

# Letter to *Partners*

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January 10, 2026

## To the Partners of the Umatiya Investment Group (UIG) Funds,

The UIG Funds gross results (i.e., net of expenses, but before performance fees) for 2025 since inception are shown below alongside the S&P 500 return for 2025 for the same timeframe. In addition, I have included for visual purposes growth in dollar terms for the same period.

Return since inception (04/1/2025):

Period	<u>UIG</u>	<u>S&amp;P 500</u>
Since inception	31.57%	21.50%

Growth of \$100,000:

Period	<u>UIG</u>	<u>S&amp;P 500</u>
Since inception	\$131,570	\$121,500

### Our Results in 2025

In the context of the time frame of the Partnership, I believe the results above are not as meaningful as it has only been 10 months in the making. They are a reasonable start, compared to the alternatives provided by the main indices. However, at the end of the day it is absolute returns we're after and based on that our results are fair. My reasoning for this can be better understood by the following quote by Buffett from his early Partnership days:

“I have pointed out that any superior record which we might accomplish should not be expected to be evidenced by a relatively constant advantage in performance compared to the Average. Rather it is likely that if such an advantage is achieved, it will be through better than average performance in stable or declining markets and average, or perhaps even poorer than average performance in rising markets.”

I launched UIG Funds with the sole purpose to grow partners' long-term purchasing power through rational capital allocation. Our job is to fare better than the average over a long period of time, not simply beat the market in a given year. And it is through outperformance in the down markets we will collectively achieve this, because strong markets often make many approaches look better than they really are.

So, what did we accomplish during the last 10 months? Upon launching there were already 5 businesses on our watchlist that I wanted to buy. And then throughout the rest of the year the fund added 4 more names to the portfolio. We currently hold 9 businesses in the following industries: Telecom, Payments Processing, Oil Field Services, Specialty Chemicals, AdTech/Media, and Medical Technology. In the Inaugural Letter I went over two of these businesses and I will go over two more in depth in the latter part of this letter.

Stock prices for majority of our businesses have advanced quite a bit, but they remain undervalued. For instance, NESR (oilfield services) and VEON (telecom), both of which I analyzed in depth in the Inaugural Letter, are up 27% and 10%, respectively, but still have a long runway for appreciation. It is as if we owned 20¢ dollar bills and they advanced to 40¢ dollar bills

## **Stock Market/Economy in 2025**

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The following is an entry from my investment journal, written April 10, 2025, and provides a clearer assessment of the economic landscape:

The start of 2025 was defined by the arrival of a new administration and a renewed focus on tariffs and trade policy. Throughout the year, markets faced the threat and implications of tariffs and a potential trade war. These policies introduced a lot of uncertainty due to the risk they posed to both economic growth and inflation, two factors the Federal Reserve had spent the past several years trying to stabilize following the pandemic.

Tariffs function as taxes on imports. In practice, this means higher prices, weaker demand, and slower growth. If taken far enough, the combination raises the risk of stagflation or recession. The renewed push toward tariffs increased volatility across markets and pushed several areas of the market into correction territory.

The administration offered several justifications for these policies: reviving U.S. manufacturing, shrinking the trade deficit, and deterring unfair trade practices. Some of these arguments do not hold up under scrutiny.

The United States does not currently have the domestic capacity to absorb a large-scale shift of manufacturing from abroad. Even if reshoring is a long-term objective, building that capacity would require many years, massive capital investment, and significantly higher labor costs, all of which ultimately burden the consumer.

The trade deficit argument is also widely misunderstood. The current account and capital account are linked at the hip. When the U.S. imports more than it exports, the dollars sent abroad are recycled back into U.S. assets. Attempts to narrow the trade deficit through tariffs do not eliminate this relationship. The most effective way to reduce the current account deficit would be to address the government deficit itself, not impose broad based taxes on global trade.

While unfair trade practices certainly exist, the U.S. has not been treated unfairly by all trading partners. Broad tariffs across both allies and rivals are difficult to justify economically. The more realistic explanation is political rather than financial: tariffs create leverage, bring countries to the negotiating table, and allow “wins” to be framed as improved trade deals.

China remains the central issue. The continued escalation of tariffs on both sides increases the likelihood of a prolonged trade conflict.

For long-term investors, the implication of this environment is not fear, but opportunity. Periods of uncertainty, slowing growth, and political interference are exactly when mispricing tends to emerge. For those with patience and discipline, this represents an opportune time to buy good businesses at attractive prices.

## Investment Approach and Classification of Opportunities

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For classification purposes we can segregate investments in three categories. These categories behave differently and our capital is divided between them based on an available opportunity basis. For nomenclature purposes these groups are termed generally undervalued, long-term compounders, and special situations.

Generally undervalued businesses are typically overlooked companies where a comfortable margin of safety is created by the gap between the cheap purchase price and the fair value of the business. Unlike special situations (see below) these investments have no specific timeline or corporate catalyst (means through which the stock price will rise to reflect the fair value of a business; instead, they rely on a market correction of the undervaluation. The catalyst could be earnings and guidance beat, dividends/share repurchases, management change, etc. Majority of our current businesses would be classified as generally undervalued.

The second category is long term compounders. These are by far the rarest opportunities out there. Long-term compounders are businesses we do not intend on selling for decades (unless the fundamentals change). Our hope is that these compound at 20%+ over many years and become a significant portion of the portfolio. Think buying Nvidia 15 years ago or Apple 20 years ago or holding Coca Cola from 1980-2000. These businesses are difficult to value and do not come around very often but when they do, the uncertainty makes them hard to predict and thus are frequently overlooked. We currently hold a few businesses that we think would fit the criteria of a long-term compounder.

The final category is special situations. This category was popularized by Joel Greenblatt of Gotham Asset Management in his book, *You Can Be a Stock Market Genius*, in the late 90s. The idea of the book is that investors can find hidden gems by looking for corporate catalysts: specific events like spin-offs, mergers & acquisitions, and bankruptcies that cause stocks to be temporarily mispriced due to forced selling or lack of institutional buying. Unlike the generally undervalued category, the catalyst for special situations is often known or an anticipated event. We currently have no special situations in our portfolio.

Now that we have classified our portfolio companies into the above three categories I want to dive into one generally undervalued business and one long term compounder, respectively, for illustrative purposes. These should clarify the distinctions and our thorough process regarding investment due diligence.

## Rayonier Advanced Materials

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Rayonier Advanced Materials (RYAM) is a business in the middle of a difficult but highly value creating transition. The past year has been messy, and 2025 is shaping up to be the low point due to tariffs, temporary operational disruptions, and weak commodity pulp markets. That short-term pain has

obscured what the company actually is and where earnings power is headed. None of the issues impacting results today change the underlying economics of the business.

At its core, RYAM owns irreplaceable assets in specialty cellulose, paperboard, and biomaterials. The most important part of the business is Cellulose Specialties; high-purity cellulose used in pharmaceuticals, food additives, filtration media, coatings, LCD screens, and defense applications. This is not a commodity market. The industry is highly consolidated, with roughly 80% of global capacity controlled by three players, switching costs are high, and customers are locked in through long qualification cycles. Utilization across the industry is high, which gives producers pricing power over time. That pricing power is already visible as every 1% increase in specialty pricing adds roughly \$8–9 million of EBITDA.

The company has been intentionally shifting away from low-margin commodity pulp and toward higher-margin specialty products, while also investing in automation to structurally lower costs. These efficiency initiatives are largely front-loaded into 2024–2025, with the benefits showing up more clearly starting in 2026. As a result, the specialty cellulose business alone has the potential to sustainably generate \$250–275 million of EBITDA annually over the next few years, even without heroic assumptions. RYAM’s total market capitalization is currently \$500 million.

Alongside this, RYAM is building a biomaterials platform that leverages its existing assets and feedstocks. This includes bioethanol, renewable energy, crude tall oil, lignin, and prebiotics. While biomaterials contribute little today, the economics are extremely attractive; many projects generate 10–20x returns on equity invested and require relatively modest capital. Management now expects biomaterials to contribute more than \$70 million of EBITDA by 2029, with the majority of that growth independent of tariffs or commodity pulp cycles. These projects are largely complete or nearing final investment decisions, meaning incremental EBITDA should materialize without a further increase in capital spending.

The short-term challenges in 2025 are real but temporary. Tariffs on fluff pulp into China, strikes and maintenance outages, weather related energy spikes, FX headwinds, and one-time environmental charges all hit at once. This caused EBITDA guidance to be revised downward and free cash flow to temporarily turn negative. However, most of these issues are already behind the company. Specialty cellulose orders normalized by mid-2025, maintenance outages are complete, working capital is expected to unwind, and tariff exposure is being mitigated through market diversification. Management has been clear that 2025 represents the trough year.

Non-core assets like paperboard and high-yield pulp are currently a drag on results, but they provide upside optionality. These businesses are being restructured for cash generation, and management is exploring divestiture once market conditions stabilize. A sale of these assets at mid-cycle multiples could materially reduce debt and interest expense, further accelerating free cash flow.

Looking forward, the path is increasingly clear. As efficiency projects are fully realized by 2026, biomaterials initiatives scale through 2027–2029, and specialty pricing continues to reset, the company expects total EBITDA to exceed \$300 million within the next few years. At that level, normalized free cash flow could reach \$100–140 million annually, enabling debt reduction and balance sheet strengthening. Importantly, this growth is largely capex-light, internally funded, and does not rely on equity dilution.

The market is valuing RYAM as if current depressed earnings are permanent. They are not. What we own is a high-barrier specialty materials business with pricing power, a growing biomaterials platform with exceptional returns, and multiple self-help levers already in motion. Management’s capital allocation has been disciplined throughout this downturn, and my confidence in execution is higher today than at any point since owning the stock.

If the company executes even reasonably close to plan, RYAM is significantly undervalued at today’s price, with the potential for a multi-fold return as earnings normalize and the business mix improves.

## Gogo

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Gogo represents one of our core long-term holdings. While recent quarters have been noisy and consensus may initially appear pessimistic, the underlying business continues to move in the right direction. The disconnect between near-term reported numbers and long-term earnings power is, in my view, where the opportunity lies today.

At its core, Gogo provides in-flight connectivity to business aviation customers. Historically, this was primarily through its high-margin air-to-ground (ATG) network in North America. Over time, however, the business has evolved into something broader and more valuable: a multi-orbit, multi-band connectivity platform serving business aviation and government customers globally. Today, Gogo offers ATG connectivity, global satellite broadband through GEO (Geostationary Earth Orbit) and LEO (Low Earth Orbit) networks and is in the process of rolling out next-generation platforms such as Gogo 5G and Galileo (LEO offering).

The current period is a transition year rather than a steady state snapshot of the business. Legacy ATG aircraft are rolling off as the Classic network winds down, customers are delaying certain upgrades while waiting for next-generation products, and the company is still absorbing elevated investment spend tied to Gogo 5G, Galileo, and the integration of Satcom Direct. These dynamics have temporarily pressured margins and free cash flow, but they do not reflect the earnings power of the business once this investment cycle is complete.

Despite this noise, several underlying trends remain very encouraging. Service revenue continues to drive the income statement and now represents nearly all of Gogo's gross profit. AVANCE (proprietary in-flight connectivity system) penetration has increased steadily and now accounts for roughly 75% of the ATG fleet, providing customers with an upgradeable platform that significantly lowers switching costs. Equipment shipments reached record levels in recent quarters, which we view as a leading indicator of installation volume and service revenue growth early 2026.

Air-to-ground aircraft online (AOL) has continued to decline, but it is important to understand the drivers behind this trend. The decline is largely the result of the planned shutdown of the legacy Classic network ahead of the LTE cutover in 2026, maintenance related suspensions, and customers intentionally delaying upgrades while waiting for Gogo 5G. We do not see meaningful evidence of customer churn. In fact, AVANCE aircraft online continues to grow at a double digit rate, and ARPU is expected to increase materially as customers switch to higher speed offerings.

A simple way to think about the ATG fleet today is that volume is temporarily down, but value per aircraft is set to increase meaningfully over time.

The most important long-term driver for Gogo is Galileo, its aviation-grade LEO platform. Galileo was designed specifically for business aviation and government use, rather than being a repurposed consumer product. The terminals are smaller, modular, and network agnostic, allowing them to integrate across LEO, GEO, and future satellite networks. While hardware is priced close to cost, the long-term economics are driven by high-margin recurring service revenue. The pipeline for Galileo has grown rapidly and now includes roughly 1,000 aircraft, with demand split between the U.S. and international markets.

Alongside Galileo, Gogo 5G represents a critical but underappreciated part of the story. The 5G network offers significantly higher speeds than LTE at a lower total cost than satellite solutions, making it an attractive upgrade path for a large portion of North American aircrafts. The physical network is

complete, flight testing has exceeded expectations, and commercial launch commenced late 2025. Importantly, 5G ARPU is expected to be roughly double that of the legacy Classic network, creating a uplift in long-term economics.

The acquisition of Satcom Direct strengthened Gogo’s strategic position. Beyond adding global satellite coverage, the deal expanded Gogo’s reach into international markets and government customers, added OEM line-fit positions, and brought in a highly regarded service organization. Synergies from the transaction have been realized faster than expected, with management now targeting a \$30–35 million run rate, up from the original \$25–30 million estimate. We view Satcom Direct as a strategic acquisition that transforms Gogo into a platform company rather than a single network provider.

Competition, particularly from Starlink, remains an important consideration. Starlink offers impressive performance, but Gogo’s advantage lies in its breadth rather than raw speed alone. Gogo is the only independent provider offering ATG, GEO, and LEO connectivity in a single, integrated platform. This matters for high-end business aviation and military customers that value redundancy, regulatory compliance, and global operability. OEM line-fit positions, high switching costs, and deep certification work further strengthen Gogo’s competitive moat.

The table below summarizes how we think about Gogo’s positioning relative to Starlink:

<b>Area</b>	<b>Gogo Advantage</b>
Network Strategy	ATG + GEO + LEO
Hardware	Aviation-grade, modular
OEM Line-Fit	Embedded with major OEMs
Regulatory Reach	GEO works where LEO cannot
Switching Costs	High for large aircraft
Mil/Gov	PACE-compliant redundancy

Ultimately, free cash flow is the key part of the thesis. Management has been clear that 2025 represents a trough year due to elevated investment spending. As these programs roll off, synergies are fully realized,

and new service revenue from Gogo 5G and Galileo ramps, we expect a meaningful inflection in free cash flow beginning in 2026. Management has indicated that \$200 million or more of annual free cash flow is achievable over the next several years, and we believe that is a reasonable long-term target.

At current prices (market capitalization is \$650 million), the market appears to be valuing Gogo based on depressed, transition-year cash flows rather than normalized earnings power. While we are mindful of opportunity cost in the near term, we remain comfortable holding the position as a long-term compounder. The business has high recurring revenue, rising ARPU, meaningful switching costs, and has tailwinds in both business aviation and government. Those characteristics, combined with a post-investment cash flow inflection, make Gogo the type of business we are willing to own through short-term volatility.

## What We Are Building at UIG

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Like any business, growth matters in the investment business. But not all growth is good growth. Capital, by itself, is not an asset. The right partners are. From the beginning, UIG is being built with the understanding that who we partner with is as important as what we invest in. We intend to grow, but never at the expense of partner quality. We are not interested in attracting short-term, performance-chasing capital that may become a liability to the partnership during inevitable periods of downturn. Our objective is to build a small group of aligned, long-term partners who understand the nature of this business, are comfortable being occasionally wrong and occasionally out of step, and judge results over full market cycles rather than short stretches of time.

If we do our job communicating clearly and operating consistently, the quality of our partners should never be in question, and neither should the integrity of the partnership itself. It is only with this kind of structure that long-term capital preservation and meaningful compounding are possible.

## Closing

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This may seem like a lot of information and jargon, but we believe it is important that you, as our partners, fully understand not only what we invest in, but more importantly how we invest. These letters are written with the goal of providing all the useful and relevant information needed to draw meaningful conclusions about our ability to allocate your capital. If the roles were reversed, this is exactly the type of transparency we would want as investors ourselves.

In our view, frequent reporting for a long-term oriented investment fund is often more detrimental than beneficial. Accordingly, we will continue to report on a semiannual basis. If circumstances change and we believe more frequent communication is in your best interest, we will absolutely consider it.

Unfortunately, the industry standard leans toward frequent reporting, a byproduct of Wall Street's short-term mindset which is driven by an obsession with quarterly and even monthly results. That is not how enduring businesses should be analyzed. Businesses evolve over years, not months. The more this noise is ignored, the better the outcome, both from a performance standpoint and a personal well-being standpoint.

As always, I appreciate your trust, confidence, and continued support. We are working diligently to allocate your capital in a disciplined and opportunistic manner. Achieving our collective goal of owning high quality businesses that compound at attractive rates requires cooperation between me as your manager and you as our partners. It requires patience on both sides and trust from you that I will always act in the best interests of the fund.

As always should you have any questions regarding the contents of this letter, please feel free to reach out to me.

Sincerely,

Samit Umatiya

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