

# Hirschmann Capital

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July 11, 2018

Dear Partner,

Updated results, net of all fees, for the Hirschmann Partnership (the “Fund”) are shown below:

	<b>Class A Return</b>	<b>Class B Return</b>	<b>S&amp;P 500 Index</b>	<b>MSCI World Index</b>	<b>Gold</b>
Q4 2014	-2.2%	-2.2%	4.9%	1.0%	-2.2%
2015	27.0%	24.8%	1.4%	-0.5%	-10.4%
2016	47.1%	44.7%	12.0%	7.9%	9.1%
2017	-12.6%	-12.6%	21.8%	22.8%	12.6%
H1 2018	-7.1%	-7.1%	2.7%	0.6%	-3.8%
<b>Cumulative</b>	<b>48.3%</b>	<b>43.4%</b>	<b>48.9%</b>	<b>34.0%</b>	<b>3.5%</b>
<b>Annualized</b>	<b>11.0%</b>	<b>10.0%</b>	<b>11.1%</b>	<b>8.0%</b>	<b>0.9%</b>

Through mid-April, the Fund had appreciated ~12.4%, but it declined in May and June. It has partly rebounded (1.9% in July).

## Portfolio Detail

Much of the Fund’s underperformance over the last six months—over the last 24 months, in fact—is due to [REDACTED]

[REDACTED]

Going forward, several factors are in our favor. Even if [REDACTED]

[REDACTED]

Finally I continue to expect the Fund to do exceedingly well if any of the bubbles burst in [bonds](#), [China](#) or [US equities](#). The current US expansion, for example, is now less than one year from being the longest ever, and its end might easily pop those bubbles.

Our GLS continue to be trading at large discounts to value of their gold assets (even if [REDACTED] and gold does not appreciate). Thus, I’ve taken advantage of the GLS price declines over the last six months to add to some of our positions at compelling valuations.

In sum, although it is frustrating that we have underperformed, I’m confident that our patience will be rewarded.

The Fund’s H1 2018 return was determined mainly by the GLS:

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Security	██████████	H1 Return Contribution	Portfolio Weight		██████████
			Jul-18	Dec-17	
GLS C	██████████	4.9%	27.3%	35.4%	██████████
GLS M	██████████	5.7%	20.6%	13.2%	██████████
GLS S	██████████	-9.8%	15.0%	21.4%	██████████
GLS I	██████████	-2.3%	6.4%	0.0%	██████████
GLS X	██████████	-2.6%	4.7%	0.0%	██████████
GLS G	██████████	0.5%	3.4%	4.5%	██████████
GLS D	██████████	-4.0%	2.4%	6.2%	██████████
GLS L	██████████	-0.3%	1.4%	2.0%	██████████
<b>Total GLS</b>		<b>-8.0%</b>	<b>81.1%</b>	<b>82.7%</b>	
UK Company	██████████	0.1%	10.7%	10.0%	
CCC	██████████	1.0%	8.2%	7.3%	
<b>Total</b>		<b>-7.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

CCC stands for counter-cyclical China-related company.

### GLS Negative Contributors

GLS D, GLS I (“I”) and GLS X (“X”) declined in H1 due to higher projected mining costs. GLS S (“S”) was additionally impacted when ██████████. S should appreciate dramatically when it ██████████. We have used S, X and I’s recent decline to add to our positions.

### GLS Positive Contributors

GLS C (“C”) is ██████████. C remains undervalued and ██████████. Nevertheless, as part of the diversification strategy outlined in my [prior letter](#), our position in C will continue to be gradually reduced.

GLS M (“M”) is producing gold from ██████████. M’s portfolio weight has increased to 21% as it has appreciated ~50% since we purchased it last fall. Although it remains undervalued, it’s less undervalued than before, and I am considering reducing it once it is taxable as a long-term gain.

### Other

I continue to have the majority of my net worth invested in the Fund.

I occasionally post articles relevant to the Fund on [Twitter](#).

Our [main office](#) recently moved to San Juan, Puerto Rico.

The Fund continues to strive for tax efficiency and has yet to incur any short-term capital gains.

Partners will receive several items over the next six months:

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- Account statements will be sent this week
- In early December, partners will receive a tax estimate (i.e., a preliminary K-1)
- The Fund's next letter will be sent in mid-January

The Fund's most important competitive advantage will always be its patient clients, so I greatly appreciate your continued support. Please contact me with any questions or comments.

Kind regards,  
Brian

## Disclaimer

The Hirschmann Partnership LP (the “Fund”) began operating on October 1, 2014. The Fund’s principal objective is to achieve positive market returns primarily through fundamental analysis of small- and micro-cap equities in U.S. and foreign markets. Hirschmann Capital LLC (the “General Partner”) seeks to achieve the Fund’s investment objective by identifying equities that are trading at large discounts to actual value. The Fund invests primarily in small- and micro-cap equities in U.S. and foreign markets but also invests in other securities, bonds, commodities and derivatives. An investment in the Fund should be considered a long-term investment.

The information contained herein reflects the opinions and projections of the General Partner on the publication date. The opinions and projections are subject to change without notice at any time. The General Partner does not represent that any opinion or projection will be realized. All information provided is for information only and is not investment advice or a recommendation to purchase or sell any specific security. The General Partner has an economic interest in the securities discussed in this document, but the General Partner’s economic interest is subject to change without notice. While the information presented herein is believed to be reliable, no representation or warranty is made concerning the accuracy of any data presented.

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Performance results shown are for the Hirschmann Partnership LP and are presented net of all fees, including performance allocation, brokerage commissions and other operating expenses of the Fund. Net performance includes the reinvestment of all dividends, interest, and capital gains. The General Partner does not receive any asset-based management fees. For each Class A Limited Partner, the General Partner is allocated a performance allocation equal to 25% of the amount by which the increase in net asset value exceeds a 6% annualized hurdle rate. For each Class B Limited Partner, the General Partner is allocated a performance allocation equal to 33% of the amount by which the increase in net asset value exceeds the S&P 500 Index.

In practice, the performance allocation is earned annually or upon a withdrawal from the Fund. Because some investors may have different fee arrangements and depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance as stated herein.

This document refers to indices such as the S&P 500 and MSCI World. Reference to an index does not imply that the Fund will have returns, volatility or other characteristics similar to the index. The indices only contain equities while the Fund may invest in other securities. The Fund is significantly more concentrated than the indices and may experience higher volatility. You cannot invest directly in the indices.

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