

Leonid Capital Partners – Investor 3Q25 Report

Dear Leonid Friends & Investors,

We are pleased to provide a review of the performance and activities of the Leonid Credit Income Fund (LCIF) for the quarter ended September 30, 2025.

Bottom Line Up Front

Leonid closed the third quarter with accelerating momentum and disciplined performance, producing a 4.0% total return, net of fees and expenses, while continuing to scale capital deployment at pace with record borrower demand. As we move toward full deployment and fund-level leverage, the portfolio remains well-diversified and strongly positioned against broader market volatility. Below are the key performance metrics and benchmarks we are tracking on the portfolio as of 9.30.25*:

- **Total LP Managed Capital (Fund): \$298.8MM**
 - Investor Capital Deployed (Fund): \$245.7MM
 - Dry Powder (uncalled; Fund): \$53.1MM
- **Credits:** 57 line-items
 - Max Borrower Concentration: 8.5% (OnPoint Defense Systems)
 - Payor Concentration (at “agency level”): 5.4% (USAF, AFWERX)
 - Total realizations (Fund; ITD): \$67.5MM, across 53 borrowers
- **Q3 Returns:** 4.0% net return for the quarter (based on contributed capital)
 - 2.8% net cash return for the quarter
 - Time-Weighted Rate of Return, net (TTM): 15.3%
 - Trailing Twelve Month (TTM) Net Return: 14.5%
 - *Relevant benchmarks, TTM (versus LCP Fund outperformance):*
 - *Preqin Private Credit: 8.4% (+6.1%)*
 - *Cliffwater Direct Lending Index (CDLI): 10.1% (+4.4%)*
 - *Morningstar LSTA US Leveraged Loan Index: 7.5% (+7.0%)*
- **Portfolio Parameters:**
 - Warrant Coverage: 59.6% of total Fund positions (34 borrowers)
 - Leverage: none
 - Duration: 13.9 months
 - LTV: 11.0% against all controlled government cash flows
 - Borrowers, Performing & Amortizing (%): 100.0%
 - Watch List (% of portfolio): 0.4%
 - Non-performing (% of portfolio): 0.0%

****Ed Note: Performance estimates contained herein are without benefit of audit, presented on a pre-tax basis, and subject to revision. Future returns will likely vary and investment results will fluctuate. Returns are presented on a time-weighted basis (TWR). Past performance does not guarantee future results.*

Strategic Commentary

At the time of this writing, the most recent federal shutdown—the longest in U.S. history at 43 days—has just concluded. Its resolution, however, may prove only temporary. With funding for significant portions of the government set to expire at the end of January, the potential for a renewed lapse in appropriations remains high. To casual observers, the instability surrounding federal operations can appear as unpredictable—and as economically consequential—as market volatility itself. Images of shuttered agencies, furloughed employees, and suspended public services reinforce the perception that the federal government is an unreliable counterparty.

The reality, however, is more nuanced—and substantially more reassuring for those engaged in mission-critical national-security work. The federal government's operations during a shutdown are governed by the Antideficiency Act (ADA), which bars agencies from obligating or expending funds without congressional authority. At the same time, the ADA provides for "excepted activities," defined by the Office of Management and Budget (OMB) as functions necessary to protect life and property, fulfill constitutional responsibilities, or respond to emergencies. National security falls squarely within this definition. As a result, large segments of military and intelligence activity continue during a shutdown, including operational missions, critical RDT&E programs, cyber activities, and certain acquisition functions. Personnel perform their duties uninterrupted, even if pay timing is temporarily affected.

This continuity is central to Leonid's investment thesis. Our borrowers operate precisely in the segments where federal operations are least disrupted: defense, intelligence, and space. When shutdowns occur, previously funded contracts continue to be performed—and paid—so long as awards were made before appropriations expired. Leonid's model of transacting only on contracts that are both awarded and fully escrowed ensures that this continuity applies comprehensively across our portfolio. Moreover, the Department of War (DoW) possesses authority to issue new awards supporting excepted activities even during a funding lapse, particularly where operational readiness or strategic deterrence would otherwise be at risk.

Further strengthening this insulation, the DoW has identified priority missions—shipbuilding, munitions depot maintenance, development of the Golden Dome system, cyber defense, and energy-grid security—that remain fully funded through the \$156 billion reconciliation bill enacted in July. The DoW maintains broad discretion to determine which programs support these priorities, exempting them from shutdown impacts through 2029. Several Leonid-financed programs fall into these priority lanes, providing extraordinary payment visibility and operational stability.

From an operational standpoint, the most material effect of the recent shutdown was administrative delay: slower invoice processing, reduced contracting-officer availability, and extended cycle times for

documentation. Importantly, these were timing effects—not credit events. Nearly all of our borrowers' contracts were supported by prior-year appropriations, designated as essential, and structured to continue without material disruption. Payment delays were modest, transient, and fully normalized once operations resumed. Portfolio performance, credit quality, and cash-flow reliability remained robust throughout the period.

These conditions underscore an essential point: Leonid's underwriting philosophy already anticipates—and is designed to withstand—short-term workflow variability inherent in government operations. Our borrowers maintain the operational resilience to absorb administrative friction, and Leonid provides the liquidity architecture to bridge gaps without stress. The shutdown functioned not as a destabilizing event, but as a real-world validation of the durability of our model.

Taken together, these dynamics reaffirm that government shutdowns, while politically salient and operationally disruptive at the margins, do not materially impair national-security contracting or Leonid's credit exposure. Our borrowers continue performing, revenue remains anchored in essential missions, and capital flows remain fundamentally stable. In short, the headlines of dysfunction did not translate into financial or operational degradation for our portfolio or for our strategy.

Sector Intelligence

The Department of War has initiated the most sweeping modernization of the U.S. military acquisition system in several decades, transforming the legacy Defense Acquisition System into the new Warfighting Acquisition System (WAS). This reform represents not merely bureaucratic reorganization, but a structural realignment of national-security procurement to prioritize speed, relevance, and operational advantage. The guiding principle is both simple and profound: compress the cycle from concept to deployment. Speed now becomes the dominant metric, with the Department explicitly willing to accept greater tolerances on cost and specification to accelerate warfighter capability.

This shift has major implications for the types of companies Leonid finances. The WAS elevates commercially developed, rapidly iterative, and modular solutions—areas where emerging defense-technology firms excel. These firms can pivot quickly, integrate new technologies without lengthy redesign cycles, and deliver prototype-to-production transitions on timelines the Department is now actively seeking to incentivize.

A central structural innovation of the WAS is the elevation of Portfolio Acquisition Executives (PAEs). These senior leaders are empowered with multi-year tenure, consolidated decision authority, and performance incentives tied to delivery velocity. PAEs can make tradeoffs across cost, performance, and schedule without navigating the multi-layered oversight that has historically slowed acquisition cycles. For

industry, this means shorter procurement timelines, clearer lines of accountability, and more predictable funding flows—material de-risking for lenders and suppliers.

The WAS also institutionalizes modular open-system architectures (MOSAs) and multi-sourcing as mandatory design elements. Programs must be built with government-owned interfaces and multiple qualified suppliers to avoid vendor lock-in and accelerate upgrade cycles. This opens the door for subsystem manufacturers, autonomy-software providers, sensing and ISR specialists, and rapid-ramp component suppliers—*precisely* the profile of Leonid’s borrower base. The competitive terrain is broadening, and innovative mid-tier suppliers are poised to capture a larger share of program value than ever before.

Commercial acquisition pathways also become central pillars of the new system. Tools such as Commercial Solutions Openings, Other Transaction Authorities, and commercial-product determinations will accelerate awards and reduce administrative friction. Companies with commercial backbones will experience smoother contracting, faster working-capital cycles, and more efficient scaling. These are ideal conditions for private credit to unlock growth—especially when government payments lag the pace of demand.

Notably, the DoW has created a new Economic Defense Unit charged with designing advanced contracting mechanisms—volume guarantees, advance market commitments, risk-sharing agreements—to catalyze private-sector investment. These structures enhance revenue visibility, stabilize capital cycles, and create financing environments that align tightly with Leonid’s credit approach. They represent not only policy evolution, but a concerted effort to bring private capital inside the national-security innovation framework.

In November, Secretary of War Pete Hegseth formalized these reforms in his directive “Transforming the Defense Acquisition System to the Warfighting Acquisition System.” The directive moves Department accounting from the Cost Accounting System toward true commercial GAAP, further lowering barriers to private-sector participation. It also explicitly calls for deeper engagement with “smart capital,” encouraging collaboration with private-credit providers to accelerate capability deployment.

Budgetary forecasts reinforce this trajectory. In a recent discussion between LCP’s James Parker and Speaker Mike Johnson, House Appropriations Chair Mike Rogers suggested that DoW’s topline could clear \$1.5 trillion by the end of this administration—driving more funding to new entrants, nontraditional defense vendors, and commercial innovators. This aligns tightly with what we observe in our pipeline: unprecedented demand from emerging defense-technology companies seeking capital to capture accelerated growth pathways.

For Leonid, these developments are not merely positive—they are foundational. The Department's embrace of speed, modularity, commercial practice, and private-sector partnership validates the platform we have built since inception. As PAEs and program offices engage more directly with private lenders, Leonid's role as a compliant, mission-aligned capital partner will deepen. The national-security economy is evolving toward the model we have championed from day one: patient, non-dilutive capital supporting the companies that safeguard American strength.

Operations Update

Leonid continues to reinforce its internal infrastructure in lockstep with our expanding portfolio and institutional growth trajectory. We are pleased to share several notable organizational and operational developments this quarter.

We are delighted to welcome Monroe Weng as our new Chief Financial Officer. Monroe brings deep expertise in private-credit and structured-finance operations, having held senior roles across both fund-management and audit functions at leading financial institutions. His experience in fund-level leverage structuring and financial-systems implementation positions him exceptionally well to support Leonid as we scale our platform and enter our next phase of institutional growth.

Following his outstanding performance as interim CFO, Ted Lanes has accepted the permanent role of Chief Operating Officer. Ted's intimate understanding of Leonid's operating cadence and his leadership in establishing our internal control framework have been instrumental to our success. His transition into the COO role formalizes what has long been evident—Ted has been a central architect of the operational foundation that underpins our momentum.

We also strengthened our Financial Planning & Analysis (FP&A) function with two key hires who will complement our accounting and fund-administration teams. These additions enhance our analytical depth, portfolio-forecasting capabilities, and investor-reporting precision, positioning Leonid to meet the needs of an expanding institutional investor base.

Operationally, we continue to make strong progress with Ultimus LeverPoint, our fund administrator. Their performance since onboarding has been exceptional. We are now focused on accelerating our financial-reporting cadence, with a target of reducing the reporting window to 30–45 days post-quarter-end (Q+30–45)—a standard more typical of mature institutional credit platforms. This initiative reflects our continued commitment to transparency, timeliness, and accuracy in all investor communications.

On the capital-deployment front, the Fund is expected to be fully deployed within the next week—well ahead of year-end—after which we will begin drawing on our levered facility. Our intent is to maintain full equity deployment, originate new credits through fund leverage, and gradually move toward 1:1 fund-level leverage over time. This approach allows us to sustain deployment velocity, enhance portfolio-level returns, and maximize balance-sheet efficiency as our opportunity set continues to grow.

Investors will note an increased blocker tax estimate of \$4.2 million reflected in their PCAPs for this reporting period. This adjustment is based on updated tax guidance provided by Deloitte, the Fund's audit and tax advisor. Specifically, the increase reflects a shift toward estimating tax liability based on current quarterly income, rather than relying on prior year-over-year averages. Given the Fund's continued scaling and deployment pace, we agree with Deloitte's guidance and believe this approach more accurately reflects the Fund's current earnings profile.

Separately, our team remains highly focused on managing and reducing the Fund's expense load wherever practical. Excluding one-time items—such as final administrative fees associated with our prior fund administrator—we estimate the Fund's expense load on a pro forma basis to be approximately 22 basis points for the quarter, and 81 basis points on an annualized basis. This represents a reduction of more than 50% year-over-year, a trend we view as encouraging but not complete. We are currently conducting a comprehensive review of the Fund's fee and expense structure with the objective of further improving capital efficiency and aligning costs with scale over time. We look forward to providing additional updates as this work progresses.

We appreciate your continued trust and partnership, and as always, welcome any questions or feedback.

Sincerely,
Leonid Capital Partners