1949 GLOBAL VALUE STRATEGY SNAPSHOT

AUGUST 2025

Firm Overview

1949 Value Advisors is an independent investment firm dedicated to classic, global value investing. Founded on Benjamin Graham's principles of prudence, patience, and downside protection, our strategy seeks to deliver strong long-term returns through disciplined, valuation-based security selection across global markets.

10-Year Track Record

As we mark our 10-year anniversary in July 2025, our strategy has delivered solid, if differentiated, performance—preserving capital in downturns like 2022 and underperforming during highly speculative market phases dominated by U.S. growth stocks. While our recent trailing returns may not yet reflect our full potential, we believe the next market cycle will reward our disciplined approach.

Current Positioning

Our portfolio is meaningfully exposed to:

- **Non-U.S. equities** trading at discounted valuations
- **Real asset themes** including copper, uranium, silver and gold
- **Cyclical and capital-intensive sectors** aligned with reshoring, de-dollarization, and rising global energy demand

Why Now

We believe investors with tech-heavy, index-oriented portfolios face significant concentration and valuation risks. 1949VA offers a compelling **complement**—not a replacement—through exposure to geographies, sectors, and valuation styles that have been out of favor but are now poised for outperformance.

Let's Talk

If you are reassessing diversification, downside protection, or exposure beyond the U.S. mega-cap growth complex, we'd welcome a conversation.

MANAGER'S COMMENTARY

AUGUST 2025

PERFORMANCE (NET, AS OF JUNE 30TH)

	H1 2025	One Year	Three Years (annualized)	Five Years (annualized)	Seven Years (annualized)	Since Inception (7/31/2015)
1949 Global Value Strategy	**7.9%**	**12.2%**	**5.2%**	**14.4%**	**8.2%**	**8.8%**
MSCI World Index (US$)	9.7%	16.8%	18.9%	15.1%	12.2%	11.2%
Out (Under) performance	**-1.8%**	**-4.6%**	**-13.7%**	**-0.7%**	**-4.0%**	**-2.4%**
MSCI World **Value** Index (US$)	10.9%	16.7%	14.4%	14.4%	9.1%	8.5%
Out (Under) performance	**-3.0%**	**-4.5%**	**-9.2%**	**0.0%**	**-0.9%**	**0.3%**

As we reflect on our first ten years since founding 1949 Value Advisors (1949VA), we are deeply grateful for your partnership and trust. Although we have delivered decent, low-risk *absolute* returns since inception, we are disappointed that our *relative* returns have lagged the MSCI World Index - primarily due to our conservative value-driven investment style, and deliberate aversion to the richly valued US technology stocks that have dominated. My 32-year investing career has taught me to meet good results with humility and tough stretches with candor and resolve.

The challenges for us as classic value investors today lie in an environment defined by the advent and deployment of artificial intelligence (AI) and the extraordinary enthusiasm it has sparked in financial markets. It is not unprecedented enthusiasm, however, as I witnessed (and eschewed) similar enthusiasm during the late 1990's internet bubble, before its eventual burst that took both the S&P500 and MSCI World Index down by more than 40%, and the Nasdaq-100 Index down by more than 75%.

Comparisons of today's AI market fervor to the dot-com era are unarguably misleading, but history does seem to be rhyming as investor focus has converged again on a narrow group of dominant technology companies - the so-called *Magnificent Seven* - whose rich valuations reflect momentum-chasing rather than conservative expectations of future cash flows at a rational price. To be fair, these great companies will continue to innovate and play a significant role in shaping our future (as the internet certainly has). However, the market's concentration risk[1] in only a handful of highly valued technology stocks creates a vulnerable position for passive index investors. "Magnificent" companies do not always make magnificent investments – the price paid matters.

1. *The seven stocks comprising the Mag Seven represented approximately 32% of the S&P 500 and 22% of the MSCI World Index as of June 30, 2025.*

Our mission is different: to deliver both safety of principal and capital appreciation by grounding our decisions in valuation, balance-sheet strength, returns on capital, free cash flow and sound capital allocation. History shows that momentum-driven market environments eventually give way to fundamental valuation sanity. The aftermath of those periods was rewarding for those of us who maintained it.

Baron Rothschild, of the legendary banking family, famously said that fortunes are made by selling early. It's a timeless reminder that avoiding loss is every bit as important as capturing gain. Selling into strength (oftentimes early) is not about predicting a top, but rather about investment discipline and preserving capital.

A final point on performance - it is important, I believe, to consider how large *short-term* divergences versus a benchmark (both good and bad) can have an outsized impact on long-term performance records. Following the market rout in 2022 when the MSCI World Index declined -17.7% (and the tech-heavy NASDAQ 100 fell by -32%), the 1949 Global Value strategy preserved capital well, declining by only -1.0%.

The 1949VA long term record at that time (as of 12/31/22), however, looked very different:

Performance as of December 31, 2022 (net):

	H2 2022	*One Year*	*Three Years Annualized*	*Five Years Annualized*	*Seven Years Annualized*	*Since Inception (7/31/2015) Annualized*
1949 Global Value Strategy	***2.2%***	***-1.0%***	***14.3%***	***8.3%***	***12.2%***	***10.0%***
MSCI World Index (US$)	*3.2%*	*-17.7%*	*5.5%*	*6.7%*	*9.1%*	*7.8%*
Out (Under) performance	***-1.0%***	***16.7%***	***8.9%***	***1.6%***	***3.1%***	***2.2%***
*MSCI World **Value** Index (US$*	*6.8%*	*-5.8%*	*4.9%*	*5.0%*	*7.9%*	*6.6%*
Out (Under) performance	***-4.6%***	***4.7%***	***9.4%***	***3.3%***	***4.3%***	***3.4%***

The key takeaway here is that long-term outperformance requires a willingness to look different in the short term, risking prior periods of long-term outperformance. Our aim to protect capital in downturns (as in 2022) and to participate meaningfully in upturns looks today like a tortoise in the race against the hare of short-term speculation and momentum chasing. Successful investing is a marathon, not a sprint.

We believe that our proven value strategy is a smart and safe way to invest fresh capital – without chasing overvalued tech and index highs.

Importantly, we view our approach as a powerful complement to the index-driven, growth-tilted portfolios many investors hold today – offering both geographic and style diversification at a critical time for markets, when it might be needed most.

Market Overview

Overall, global equity markets rose modestly during the first half of 2025, despite the tariff-induced trade tensions introduced in April. The MSCI World Index (in US$) advanced by +9.7%, driven primarily by non-US equity markets which outperformed the US by the largest margin since 1993. The outperformance of international markets is notable since it could mark an inflection in their long underperformance. The 1949VA global portfolio is comprised primarily of non-US equities.

***Global Index Performance** (12/31/24 - 6/30/25)*

MSCI World Index (US$)	+ 9.7%
S&P 500 Index	+ 6.2%
MSCI EAFE Index (US$)	+ 19.9%
MSCI Pan-Euro Index (EUR)	+ 22.9%
MSCI AC Asia Pacific Index (US$)	+ 13.6%

Fundamental reasons for a regime shift favoring non-US markets and value investing include:

- an end to abnormally low interest rates (bad for growth stocks)
- disruptions to the geopolitical and economic world order (rising uncertainty)
- US reshoring of manufacturing and its impact on inflation expectations (rates, US$)
- de-dollarization, rising U.S. debt and deficits (structurally negative for US$)
- wide valuation disparities (favors non-US markets as global risk reprices)

We may be nearing the end of the ultra-low interest rate regime that has defined the post-global financial crisis (GFC) and Covid era, a period marked by unprecedented central bank interventions and financial repression, keeping rates artificially low. For more than a decade, near-zero interest rates disproportionately favored long-duration growth assets, particularly in the US technology sector. This environment contributed to significant U.S. equity outperformance relative to international markets. With inflationary pressures growing and central banks stepping back, real interest rates are likely to remain structurally higher. This may again bring the valuations of long-dated growth stocks into focus, as seen in 2022. In such a regime, capital-intensive sectors, commodity-linked economies, and markets outside the U.S. - especially those trading at substantial valuation discounts - are poised to benefit.

Trade disruptions are already testing the foundations of globalization that long benefited U.S. firms. Protectionism, reshoring, and restructured supply chains - fueled by national security concerns - could shift economic momentum away from the U.S. Rising domestic production costs in a less globalized system may lift inflation expectations as labor, energy, and inputs rise. While we aren't forecasting a return to runaway inflation, even a modest upward drift in expectations can weaken the U.S. dollar, eroding its purchasing power and raising doubts about the Fed's ability to maintain accommodative rates.

De-dollarization refers to the gradual process by which countries reduce their reliance on the U.S. dollar in global trade, finance, and reserves. This shift involves the increasing use of other currencies for cross-border transactions and reserves. Although underway for many years, this trend accelerated after Russia's 2022 invasion of Ukraine. U.S.-imposed sanctions on Russia, growing geopolitical rifts, and the rising influence of emerging economies have spurred nations like China, Russia and others to reduce dollar reliance.

Meanwhile, expanding U.S. debt and deficits pose long-term risks to the dollar's credibility as a store of value. Reduced foreign appetite for Treasuries could set off a cycle of weaker USD, higher funding costs, and diminished demand for U.S. assets. This, paired with rising inflation expectations and debt monetization risks, applies steady downward pressure on the dollar's global standing. This is important because non-U.S. equity markets have tended to outperform during weak U.S. dollar environments, as seen thus far in 2025.

Finally, wide valuation gaps support a possible reversal in U.S. equity leadership. High valuations reflect lofty expectations - leaving room for disappointment. U.S. equities now trade near peak multiples relative to history and to cheaper non-U.S. peers. These gaps mirror years of U.S. optimism driven by tech leadership and low rates. But if global growth broadens or sentiment shifts, non-U.S. equities could offer better forward returns. Investors looking to diversify away from richly valued U.S. benchmarks may increasingly turn to international markets as a source of future outperformance.

Portfolio Commentary

Largest Contributors to Performance *(12/31/24 - 6/30/25)*

Hochschild Mining plc	+ 1.7%	Ivanhoe Mines Ltd.	- 1.5%
WH Group, Ltd.	+ 1.5%	Kennedy-Wilson Holdings, Inc	- 0.9%
Ivanhoe Electric	+ 1.3%	Marcus & Millichap, Inc	- 0.8%
Birchcliff Energy	+ 1.2%	Biogen, Inc	- 0.7%
ERO Copper	+ 1.1%	Bristol-Myers Squibb Company	- 0.5%

Leading the list of contributors for the period was London-listed silver miner Hochschild Mining plc, whose shares rose 32% year-to-date after nearly doubling (+96%) in 2024 (in US$). Silver has been catching up to gold, consistent with its tendency to lag during early up-cycles but ultimately show greater torque. Unlike gold, silver also benefits from strong industrial demand in addition to its monetary appeal. At Hochschild, excessive rainfall in Brazil has masked otherwise robust production growth and the ramp-up of its Mara Rosa asset. Despite this, we believe the stock remains undervalued and could appreciate further - even if gold and silver prices decline - as production increases and Brazilian assets are de-risked. There is modest near-term risk, as current Mara Rosa output doesn't yet cover mining costs while operations remain suspended. Still, at today's share price, upside from higher silver prices comes essentially for free.

Shares in WH Group rose 37% in the first half of 2025, contributing 1.5% to overall performance. We initiated the position in late 2021 after a ~40% decline in the stock, driven by Covid-related disruptions to its U.S. operations (Smithfield Foods) and African Swine Flu (ASF) in China. These temporary pressures masked the strength of its world-class pork production platform. We viewed this as a classic time arbitrage opportunity: near-term setbacks in a dominant food protein business, coupled with strong free cash flow and a deeply discounted valuation, offered a compelling margin of safety - if paired with a multi-year investment horizon. In January 2025, WH Group completed an IPO of ~10% of Smithfield Foods, unlocking value more than a decade after the original acquisition. Despite this gain, WH Group remains attractively valued, as evidenced by the nearly 50% valuation premium now ascribed to its U.S. business.

It's no surprise that several top contributors this period were copper miners. We've written before about the compelling value in natural resource equities, which continue to be neglected by investors despite an exceptional supply-demand set-up. Years of underinvestment and mine depletion have led to a growing copper supply deficit - potentially 30-35% by 2030, according to industry estimates. Meanwhile, demand keeps climbing, fueled by rising GDP per capita in developing economies, urbanization, renewable energy expansion, climate initiatives, and the surge in data center-driven energy needs. These structural trends could drive a sustained bull cycle in copper, representing a paradigm shift still underappreciated due to the historic volatility and minimal index weighting of resource equities.

Ivanhoe Electric and ERO Copper both contributed meaningfully to portfolio performance this year, appreciating +20% and +25% respectively. Ivanhoe Electric continues to advance its Santa Cruz project in Rio Grande, AZ, which I visited earlier this year. The U.S. Administration's push to secure critical metals supply positions Ivanhoe well. ERO Copper, operating two copper and one gold asset in Brazil, is ramping up its Tucumã project. Free cash flow is inflecting, yet the company's shares remain discounted - a reflection of typical execution concerns as new mines enter production.

Shares in long-time holding Birchcliff Energy advanced more than 45% year-to-date despite benchmark natural gas spot prices essentially flat over the same period. The strength in its shares is likely explained by solid execution under new CEO Chris Carlsen, free cash flow generation and progress toward deleveraging. Seasonally stronger pricing combined with much lower capital spending in the second half should further drive capital returns and total shareholder yield. Among Canada's lowest cost natural gas producers, Birchcliff is well positioned to thrive in most any pricing environment, while its estimated 60% discount to intrinsic value provides significant scope for further appreciation.

Leading the list of detractors was Ivanhoe Mines, historically one of our biggest contributors over the years. Founded by mining billionaire Robert Friedland, Ivanhoe owns several world-class assets. Shares fell 40% after a May 18 seismic event severely flooded its Kakula copper mine in the DRC, halting operations. Mining is inherently risky, and events like this illustrate the importance of position sizing in the sector. We take a basket approach to our targeted mining exposures in order to mitigate risk of any single holding. While Kakula's shutdown is a setback, we're actively assessing its long-term impact. The mine's Tier 1 status should retain lasting value in a world short of equivalent copper assets. Our analysis considers the likelihood of future seismic activity (difficult to model but we assume so) and the value of Ivanhoe's other premier assets: Kamoa, Kipushi, Platreef and Western Forelands. Despite near-term production and sentiment headwinds, we view this as a temporary disruption - not a permanent impairment. The current share price offers free optionality on a recovery at Kakula, and the deeply discounted value of Ivanhoe's broader portfolio.

Both Kennedy-Wilson (KW, -30%) and Marcus & Millichap (MMI, -19%) declined, driven by weak quarterly results and concern over sustained higher interest rates weighing on real estate values and transaction activity. KW, a California-based real estate investment firm with a strong track record of value creation during dislocations, saw Q1 results disappoint as fee-bearing capital declined - largely due to loan repayments exceeding new capital commitments. We view this as short-term noise in an otherwise intact thesis. Its $5.2 billion funding pipeline should ease investor concerns. Marcus & Millichap, the leading U.S. commercial broker in the $1–10 million deal bracket, was hurt by muted deal flow and lingering economic uncertainty. While recent softness in labor and retail activity may open the door for rate cuts in H2 2025 - potentially improving sentiment toward the sector - uncertainty around tariffs remains. Nonetheless, demand for most commercial property types remains solid given broader economic strength.

Both companies trade at valuations implying minimal expectations - a classic setup for value investors focused on downside protection and free upside optionality.

Both Biogen (BIIB) and Bristol-Myers Squibb (BMY) suffered more from investor apathy toward safe, predictable pharmaceutical company fundamentals amidst excitement elsewhere in the market, with shares declining -18% and -16%, respectively. Company-specific drivers remain muted for the same reason, but we have a decidedly more upbeat tone than current consensus. Biogen's JV with Eisai of Japan on Alzheimer's drug Lecanemab, marketed under the brand name Leqembi, could catalyze deep undervaluation in its shares, while BMY's pipeline shows modest promise. BMY's 10% FCF yield provides significant R&D and capital return optionality at the cyclically depressed valuation of 8x EBIT.

OUTLOOK

Our portfolio is built not for the last market cycle, but for the next one. And history has shown that the most attractive entry points often come when a strategy appears out of favor - when its exposures have not yet been rewarded, but the groundwork for future outperformance has been laid. Buying what has already worked is easy - and often ill-timed. True investment discipline means leaning into strategies that are out of favor but built on enduring principles. That's exactly where we believe we are today.

Again, we view our approach as a powerful complement to the index-driven, growth-tilted portfolios many investors hold today – offering both international and value investing-style diversification at a critical time in the world, and in equity markets. We are very excited about the prospects for your portfolio over the coming decade.

Thank you for your support, and please feel free to call or e-mail to discuss anything further.

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