Executive Summary – December 31, 2025

A Year of Regime Change:

- Trump-era policy shifts = market regime change (highlighted in mid-year Letter here)
- Tariffs, geopolitics and national security concerns = critical materials now an existential priority
- US mega-cap tech-concentration is extreme (a Wayne Gretzky moment)
- Non-U.S. equities outperforming, multi-year normalization underway

A Portfolio Built For It:

- Global = US and non-US equities
- High-conviction exposure to critical materials;
  long-term exposure to gold and precious metals since 1999
- High active share (~98), low correlation = diversifying benefit
- Active management is essential, experience navigating prior regime changes is compulsory
- Concentrated value portfolio = upside optionality with clear catalysts + downside protection

A Decade of Patience, Discipline and Resolve:

Endured a lost decade for value investing, maintained discipline and resolve with a highly differentiated portfolio deliberately positioned for the structural shifts now underway, but not yet recognized by most investors.

- Delivered solid absolute returns without U.S. mega-cap tech or A.I. plays
- Preserved capital during volatile 2022
- Event-driven special situations enable absolute returns independent of macro direction
- Gold maintains a permanent, structural exposure for its ballast and capital preservation qualities, which many investors are only now discovering
- The next decade will be very different from the last – we are positioned to benefit

"Patience is bitter but its fruit is sweet." (Aristotle)

1949 GLOBAL VALUE PORTFOLIO

JANUARY 2026

PERFORMANCE (NET, AS OF DECEMBER 31ST)

	H2 2025	One Year	Three Years (annualized)	Five Years (annualized)	Seven Years (annualized)	Since Inception (7/31/2015)
1949 Global Value Strategy	**19.6%**	**29.0%**	**10.9%**	**11.8%**	**14.5%**	**10.2%**
MSCI World Index (US$)	10.8%	21.6%	21.6%	12.6%	15.3%	11.6%
Out (Under) performance	**8.8%**	**7.4%**	**-10.7%**	**-0.8%**	**-0.8%**	**-1.4%**
MSCI World **Value** Index (US$)	9.7%	21.7%	15.4%	12.2%	11.8%	9.1%
Out (Under) performance	**9.9%**	**7.3%**	**-4.5%**	**-0.4%**	**2.7%**	**1.1%**

TRUMP 2.0: DISRUPTION MAKES VALUE INVESTING GREAT AGAIN

As we look back on 2025 - one year into President Trump's return to office - it's hard to believe how much the world has changed. Abrupt, new policies on trade, tariffs, energy, critical minerals, and national security have completely upended the old order and pushed markets into a very different conversation than the one we've been having for the past decade. Whether intentional or not, these changes have brought renewed attention to the real economy: the industries that mine, build, transport, power, and secure the world around us. In this environment, global value investing is very relevant again.

In our mid-year investor letter, we outlined several structural regime changes already underway: the end of abnormally low interest rates, rising geopolitical risks, weakening U.S. dollar dominance, structural undersupply of critical minerals, and mounting concentration risk in U.S. mega-cap tech equities. Every one of these themes has only intensified as the year progressed. Significant changes like these tend to drive lasting changes in stock market leadership. I read a quote today that captures this well: "*The greatest danger in times of turbulence is not the turbulence. It is to act with yesterday's logic*." (Dr. Peter F. Drucker)

Recognizing lasting change *before* it is reflected in markets, and positioning portfolios in order to capture these anticipated changes, is the essence of active portfolio management. Moreover, our "brand" of global value investing has often outperformed during past periods of heightened turbulence. The year 2025 contains early signposts for lasting change in market leadership amidst the turbulence, and for reasons we have long studied and are positioned for. We believe these are early days, with 2025 as a reliable early window into what the next decade will bring.

A Ten Year Overnight Success

For the first ten years of our firm's life, we faced some of the strongest headwinds imaginable for a global deep value strategy. A handful of U.S. technology companies drove the lion's share of index returns, leaving almost everything else behind. Through it all, we stayed patient - not because patience is easy, it isn't - but because patience is a critical component necessary to realize the benefits of long term investing. This is the work I've loved since 1993: applying sound value investing principles with discipline, humility, and a deep curiosity about how the world is changing, and how those changes create opportunities to grow capital over the long term. I'm proud that we never wavered, never abandoned the margin-of-safety principles that define us, and will never try to be something we aren't. Enduring a lost decade for value investing didn't weaken our conviction, it proved it.

And despite avoiding the narrow group of highly valued mega-cap AI-related technology stocks that powered the index, we still managed to deliver adequate absolute returns by doing what we always do - finding solid businesses with tangible asset value, net-cash balance sheets, downside protection, and meaningful upside. Today, the environment is shifting decisively toward the areas where we regularly invest:

- Copper and other critical minerals facing years of structural undersupply
- Uranium supported by renewed global commitment to nuclear energy
- Gold, silver, and platinum group metals (PGM's) regaining relevance as monetary anchors in a world of rising uncertainty
- International markets trading at wide discounts to the U.S. and benefiting from a weaker dollar
- Companies with catalysts and special-situations where embedded triggers unlock latent value

These aren't speculative ideas. They are durable, long-cycle themes that align directly with where we have been positioned *for years*.

Our portfolio is intentionally concentrated and meaningfully different from the index and most peers. We invest with high conviction in opportunities where we believe the upside is significant and the downside is limited. Many of these companies are special-situations that allow them to create value regardless of short-term market direction. We look for catalytic corporate events that will unlock value – restructurings, recapitalizations, spin-offs or asset sales, mine ramp-ups, balance-sheet deleveraging and acquisition targets. This approach enables us to generate absolute positive returns irrespective of the market direction or macro environment.

As you continue reading, we hope you enjoy the discussion of individual positions that contributed to performance this year, and the changes we made in your portfolio. Each position reflects the same mindset that has guided us from the beginning: preserve capital first, grow capital second, stay disciplined, humble and have trust in the convictions of our research and experience.

PORTFOLIO COMMENTARY

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

Ivanhoe Electric……………………	+ 3.6%	China Feihe……………..………	- 0.9%
Hochschild Mining plc…………….	+ 2.5%	CF Industries Holdings……..……	- 0.5%
Equinox Gold………………………	+ 1.9%	Cal-Maine Foods, Inc…………….	- 0.5%
ERO Copper………………………	+ 1.8%	Marcus & Millichap, Inc………….	- 0.3%
Major Drilling Group………………	+ 1.8%	Agronomics Ltd……………………	- 0.3%

As mentioned previously, your portfolio has significant exposure to critical materials. This is not a new phenomenon, but the world increasingly seems to be coming our way (patience pays). The list of contributors to performance over the half year ended December 31st looks very similar to the list at June 30th since three of the five largest contributors made a repeat appearance, two of which are copper mining companies. It is worth reiterating our long term conviction toward copper and other miners since exposure at year-end remained significant at approximately 26%, down from nearly 30% on Sept. 30th as we trimmed positions into strength and liquidated Ero Copper in December as it neared our estimate of fair value. Mining is a decidedly old-economy industry which we have viewed as among the most attractive multi-year investment opportunities we see globally. To be fair, we have long been fans of mining, but only gold mining has been a consistent portfolio exposure through time. (for reasons explained later) As we explained in our mid-year 2025 letter, many years of underinvestment, declining ore grades and mine depletion have led to a growing copper supply deficit - potentially as much as 30-35% by 2030, according to industry estimates. This underinvestment has created a structural undersupply of copper just at the point in time where the world requires a large increase in it. And supply disruptions from two large copper producers (Freeport, Ivanhoe Mines) have exacerbated the condition this year, driving the spot price of copper nearly 24% higher during H2 2025, and 44% for the full year. The long development timelines to bring a new mine into production (more than 15 years) means that this supply deficit will not resolve for many years, underpinning long term pricing of copper. This opportunity has a long runway, volatility notwithstanding.

Demand keeps climbing, fueled most recently by end markets now deemed “critical” to national security including energy infrastructure, technology (data centers) and defense. Meanwhile, traditional long term drivers of demand continue unabated, including rising GDP per capita in developing economies, urbanization and renewable energy/climate initiatives. These structural demand trends look likely to drive a sustained demand cycle in copper, representing a paradigm shift still underappreciated due to the historic volatility and minimal index weighting of resource equities. Small sectors are easy for professional investors to ignore since the decision to get the “AI trade” correctly is more important to keep one’s job, but without copper and literally dozens of other critical materials, energy-intensive AI is not possible, electric vehicles (EV’s) are not possible, 6G telecom technology is not possible. Perhaps ironically, the best technological improvements of our lifetimes wouldn’t exist without critical materials that are now in short supply and in increasingly great demand. Simply put, if it isn’t grown, it’s mined.

Copper miners Ivanhoe Electric and Ero Copper both contributed meaningfully to portfolio performance during the back half of this year, appreciating +76% and +69% respectively. Ivanhoe Electric continues to advance its Santa Cruz project in Rio Grande, AZ, which I visited in early 2025, as well as the Tintic copper-gold project in Utah. In addition, the company also holds patents on a high-tech geophysical exploration technology called "Typhoon", which has already identified significant new resource potential on both company-owned land and in combination with third parties including BHP and the Saudi Arabian government via JV partnerships, providing additional long term upside optionality. Ero Copper will be discussed in greater detail in the Portfolio Changes section of this Letter since it was liquidated in December after very strong share price appreciation.

Shares in London-listed silver producer Hochschild Mining plc were among the biggest contributors again in the second half of 2025, doubling in value over the six month period. The remarkable strength in the spot price of silver (+93%) was the primary fuel for Hochschild's meteoric rise, although the company has also done a great job restructuring its asset base over the last three years, acquiring Mara Rosa in Brazil and securing new permits to drive future long term growth in Peru. Importantly, as a restructuring story, the deep value opportunity in Hochschild shares in late 2022 was not dependent upon a rising silver price – hence its "special situation" status in the portfolio, and the investment appeal to us. But our prior experience with management, and more than a few meetings in person to discern their plans, gave us confidence that a successful restructuring was likely. The margin of safety we perceived in 2022 protected our downside, while strategic moves that created significant value in the interim provided upside optionality for free – optionality that we could not necessarily foresee. It's oftentimes that way – dark current events tend to obfuscate the bright but distant future. After enduring painful short term losses during that period in 2022, we have enjoyed outsized gains on the shares we purchased in September that year, including those which we recently sold in December 2025 for an 897% gain. (no typo, just patience)

It should be unsurprising that at least one gold holding made the list of top contributors, as Equinox Gold shares advanced 145% during the period under review, outpacing the spot gold price (+30% during H2). Since mining is an inherently mechanistic process, and risk of operational mishaps are high, we take a basket approach to mitigate the risk of such mishaps having an outsized impact on total portfolio performance. Hochschild is a part of the precious metals basket, of course, Equinox is another, but both Agnico-Eagle and i-80 Gold also serve to complete the basket (~12% aggregate exposure to gold and silver at year-end), each with its own unique and idiosyncratic elements to the investment thesis. Equinox Gold shares are enjoying a rerating on the back of two successful mine start-ups with Valentine and Greenstone currently ramping to nameplate capacity. This phase of the mining investment cycle can be very profitable as the company delivers on their vision with operational execution under great scrutiny by investors. Equinox continues to execute well, hence the strong share price, but also benefitting from the tailwind of strong gold prices.

Last but not least, Major Drilling contributed +1.8% to H2 2025 performance as its shares rose 45% during the period under review. The company reported its highest quarterly revenue in company history in December, despite a highly competitive pricing environment globally, and its largest customer in Indonesia experienced an operational incident that suspended drilling for the majority of the quarter. With a net cash balance sheet and ample free cash flow generation, the company announced a "Normal Course Issuer Bid"

(NCIB) to repurchase up to 5% of its outstanding shares over a 12-month period. Although we would prefer that Major Drilling let cash build on its balance sheet instead of buying back shares that are now near a cyclical peak valuation level, it is a sign of management's confidence in the current cycle's duration.

Leading the list of detractors was China Feihe, the largest domestic producer of infant milk formula (IMF) in China with an approximate 25% market share, but growing that share despite China's shrinking demographics. This I perceive to be a noteworthy element of the investment thesis since it shows how their brand and product lines are increasingly favored by new mothers. The decline in new births in China is the unfortunate offset, and an acute focus of investors, driving shares to a level not reflective of the quality of their competitive position, returns on capital, net cash balance sheet and strong profit margins amidst heavy price competition. China Feihe is unarguably the best of a challenged bunch. The Hong Kong-listed shares in the company declined by 27% during the period under review, detracting -0.9% from aggregate portfolio performance. There is tremendous negativity toward IMF companies due to the declining birth rate in China. Beijing reported that 7.9 million babies were born in 2025, down from 9.5 million in 2024 and the lowest number since 1949. (an unfortunate coincidence, given our firm's name ;-) Net of the 11.3 million deaths in 2025, China's population dropped by 3.4 million to 1.405 billion. Beijing has taken modest steps to boost its birth rate, with little effect. We expect there to be more initiatives introduced this year, potentially breathing some life into the sector, but without policies specifically designed to strengthen family values and encourage child bearing as a moral imperative, the shares are likely to languish. With net cash equal to 18% of its market cap, and trading at 6x current year estimated EBIT, we are confident in the margin of safety against loss from such a depressed valuation for an otherwise high quality business.

CF Industries also detracted -0.5% from performance, as shares declined 15% over the six month period. Founded in 1946 as the Central Farmers Fertilizer Company, CF Industries Holdings today is the largest producer of ammonia in the world, and among the largest nitrogen fertilizer producers with nine manufacturing plants in the U.S., Canada, and the U.K. Low-cost producers like CF Industries typically mitigate the risk of a permanent capital loss during inevitable market downturns, while profitability through the cycle is often greater than competitors, allowing for opportunities to gain market share and increase its competitive position. While this is true through the cycle, 2025 was a difficult year for farmers as low crop prices pressured margins, impacting demand for fertilizers. Potential risks from global trade policy could play a role in 2026.

Cal-Maine Foods also detracted -0.5% from six-month performance as the price of fresh shell eggs continued to return to more normal levels after the Avian Influenza-driven spike subsided. Shares declined -17% over the period, ignorant of the transformation to a better overall business that is underway at the company. Historically, Cal-Maine Foods' business was almost entirely dependent upon the oftentimes volatile pricing environment in fresh shell eggs. With state regulations and end market customers embracing policies favoring cage free and other higher-priced specialty egg types, the cyclicality in Cal-Maine's business diminished somewhat, enhancing margins and reducing volatility in operating profit. Recent acquisitions of similarly stable prepared foods businesses should help drive a re-rating in its shares as investors awaken to this. Moreover, management has remarked that retailers are increasingly looking for contract-based pricing in traditional fresh shell eggs to diminish volatility, thus further enhancing earnings stability, and likely a higher valuation of its shares. Cal-Maine's net cash balance sheet underpins their financial strength, and has afforded the company an opportunity to repurchase shares.

Marcus & Millichap was a repeat detractor during the back half of the year, for reasons akin to its drag on performance during the first half. Shares declined by only 10%, detracting -0.3% from overall performance, driven by weak quarterly results, muted deal flow and lingering economic uncertainty. While recent softness in labor and consumer activity may spur rate cuts in 2026, potentially improving sentiment toward the sector, uncertainty around geopolitics and tariffs remain. Shares are priced in the basement, leaving significant room for upside as the private client market environment improves over time.

Lastly, one of the most unique positions in the portfolio is Agronomics Ltd., even if it is among the smallest positions due to its limited liquidity and market capitalization (£66 million). Agronomics is a London-listed venture capital (VC) fund focused on food technologies including cellular agriculture and precision fermentation. Shares declined by 12% during the period, detracting -0.3% from overall portfolio performance over the second half of 2025. Although it was down modestly over six months, shares were +60% for the full year. The venture capital space has been very difficult in recent years, and that is illustrated well with Agronomics Ltd. which currently trades at a 55% discount to its net asset value (NAV). I first became aware of Agronomics a few years ago as it is a co-investor in The EVERY Company, a private company commercializing a patented process for making egg proteins without using a chicken or an egg. Using technology that has been around for more than forty years in making insulin, The EVERY Company manufactures egg proteins that can be used in place of animal-derived proteins for use as ingredients in B2B food applications, thus greatly diminishing ingredient cost volatility and increasing the desired functionalities provided by different proteins found in a natural egg. (Please call me to discuss this more, it's fascinating.) Agronomics' portfolio consists of more than twenty different private VC companies, all with technologies and intellectual property that offer new ways of producing food and products historically derived from animals. Agronomics provides a lower risk way to buy exposure to a collection of these early-stage food technology companies at a 55% discount to the aggregate value of the portfolio, with potential upside optionality derived from the commercial success of any number of the technologies for free. Venture capital investments in general are also notoriously fraught with risk of failure, which is why we've taken a portfolio approach at a 50% discount, and are focused on a technology that we've spent considerable time researching. The EVERY Company's main product OvoPro™ can now be found in products on the shelves of Walmart and Target. Proof of efficacy of precision fermentation is complete, scaling their technology to meet demand from large food manufacturers is the crucial next step.

Portfolio Changes

During the second half of 2025, four positions were sold, while three new positions were initiated. There are generally three reasons why we would sell a position: first, and our preferred scenario, the security appreciates in value, reaching our estimate of fair value; second, a better idea is discovered and a switch into that better idea necessitates a sale; and finally, the investment thesis changed, undermining either our perceived margin of safety, the potential upside, or both. We had at least one in each category during the period under review.

As described earlier in this letter, we liquidated our position in Ero Copper in December. When we initiated the position in July 2022, we wrote about the structural factors that we believed would create a commodity super cycle, implying a long runway of outperformance for select mining companies:

"*These factors include the many years of historic underinvestment in new copper mines; the secular decline in ore grades; the lengthening of permitting and approval times for new mines as a result of environmental concerns such as tailings management, water sourcing and biodiversity considerations; social concerns including safety, health, education and many other issues impacting local mine site communities and workers; the increased demand arising from the greater consumption of metals on a per capita basis among the world's most populous nations; and the electrification of everything as the world pursues a cleaner energy system in efforts to mitigate global warming, which will be extremely metals-intensive relative to the fossil fuel-based energy system that we have today. Ero Copper is one of several portfolio positions we have to capture this long term investment opportunity. We believe it is early days, and valuations across the sector are very attractive*."

Our thesis is playing out as envisioned. Ero Copper operates two copper and one gold mining asset in Brazil. The ramp-up of its Tucumã project is going more slowly than anticipated, not necessarily unusual for new mines but lending some execution risk to what has become a more fully-valued share price. While we continue to like the assets, and believe that management is of high quality, our valuation discipline compels us to take action when there is no longer an adequate margin of safety, given the strength in its share price since our initial investment ~3.5 years ago (+191%). We'd rather be early than wrong.

Our position in Kennedy-Wilson (KW) was liquidated following an opportunistic bid to take the company private by a consortium including KW's CEO and other senior employees of the company, alongside Fairfax Financial, the insurance holding company based in Canada managed by the very highly regarded investor Prem Watsa, sometimes referred to as the "Warren Buffett of Canada". The price offered was at a 37% premium to the KW closing price pre-announcement, but in our opinion remains at a significant discount to our estimate of KW's net asset value. Without a natural competing buyer of KW's mix of businesses, we must be content with the opportunistic offer as it stands.

Nuclear power is becoming a critical infrastructure priority for many nations, after years in decline following the March 2011 Fukushima nuclear accident in Japan. In the years since, technological and nuclear plant design has improved to ensure against another accident of the same type. While most nuclear reactors kept operating after 2011, uranium mines stopped being built as prices plummeted to uneconomic levels as inventories were drawn down. Since it takes more than ten years to build a new uranium mine due to lengthy permitting, financing and construction timelines, there remains a supply-demand imbalance today that has driven the price of uranium to levels high enough to incentivize new supply. (low prices were the cure for low prices) Paladin Energy is an Australian uranium mining company we initiated a position in late 2024, amidst a free fall in its share price as the company lowered their production guidance for its newly opened Langer Heinrich mine (LH) in Namibia due to inconsistent ore stockpiles and water supply disruptions. What were short term restart issues at the LH mine, we viewed as a longer term opportunity to buy a producing mine with exposure to rising uranium prices, and with deep value in its in-situ resources in both Namibia and in Canada (after acquiring Fission Uranium) at a deep discount to our estimate of fair value. However true, the news worsened in the short term as heavy rainfall further impacted Namibian operations, prompting the company to rescind 2025 production guidance altogether. Markets don't like short term uncertainty, while we try to stay focused on long term optionality and asset values. Although the Paladin share price did recover throughout the rest of 2025, we decided in late 2025 to switch into a more deeply undervalued exploration and development uranium company with assets in Canada, the US and Australia, IsoEnergy.

IsoEnergy was founded as a spin-off from NexGen Energy in October of 2016. NexGen continues to hold a 30% stake in Iso, and NexGen co-founders Richard Patricio (Chair), Leigh Curyer (Co-Chair) and Chris McFadden (Director) serve on Iso's Board. Iso has some of the best features of what we liked about Paladin – that is, exposure to potential near term production amidst a rising uranium price environment, with significant and deeply undervalued optionality within the in-situ resources at other assets including Iso's flagship Hurricane deposit in the Athabasca region of Saskatchewan Province in Canada. Hurricane is one of the highest grade undeveloped deposits globally, and is strategically located next door to Cameco's Dawn Lake JV with Orano, the French state-owned nuclear fuel company. This is important when considering the consolidation potential for value to be unlocked in Iso's Hurricane deposit as the Dawn Lake JV steadily depletes, necessitating significant new resources to feed the nearby mill. Iso owns a large collection of other undeveloped uranium deposits in the Athabasca and in Quebec, all providing potential long-dated optionality at very low implied cost. In addition, Iso owns the largest undeveloped uranium deposit in the US - the Coles Hill deposit, located in Virginia. Virginia has a long history of mining and is home to four nuclear reactors, as well as commercial nuclear fuel production and nuclear infrastructure. This asset could have strategic appeal to a developer, unlocking further latent value in Iso's shares. There are many "free options" of this type in the Iso portfolio, while its fully permitted Tony M mine in Utah affords Iso shareholders exposure to near term production with low capex in a structurally undersupplied US uranium market. As the country with the most nuclear reactors in the world (94) but producing only 1% of uranium required to fuel them annually, US uranium assets are likely to have growing strategic appeal as energy security initiatives develop.

The final two changes that were made during the period under review also involved a switch – this time within our basket of gold producers. Gold is a subject that's been very much in the news for most of the year as its price appreciation has been remarkable. It is worth noting that gold has been a portfolio diversifier for me since 1999 when the mutual fund that I co-managed at Morgan Stanley was a page 1 shareholder of Normandy Mining before it effected a three-way merger of survival with Newmont Mining and Franco Nevada Corp. when gold was near $300 per ounce. Since then, gold equities have proven their mettle as effective ballast during regular crises along the way, helping to preserve capital during difficult times, and also as generous value creators during good times as gold itself outperformed even the S&P 500 Index over the last 25 years. Most investors are just now coming around to this realization. We wrote about this in our inaugural Letter when we launched 1949 Value Advisors more than ten years ago:

"*It is worthwhile spending a moment on the merits of gold in a diversified portfolio. As value investors, we are risk-averse by nature. We worry about downside risks, trusting that over time, the upside will take care of itself. Risk is omnipresent in capital markets, and can emanate from countless sources, some of which relate to the operations of individual companies. These "micro" level risks can be minimized by the careful selection of quality companies that trade at a large discount to fair value, with limited financial leverage, managed by honest and capable management. Even some "macro" level risks to equities can be minimized in a similar fashion, as stocks that are "priced in the basement" generally have less room to fall in a general market meltdown. However, certain "macro" level risks - tail risks - exist today that warrant exposure to gold as the only material of monetary value that could help protect capital in a dramatic and unexpected negative global monetary disruption or exogenous event. We view gold as "financial fire insurance", which we hope to never collect on the policy (much like actual fire insurance). Concerted efforts by central banks around the world to reignite economic growth by "printing money" might have dire consequences for financial markets, as these extreme monetary policies are untested in the* *context of modern history. We are not expecting cataclysm, to be clear, but rather prudence drives our belief that gold should have a place within a conservative diversified portfolio. After six years of a declining gold price, now at a level relative to production costs that has historically signaled a bottom is near, the risk of loss seems limited. Valuations of companies that produce gold have reached historic lows. China and India, the world's top two gold buyers, account for about half of global demand, according to the World Gold Council. Normal supply and demand seems likely to stabilize the gold price from here, while any potential disruption from extreme monetary policy actions around the world could renew demand for "financial fire insurance" again. Unfortunately, the exit from any proverbial financial fire is narrow, with gold comprising less than 1% of the total value of global financial assets. As students of long term financial history and economics, we believe it is prudent to have approximately 5 - 10% of a conservative portfolio invested in gold related assets."*

True to form, we have had consistent exposure to the yellow metal, although in varying degrees over time. The change we made recently was to switch out of Franco Nevada, a very high quality royalty company which we've owned since our inception in 2015, into a special situation (in this case, a recapitalization) named i-80 Gold Corp. While Franco Nevada has done its job well for your portfolio over the last 10+ years, i-80 Gold is undergoing a corporate event that will unlock material value even if the price of gold is flat or down, in our estimation. That is our appeal to special situations – they are not reliant upon a rising market or economy to appreciate since the investment thesis is more about the corporate event. We sold Franco Nevada and purchased i-80 Gold during September.

The sale of Franco Nevada comes after a 490% ten year return (in US$) since our firm's inception on July 31, 2015 (i.e., +19.1% annualized, versus 12.9% for gold and 13.9% for the S&P500 Index). Not bad for a hedge! What we said about Franco Nevada in our inaugural letter ten years ago was,

"*We view our position in Franco-Nevada as a proxy for the price of gold, since its primarily revenue-based royalty model gives us predictable cash flows based upon the price of gold during the reporting period. Because most royalties cover the entire property, Franco-Nevada investors share in any realized revenues that result from further exploration and production, ad infinitum. And since most royalties are revenue-based, changes in the realized price of gold directly impact Franco-Nevada's reported cash flows and earnings. The royalty business model requires very little in operating expenses, allowing the company to remain profitable at extremely low gold prices, thus minimizing the chance of a permanent capital loss.* "

The opportunity we perceive in i-80 Gold Corp. today is very different, however. i-80 Gold is a special situation, which is to say that the investment thesis relies upon special circumstances related to, in this case, the refinancing and restructuring of its indebted capital structure (colloguially termed a "recapitalization"). In such a restructuring, a viable company's debt is often retired in part or in whole, with new sources of funding in its place – new equity is sometimes raised, assets can be sold, new but reduced indebtedness eases the financial burden of the business, reducing risk and oftentimes unlocking value for equity shareholders. In the case of i-80 Gold, the details of the plan are not yet public (hence the opportunity in its shares today), but our conversations with i-80's CEO Richard Young have helped us to ascertain the value of assets the company could monetize as part of the restructuring, giving us a margin of safety against permanent loss. Non-core gold asset(s) – especially based in such a prolific gold mining jurisdiction as Nevada - can be sold for great value in today's strong gold price environment, while its future producing assets have an increasingly certain and growing cash flow profile at current elevated gold prices. Importantly, given the deep discount to fair value at the time of purchase in late September, we believe we have a sufficient margin of safety against loss, and more than 100% upside in the event of the successful recapitalization, which is slated to occur during 2026. In a rising gold price environment like we have, the prospects for a successful recap increase, while upside optionality beyond the recap comes for free. The market is getting wise to this view – in the three months to year-end since we switched out of Franco Nevada and into i-80, shares in i-80 have appreciated by 54% versus Franco Nevada's -3% (both in US$) and in comparison to +15% for the spot price of gold.

Patience is a recurring theme in this letter, and is one of our competitive advantages, we believe. Most investors tend to be impatient, since Portfolio Managers are typically assessed monthly or quarterly versus a benchmark, and relative underperformance creates career risk. Annual bonuses tied to calendar year performance reinforce a focus on near-term results rather than multi-year value creation. Warren Buffett aptly called the stock market, "a device for transferring money from the impatient to the patient." Great patience is often required even *before* pulling the trigger on a new multi-year position. This was the case with our most recent addition to your portfolio, West Fraser Group. I first started my research on the North American lumber industry in September 2022, after noticing the three largest Canadian producers were trading at 20-30% discounts to book value (in deep value territory, for viable businesses) after trading at or near 2.0x book value just two years prior. Having never looked at the industry before, surprisingly, I was intrigued by the potential investment opportunity. (A brief aside: It's one of the things I love most about my vocation – after more than 30 years analyzing countless securities and industries around the world, new opportunities to study a completely new industry that I've not encountered before excites me today with the same intellectual rigor and curiosity that I had as a recent college graduate and newly minted CFA. The more I learn in life, the more I discover how much I don't know. I'm very lucky to have found the best job in the world. As some friends are now beginning to retire, I feel as though I have so much left to learn!)

The Wall Street Journal reported in an article on 9/27/22 (one of the earliest pieces in my research file on West Fraser Group, Canfor and Interfor), that "lumber prices had fallen to their lowest level in more than two years, bringing two-by-fours back to what they cost before the pandemic building boom". This was noteworthy since I was aware that two-by-four prices had tripled during the pandemic two years earlier. (My lifelong friend George is a custom contractor and was building a second home at the New Jersey shore for his family and bemoaned the sky high price of lumber during 2020-21.) The bigger the boom, the bigger the bust, history suggests. But where there is a significant discount to tangible asset value, is oftentimes a margin of safety against permanent loss, and potentially great upside in an eventual recovery. As I immersed myself in this new research project, I was able to meet with the management teams of both Canfor and Interfor in NYC during May and September of 2023, respectively. For reasons unique to each company, I concluded that neither fit our criteria for investment. We have a very strong preference for companies with net cash balance sheets, especially in highly cyclical industries. Moreover, having no confidence that we had seen the bottom in lumber pricing yet, I needed a greater margin of safety than was on offer in late 2023. Subsequent research and meetings with all three Canadian producers helped me learn that West Fraser Group was clearly the best-in-class.

Since those mid-2023 meetings, the share prices of both Interfor and Canfor have halved again, trading at year-end 2025 for less than 50% of book value, reflective of their indebted capital structure and the market's worries about their ability to withstand the current deep downturn. By contrast, West Fraser's net cash balance sheet – although likely to become marginally indebted after year-end results – provides it with both safety/preservation qualities as well as the potential opportunity to buy quality assets at the bottom of the cycle. The key to surviving deep troughs in cyclical businesses is a fortress balance sheet. As others in the industry go bankrupt under financial duress, opportunistic M&A can give a surviving company a much stronger competitive position in the next up-cycle. Financial leverage cuts both ways – but with so much operating leverage in their business, employing too much financial leverage could be a sign of greed, and sometimes an eventual kiss of death. In November, we employed one of my longstanding investing tenets in cyclical sectors – when the good, the bad, and the ugly are all down, buy the best-in-class. (West Fraser Group in this case) At 70% of book value – despite the risk of future asset impairments – West Fraser's superior through-cycle returns on capital, pristine balance sheet and shareholder value-oriented capital allocation record, including their current repurchasing of shares at today's significant discount to fair value, we have both a margin of safety against a permanent loss of capital, as well as exposure to the best-in-class operator to capitalize on the eventual recovery in lumber pricing, which we believe is within our 3-5 year investment time horizon.

Outlook

Our portfolio is built not for the last market cycle, but for the next one. The world has changed in very significant ways this past year – ways which will have lasting impact on which sectors and geographies will generate the best future returns with less absolute risk (volatility is not risk, it is a source of opportunity for disciplined, experienced investors). If our 32 year history and experience is a useful guide, including occasional periods of crisis during each segment of my career while at Morgan Stanley, Franklin Mutual Advisers and Lazard, as well as during the last ten years with 1949 Value Advisors, our brand of value investing will likely fare very well in the next decade's changing market environment.

Our investment approach is 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 and challenging time in the world, and in equity markets. Paraphrasing hockey great Wayne Gretzky, it's time to skate to where the puck is going to be, not chasing where it has already been.

Thank you for your support, and please feel free to call or e-mail to discuss anything further. We would be honored for the opportunity to serve you.

Matthew T. Haynes, CFA
Chief Investment Officer / Portfolio Manager
matthew.haynes@1949global.com
(201) 252-8640

Past performance is not an indicator of future results. Investment returns will fluctuate so that an investment may be worth more or less than the initial investment at the time of withdrawal. Portfolio performance figures are net of all advisory fees. All index, performance, and graphs are calculated using data supplied by Bloomberg LP. The data is considered reliable but may differ from other published index providers. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of global developed markets.

This summary does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product. Any such offer or solicitation may only be made to qualified investors and only by means of an approved confidential private offering memorandum or investment advisory agreement and only in those jurisdictions where permitted by law.

This summary reflects select positions of the current portfolio of a managed account advised by 1949 Value Advisors. There is no guarantee that a commingled investment vehicle or another investment account managed by 1949 Value Advisors will invest in the same investments set forth in this summary. The investment approach and portfolio construction set forth herein may be modified at any time in any manner believed to be consistent with the managed account's overall investment objectives.

While all information herein is believed to be accurate, 1949 Value Advisors makes no express warranty as to the completeness or accuracy nor does it accept responsibility for errors appearing in the summary.

This summary is strictly confidential and may not be distributed.