote in both prior papers, likely early. We do not believe we are wrong about the regime.

Every network the modern economy runs on can now be weaponized, and the hegemon holds some chokepoints and is hostage to others. The investment consequence is not a directional bet on any one dispute. It is that geopolitics is inside the model now, priced into the revenue line, the discount rate, and the reliability of the physical asset, and the equity market has only partially discounted what that means.

The Market's Own Pricing

The most direct evidence that the discounting is only partial is price of volatility itself. Markets reduced risk this quarter without turning bearish, yet cross-asset volatility does not reflect how unclear the path ahead has become. Rates are drifting higher, the S&P 500 sits at the bottom of its recent range on weakness in semiconductors, and enthusiasm for broad risk exposure is fading without any corresponding bid for protection. Volatility looks too low. The market is becoming less confident that central banks will remain patient given renewed strength in energy prices and a perceived positive growth momentum, and the risk worth underwriting is that a long enough series of one-time inflation shocks stops being a series and becomes a level, forcing the Fed to tighten the financial conditions that have supported both real growth and financial asset prices.

The reason we read soft volatility as evidence rather than reassurance is that the two regimes described in this letter imply different prices for it. If GRIPS risk is exogenous, an occasional shock arriving from outside the model and diversifiable across jurisdictions, then low volatility is rational: the shocks are uncorrelated, they average out, and paying for protection against them is a tax on returns. If GRIPS risk is endogenous, sitting inside the revenue line, the discount rate, the permit, and the reliability of the physical asset, then volatility should be structurally higher, because the same variable is moving every cargo, every fiscal regime, and every corridor at once. The market is still pricing the first regime. We think it is operating in the second.

Our own book is evidence, and it is not a comfortable kind of evidence to offer. Annualized portfolio volatility ran 32.8% through the first six months of 2026 against 16.2% from January 2019 through the end of 2025, with four of six months moving more than 8%, while the cross-asset volatility that is supposed to aggregate exactly this kind of risk sits near the bottom of its range. Dispersion rising while aggregate volatility does not is the signature of a factor that has arrived at the security level before it has been priced at the index level. Iranian diplomacy moved our Norwegian energy book more than any corporate result did, and trade policy moved our copper names more than any drill result did, and none of that showed up in the price of an option on the index. That gap is what partial discounting looks like from the outside.

The response we observe among investors is consistent with a factor that is felt but not yet named. That leaves two choices: reduce risk outright or move toward what is insulated from macro pressure. In equities the preference is

shifting toward companies capable of delivering earnings from behind a moat rather than from momentum, which is the dispersion argument we have made from the other direction. Credit is increasingly credible competition as high-quality yields rise. And the scale of AI investment is turning technology from the higher-beta duration trade it was into a capital spending and financing story, which is the same transition Case Two described in physical terms: the binding constraint has moved from the model to the transformer, the switchgear, and the balance sheet that funds them.

The same mispricing is visible in the price of equity risk itself. The gap between the S&P 500's forward earnings yield and the 10 year Treasury sits near 49 basis points against a long run average of 300 to 400 basis points, and the path there has been violent rather than gradual: 12 to 15 basis points last summer, effectively zero, then a widening to roughly 90 basis points in March as the forward earnings yield spiked toward 5.15% on tariff-driven multiple compression, then a re-compression into the high forties as equities recovered and yields resumed climbing. Earnings yield expansion has done the work of keeping the premium positive, rising roughly 57 basis points over twelve months, from 4.53% to 5.10%, while the 10 year added 37 basis points and printed a twelve-month high near 4.70% intraday on July 23. That is a premium held together by estimate revisions rather than by valuation, and sustaining it requires upward revisions to continue through a macro environment that offers no assurance of them.

A premium that thin is not a forecast of a decline, but it removes the cushion that would absorb one. A further 30 to 40 basis points on the 10 years, absent a commensurate move in the earnings yield, returns the premium to zero, and a full percentage point of premium expansion from current levels implies something on the order of a 22% decline in prices. The last time compensation for equity risk was this compressed was the dot-com peak. For a long/short book the practical consequence is that the cost of carrying protection is rising at the same time that broad equity exposure has stopped paying for the volatility it delivers. Cyclical sector premia are wider than the index and offer some relative cushion, though oil's recent slide is a reminder of how quickly commodity prices can compress the earnings yield doing the cushioning.

Markets remain priced for stability while the energy premium is reflexive to the status of a single strait, the Fed is skewing more hawkish, and the midterm elections threaten to move the fiscal multiplier as both parties will look to buy votes with government largess. We do not know what closes the gap between the volatility the market is charging for and the volatility the regime is producing, and we would not attempt to trade the resolution. We would note only that the portfolio is positioned for dispersion rather than direction and that a market charging too little for the risk it is actually running is an environment in which our portfolio eventually gets paid.



Existing investors in the fund please be on the lookout for an invite to an upcoming zoom call we will be holding on August 19th that will be open only to you and select potential investors to review the portfolio as well as our forward-looking outlook. This will be a great opportunity to get more color on the existing portfolio and to ask any questions you may have about the fund's performance. The call will be recorded, and a transcript will be made available to investors who are not able to make the call.

Additionally, you should all receive invites to two future zoom calls related to SPVs we are launching during the third quarter to invest in two unique situations we believe offer significant upside. If you are not currently an investor with Massif Capital but are an accredited investor and are interested in an invite to either of those zoom calls, please email info@massifcap.com and we will be in touch.

As always, we appreciate the trust and confidence you have shown in Massif Capital by investing with us. Should you have any questions or concerns, please do not hesitate to reach out.

Best Regards,

A handwritten signature in black ink, appearing to read 'W. Thomson', with a stylized, cursive script.

William M. Thomson

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