Umbria Asset Management

Interim Report

For Period ended June 30, 2026

Dear shareholders,

To June 30, 2026

	Umbria	S&P 500 Index
6 months	36.42%	10.21%
Since Inception (11/12/2025)	27.83	16.89

Welcome to the first interim report. We delivered strong performance during the first six months of the year. We also recognize that we have benefited from a market environment that has heavily rewarded semiconductor companies supporting the AI infrastructure build-out. This is the seller's market for semiconductors, as the supply chain continues to catch up with demand. This dynamic has created temporary pricing power for many companies across the sector. As management, we remain cautious and disciplined when evaluating companies whose pricing power may be temporary, or whose market valuations are high relative to intrinsic value. In this report, I provide updates on our portfolio and share our outlook for the next six months.

Global Nexus Systems

In March 2026, Umbria entered Convertible Bridge Loan Agreement with Warren Kao, CEO of System Elite (SE). The agreement supports day-to-day operations for SE, and Umbria will help Warren to form a new identity, Global Nexus Systems (GNS), and raise fund for GNS.

Umbria agreed to loan $30k at 5.5% interest with one-year duration to Warren. At the end of the agreement, we can either demand full repayment (i.e., principal and interest) or convert the loan into ownership. As part of the deal, Umbria helped Warren to form GNS and Anthony will involve in GNS as Chief Marketing Officer to support GNS to find customers.

GNS is an early-stage semiconductor IP company focused on low-power, semi-custom ASIC/SoC design for edge and IoT applications. The core innovation of GNS is to develop reusable, project-based ASIC IP that can be adapted across multiple customers with lower incremental engineering effort. If successful, this model could allow GNS to amortize the upfront R&D across multiple customers, shorten customer development timelines, and generate attractive licensing margins over time.

The motivation for us to involve with GNS is because the ASIC was already designed by Warren and previous engineering team at SE. The next step is to move these patents into GNS and register with vendors such as EDA vendors and third-party licensors. In the long-term, we would like to convert the loan into equity in GNS and receive yearly cash flow payment to increase our fund cash position. However, the loan-to-equity conversion only happens if GNS

meets certain of our requirements about project milestones and customer pipeline. In the case if GNS can't meet our requirements, we will demand full repayment which is guaranteed by Warren.

Update on Positions

Nvidia and AMD

Since the end of May, we have begun trimming Nvidia and AMD positions because we expect chip demand to slow over the next couple years. We believe this slowdown may be driven by delays in data center build-outs and the need for off-grid energy solutions.

Hyperscalers have aggressively purchased large amount of GPU racks in the past two to three years. As a result, Nvidia and AMD revenues for data center have been doubling annually. The two warning signs is that 56% of Nvidia's account receivable are from three customers, but at the same time, their infrastructure is not ready to support the newer GPU racks. Nvidia's Blackwell architecture is highly power-intensive, and older data centers, such as Meta's Prometheus, may need to upgrade their infrastructure before these racks can be used. The upgrades include liquid cooling and stronger power-delivery systems.

We can easily guess the three customers are Microsoft, Meta and Amazon. When we look at Meta's FY25 annual report, we see that they have spent $69.5B on property, plants and equipment. Their construction in progress (including servers and network) increased roughly $30B to $50.5B while Servers and Network Assets increased $30B to $98B, which are the GPUs have already been put in use. This reaffirms that many GPUs racks are purchased but are idled. On the other hand, Satya Nadella, Microsoft CEO, disclosed through a podcast that they have enough GPUs but most of the GPUs are idled due to energy problem.

The conclusion is that Hyperscalers will be more conservative while purchasing more GPU racks at the level that they have been doing. As the purchasing cycle is longer for hyperscalers, both Nvidia and AMD needed to create more demands through supplier financing or circular deals for newer AI cloud providers such as Nebius or CoreWeave.

Lastly, many new AI cloud providers are heavily financed with debt to build their data centers. In this inflationary environment due to higher demands for goods and materials to build the data center, and uncertain around the pace of AI adaption, aggressive borrowing may put more prudent on these cloud providers to recoup their investments. Therefore, their demand to continue purchasing new GPUs will be uncertain.

Meta, Inc.

We sold our Meta position because we don't see a clear plan for how Meta will recoup its data center spending. Since 2023, the company has invested $131B in data center capacity. If we expect Meta to generate a 15% return on the data center investment, it will need to produce approximately $19.5B annually[1]. Their current YoY rate was 22% between 2024 and 2025.

[1] Note that we don't include the maintenance cost for the data center

This means the company must either raise prices in its core advertising business or grow meaningfully outside that core business.

Within their core business, we don't believe its pricing power is as strong as it once was, given intensified competition from brand such as TikTok, Google and Amazon. Outside of its core business, we don't see the clear plan from Mark Zuckerberg for recouping the company's investment, particularly given Meta's mixed track record in non-core initiatives.

Hims and Hers, Inc.

We sold entire of HIMS position. Our first mistake was believing that, through acquisitions in peptide manufacturing and warehouse distribution, HIMS would become the cost leader in compounded-drug industry. The peptide manufacturing industry is now experiencing abundant supply, allowing competitors to obtain materials at relatively attractive price. As more competitors have entered this market, the competition has shifted toward building brand recognition and customer trust.

Compounded drugs represent a substitute threat to on-patent drugs from companies such as Novo Nordisk and Lilly Eli due to their price and performance. However, pharmacists have stronger incentive to prescribe on-patent drugs to their patients because the payout is higher than it is for compounded drugs.

In 2025 and early 2026, HIMS aggressively acquired companies to enter the international market and broaden its offerings. This created the integration cost for their business. As HIMS expands internationally, it must comply with a wide range of regulations, not only from the telehealth perspective but also from drug-compounding perspective. In addition, most of its manufacturing and shipping are handled within the U.S., which can increase pressure on its current cost structure.

In the long term, we do believe the demand for GLP-1 treatments will increase significantly because they offer many benefits. However, we expect the industry to become highly fragmented.

Forward Looking

The current market has heavily rewarded sectors that are viewed as bottlenecks to data center build-outs. As a result, many companies have gained temporary pricing power that they would not normally have under more balanced market conditions. Although this environment may continue for some time, our focus as the management is on identifying companies with durable pricing power across market environments, rather than short-term pricing power created by supply shortages.

We are conservative to deploy more capitals, as the market appears increasingly expensive and economic uncertainty remains elevated. The CPI has risen from 2.4% to 4.2% driven by increases in gas and energy price. At the same time, the GDP growth is being supported by hyperscaler spending and AI infrastructure buildouts. While we study macroeconomic conditions to understand the broader environment, they won't prevent us from investing in attractive opportunities when they arise.

Manhattan, New York

June 30, 2026

Kien H. Tiet