Investors,

In the fourth quarter of 2025, Deep Sail Capital Partners (the "Fund") returned 14.2% net of fees while averaging 84% net long exposure. For the full year 2025 the fund has returned 34.8% net of fees while averaging 82% net long exposure. Please consult your individual capital account statements for your individual net returns.

Performance Summary	Net Returns			Deep Sail Capital Vs Benchmark		
	Q4	FY 2025	Strategy Since Inception - Annualized	Q4	FY 2025	Strategy Since Inception - Annualized
Deep Sail Capital Partners LP	14.2%	34.8%	12.6%			
Russell 2000	2.2%	12.8%	9.0%	12.0%	22.0%	3.5%
Russell Mid Cap Growth Index	-3.7%	8.7%	11.9%	17.9%	26.1%	0.7%

In the fourth quarter, the fund outperformed both of it's benchmarks, the Russell 2000 Mid Cap Growth Index and the Russell 2000 Index. This capped a second consecutive year of significant relative performance. For the full year 2025, the fund exceeded both benchmarks by more than 10%, following a similarly strong year in 2024. Deep Sail Capital returned 38% in 2024 and 34.8% in 2025, results I am proud of but do not take for granted. Equally important to the funds performance, these two years reinforced invaluable lessons around disciplined risk management, portfolio construction, timing, and navigating markets amid persistent political and macroeconomic uncertainty. I believe this combination of strong performance and continuous learning has meaningfully strengthened our investment process going forward.

In the fourth quarter both the long portfolio and the short portfolio positively contributed to the performance. The long portfolio was driven in large part by a few positions with significant outperformance. The short portfolio has come under significant pressure multiple times in 2025, but finally in the fourth quarter the lowest-quality, longest-duration equities we have been short finally took a significant leg down, as the bubble in these retail favorite names deflated.

Market Commentary – Run it hot

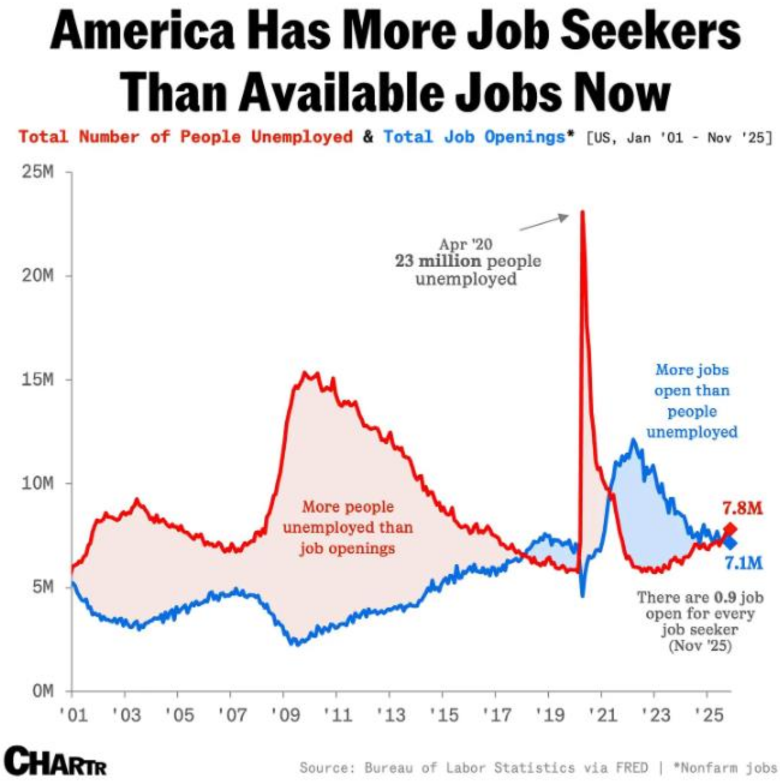
In our last few quarterly commentaries, I have continued to point out the negatives of the Trump-led economy and warn of future economic woes. This commentary is no different.

It's time to accept we are about to "RUN IT HOT." Once Trump appoints a new Fed Chair, the odds tilt toward an explicitly run it hot economic stance that prioritizes growth, loose fiscal policy, and lower interest rates over inflation control. A Trump-appointed Fed chairman would no doubt be slower to hike rates and quicker to ease. Trump clearly has no real understanding of how the economy works; all he knows is what the profiteers around him tell him.

In the short term expect some rocket fuel on the economy: credit flows more freely, asset prices inflate, consumer confidence holds up, and headline growth looks strong. Markets tend to love this phase, and so does any administration eager to showcase momentum. Too bad Trump is too dumb to time this right, and the economy will no doubt falter from this policy before the next presidential election, likely costing the Republicans the election.

The trade-off for this rocket fuel is higher inflation and a lower dollar. Running the economy above its sustainable speed almost guarantees upward pressure on prices, particularly if supply-side constraints, tariffs, or deglobalization remain core Trump policies. A dovish or growth-tolerant Fed erodes real yields, making USD-denominated assets less attractive at the margin and pushing the dollar lower. A weaker USD can further stoke inflation via higher import prices, creating a feedback loop that's easy to dismiss early on but hard to rein in later. For a while, this still will feel fine, likely good for most Americans, but it can only last a few quarters.

Eventually, though, the realities of economics show up. Inflation doesn't just raise prices; it forces economic realities, reduces real incomes for working Americans, and distorts the capital allocation process.At the same time as this is all happening while there is structural job loss going on driven in part by AI-driven automation. Companies are refusing to hire new roles as they look to automate more workloads with AI.



This trend will only get worse over time, as it is a true structural change in the labor force that will occur over several years. It will continue to push unemployment higher even as prices remain elevated. That's the uncomfortable endgame: inflation that's too high to ignore combined with weakening labor markets that make tightening politically and economically painful. The short-term rocket fuel will also increase home prices as interest rates fall, making homes even less affordable. This all gives way to a harder landing, where the tools to fix the problem are blunter, the costs are higher, and the margin for error is much thinner.

Until then, I'm maintaining discipline, protecting capital, and waiting for the market to reveal when "risk on" finally becomes "risk off."

Long Portfolio Summary

	Q4
Average Long Exposure	122.3%
Contribution (gross)	9.0%

Best Performing	Q4 Contribution	Worst Performing	Q4 Contribution
Beyond Meat Equity & Options	7.8%	Cleapoint Neuro	-3.7%
Krarken Robotics	7.0%	Sanuwave Health	-2.1%
Hydeight Technologies	2.0%	TSS Inc	-1.6%

In the fourth quarter, the long portfolio outperformed both of our benchmarks, the Russell 2000 Index and the Russell Midcap Growth Index, by a significant margin. The largest contributor in Q4 was Beyond Meat, which was a shortly held special situation short squeeze that returned 350% in the matter of a few days. The opportunity set for short squeezes is very limited, but as an avid watcher of highly shorted stocks, they arise occasionally, and the fund's strategy is to take advantage of those opportunities on the long side. I wouldn't count on this type of one off returns from shorts squeezes to become a regular occurrence within the fund but rather a positive situation every few years.

Again in Q4, our largest position, Kraken Robotics, continued to have a high contribution to the fund, contributing a 7% gross return. The company continues gaining widespread awareness from investors and new orders from its UAV partners, which is propelling the stock upward. I continue to believe the company is perfectly positioned within their market, especially as Andruil makes its way to an IPO in 2026. In Q4, the fund closed three positions and opened three new positions. The new positions in Q4 included Credo Technology Group and NameSilo Technologies.

Current Position: Sanuwave Health – Emerging Growth

Sanuwave health (SNWV) is a specialty medical device company with an incredible opportunity in front of it. Sanuwave is the maker and distributor of UltraMist, a low-frequency, non-contact ultrasound energy device that delivers wound care treatment through a fluid mist. UltraMist is FDA approved and reimbursed through Nationwide CMS reimbursement via a therapy specific CPT code.

The investment thesis for Sanuwave Health, Inc. centers on a fundamental shift in the advanced wound care ecosystem, transitioning from high-cost, under-regulated biological grafts toward energy-based tissue regeneration. As the medical community and federal payers grapple with a multi-billion dollar surge in unsustainable spending on skin substitutes, Sanuwave has positioned its directed energy platforms with UltraMIST as a high-value alternative.

Sanuwave utilizes a "razor blade" recurring revenue model that has achieved record quarterly revenues throughout 2025, culminating in a preliminary full-year revenue projection of $44.3 million to $44.4 million (36% y-o-y increase). This growth is underpinned by the UltraMIST system, which provides non-contact, low-frequency ultrasound to stimulate cellular-level healing. The DermaPACE system, the first shockwave therapy to receive FDA clearance for diabetic foot ulcers (DFUs), is also a part of the product portfolio but is not a major driver in the company's growth. The management team and company were recently restructured under CEO Morgan Frank. Morgan is a hedge fund guy, who has run the Manchester Explorer Fund for the last 23 years. Morgan spent the last few years building a sales and operating team with veterans from high-growth medical technology firms like Abiomed and Healogics. In late 2024 the company successfully transformed the company's capital structure through a warrant conversion and reverse stock split. Then in 2025 the company refinanced its debt with JPMorgan Chase eliminated legacy high-interest debt, reducing the cost of capital and providing the liquidity necessary for commercial scaling. All of these actions have set the company up for a multi year path of growth with a high free cashflow conversion.

The competitive landscape is currently undergoing a significant disruption due to the Centers for Medicare & Medicaid Services (CMS) final rule for 2026. This regulation reduces Medicare spending on skin substitutes by approximately 90%, or $19.6 billion, by reclassifying them as "incident-to" supplies and imposing a flat reimbursement rate. This change caused much uncertainty in 2025 in the market, as users of all wound care products shifted their buying patterns to adjust for the change. But over the long term I view the changes as positive for Sanuwave, as biological competitors struggle with the reimbursement changes Sanuwave's UltraMIST product will maintain a stable and preferred reimbursement profile under CPT code 97610. With an addressable market for advanced wound care projected to reach $17.8 billion by 2033 and a business model producing 78% gross margins, Sanuwave represents a compelling asymmetric opportunity for investors.

High quality business model

The quality of Sanuwave's business model is due to a combination of high gross margins and a recurring revenue model built on a deeply entrenched installed base of UltraMIST systems, currently approaching 2000 in use. The company has been largely restructured in the last few years and it is set to enter into a phase of high operating leverage high sales growth.

Sanuwave's primary revenue driver is the UltraMIST system, which consists of a durable generator and a single-use, disposable applicator for each patient treatment (the razor blade). The best part about this razor/razor blade model is the UltraMIST system has gross margins around ~70%, while the razor blades are in the 80-90% range. That means both the razor and the razor blades are sold at extremely high gross margins. Gross margins reached 77.9% in the third quarter of 2025, up from 75.5% in the same period of 2024. This expansion is a direct result of the increasing proportion of high-margin consumables in the revenue mix and the optimization of the company's supply chain following the move to its new headquarters in Eden Prairie, Minnesota.

2025 was a pivotal year for the company as they turned a positive adjusted EBITDA. By the third quarter of 2025, quarterly adjusted EBITDA had reached $3.5 million, providing the cash flow necessary to service the company's newly secured institutional debt. Below is a summary of the financial results of the business for the last 3 years.

Revenue Component	2023 Performance	2024 Performance	2025 Preliminary/TTM
UltraMIST Systems Sold	211 units	374 units	~500+ units
Consumables Revenue	$12.0 million	$20.1 million	~$27.0 million+
Gross Margin %	70.40%	75.20%	77.9% - 78.4%
Total Revenue	$20.4 million	$32.6 million	$44.3M - $44.4M

The business model is protected by a substantial intellectual property portfolio that prevents competitors from easily replicating the "Energy First" protocol. Sanuwave holds 233 total patent documents, including grants and applications, covering the specific delivery mechanisms for both low-frequency ultrasound and electro-hydraulic shockwaves. These patents extend beyond hardware to include the biological response-activating medical systems that stimulate angiogenesis and break down bacterial biofilms.

In 2025, the company demonstrated the intrinsic value of this IP by securing a $5 million payment for the licensing of certain shockwave patents within its intravascular portfolio.

Outstanding management

The second pillar of the investment thesis is the presence of an institutional-grade leadership team. Sanuwave has undergone a deliberate leadership transformation to align its management capabilities with its commercial ambitions. Morgan Frank is the core of this transition. I spoke with Morgan for the first time in early 2025, and I was instantly impressed. His knowledge of investing, capital allocation, and excitement for the UltraMIST product opportunity are very clear when you speak with him. Morgan has a wealth of investing experience. He is currently a principal at Manchester Management. Since taking over as CEO, he has brought a capital markets discipline that was previously absent from the company. He has taken a great product and a bad company situation and converted it to a great product and a great company situation. His tenure has been marked by several "structural" wins: the 1-for-375 reverse stock split that enabled the Nasdaq up-listing, the relocation of the company to the Minnesota med-tech corridor, and the elimination of the distressed debt.

Morgan has also done a great job of upskilling the organization. The addition of Peter Sorensen as CFO in 2024 provided the financial rigor needed to manage a Nasdaq-listed entity and the JPMorgan Chase credit agreement in 2025.

The sales team expansion and upgrade has been another success. Tim Wern (EVP of Sales) and Dustin Libby (EVP of Commercial Operations) both held leadership roles at Abiomed, a company renowned in the med-tech industry for its aggressive and successful sales culture that scaled from a micro-cap to a Johnson & Johnson acquisition. Wern's experience in launching transformative technologies and Libby's track record of scaling surgical businesses from $15 million to $500 million suggest that Sanuwave's sales strategy is modeled after industry best practices. The sales team is finally in a spot in mid-2025 where they can go "elephant hunting" for large customer accounts. I expect we see a few sizable sales deals landed in 2026.

Substantial long term growth prospects

Sanuwave's growth prospects are defined by a massive TAM and a historic regulatory tailwind that is currently dismantling its primary competition. The company is not merely participating in a growing market; it is actively displacing legacy technologies through a combination of clinical superiority and economic stability.

The global advanced wound care market is estimated at $11.7 billion in 2025 and is projected to grow to $17.8 billion by 2033. This growth is fueled by the relentless rise in the incidence of chronic diseases like diabetes and obesity, which lead to non-healing wounds like diabetic foot ulcers and pressure ulcers. In the United States alone, chronic wounds affect approximately 10 million Medicare beneficiaries and drive billions in annual healthcare costs.

Sanuwave's growth is outpacing the broader market, which has a CAGR of approximately 5%. Sanuwave's revenue growth of 60% in 2024 and 36% in 2025 demonstrates significant market share gains. The company is particularly well-positioned in the "active wound care" and "devices" segments, which are expected to witness the fastest growth as clinicians move away from passive dressings toward therapies that actively modulate the wound environment.

The regulatory landscape currently favors UltraMIST in the post-op setting. The CY 2026 PFS final rule represents a tectonic shift. CMS will reclassify most skin substitutes as "incident-to" supplies and move to a flat national payment rate of approximately $127.14 per square centimeter. This is expected to reduce Medicare spending on these products by nearly 90%, effectively ending the "gold rush" for biological grafts, and rewiring the reimbursement landscape. Sanuwave's UltraMIST system is uniquely positioned to benefit from this disruption due to reimbursement stability, operational clarity, and economic incentive alignment.

Sanuwave's long-term growth is not restricted to chronic wound care. The PACE technology has demonstrated efficacy in several secondary verticals, which could expand the company's TAM as it enters new markets, including orthopedics and endovascular.

Currently the company believes that UltraMIST is still very early in its market penetration, with a single-digit level of penetration. The future of UltraMIST is very bright, and all the pieces are in place for the company to deliver on that future.

Reasonable valuation

Sanuwave's P/S ratio of ~5.6x is roughly in line with the peer average for high-growth medical equipment companies. For example, Stryker (SYK) trades at 5.7x and DexCom (DXCM) at 6x. However, Sanuwave's revenue growth of 60% in 2024 and 36% in 2025 is significantly higher than the industry average.

The company's EV/EBITDA ratio, which is currently forecasted at 15x for NTM is extremely low for a company with a +30% revenue growth rate, a 75% gross margin, and a IP protected technology. Due to the fact the company is at the early stage of its profitability, we believe the market is discounting the valuation until the company delivers. As the company scales, the high operating leverage (fixed costs remaining stable while 78% margin revenue grows) is expected to drive exponential EBITDA growth. I believe a fair valuation for this business in in the 25-30x NTM EBITDA range. This suggests that Sanuwave is undervalued on a growth-adjusted basis.

Catalysts and Conclusion

- **2025 Reimbursement Behind it:** Sanuwave hit a bump in 2025 with the changes to the FPS 2026 final rule causing shifts in the wound care business. I believe the industry has ingested those changes and the path forward for Sanuwave is much smoother.
- **Sales Org stand up & Elephant Hunting:** The sales organization was reset in 2025 with several key additions of highly experienced reps. They are currently working on focusing on larger customer additions as they "elephant hunt". I expect 2026 to be a step up in the sales pipeline delivery.

Sanuwave is a rare small cap that ticks all of the boxes that I look for including excellent management, high gross margins, large TAM, and reasonable valuation.

Short Portfolio Summary

	Q4
Average Short Exposure	37.3%
Contribution (gross)	7.4%

Best Performing	Q4 Contribution	Worst Performing	Q4 Contribution
Rigetti Computing	1.3%	Lemonade	-0.5%
Better Home & Finance Holding Co	1.2%	Carvana	-0.5%
Oklo	1.2%	Vita Coco Company	-0.4%

The short portfolio performed well in the fourth quarter, as high-quality, long-duration stocks, especially Quantum-related stocks, declined significantly. The short portfolio contributed positively to the overall returns of the funds as the re-bubble I discussed in Q3 has deflated.

As noted in the Market Commentary section, I believe we are currently about to RUN IT HOT, and thus I have dialed down the short exposure in the near term. For now, we are maintaining discipline and waiting for better short entry points to emerge.

Top Holdings & Current Exposure

Long Portfolio	Industry/Segment	% of NAV	Short Portfolio	Industry/Segment	% of NAV
Kraken Robotics	Defense Technology	17.2%	Robinhood	Brokerage	-3.2%
Hydreight Technology	Healthcare Software	11.3%	Tesla	Automotive	-2.5%
Mercado Libre	Ecommerce	10.3%	D-Wave Quantum Inc	Quantum Computing	-2.4%
Cellebrite	Software	10.0%	IonQ Inc	Quantum Computing	-3.3%
Shelly Group	IoT Hardware	9.5%	Opendoor	Real Estate	-2.0%

At the end of the fourth quarter the fund held 19 long positions and 23 short positions. The fund ended the year with an exposure of 122% long and 33% short or an 89% net long exposure.

Sincerely,

Sean
sean@deepsailcapital.com

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"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 Returns of fees and expenditures figures please reach out to the fund manager at the email info@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 info@deepsailcapital.com.