

July 29, 2025

Dear Partner,

Below are updated results for the Hirschmann Partnership (the "Fund"). In H1 2025, Class A appreciated 68.0% v. 6.2% for the S&P 500. Despite the Fund's ultra-bearish strategy, it has outperformed both US and global equities since its inception.

	Class A Return	Class B Return	S&P 500 Index	MSCI World Index	Gold Miner Index	Junior Gold Miner Index	Gold (US\$)
Q4 2014	-2.2%	-2.2%	4.9%	0.6%	-13.3%	-28.0%	-2.2%
2015	27.0%	24.8%	1.4%	-0.9%	-24.8%	-19.2%	-10.4%
2016	47.1%	44.7%	12.0%	7.5%	54.3%	75.1%	9.1%
2017	-12.6%	-12.6%	21.8%	22.4%	12.2%	6.2%	12.6%
2018	-23.0%	-23.0%	-4.4%	-8.7%	-8.5%	-11.3%	-1.5%
2019	63.3%	63.3%	31.5%	27.7%	40.4%	42.2%	18.3%
2020	52.1%	64.4%	18.4%	15.9%	23.7%	30.9%	25.1%
2021	-23.7%	-23.7%	28.7%	21.8%	-9.4%	-21.0%	-3.6%
2022	-53.0%	-53.0%	-18.1%	-18.1%	-8.6%	-14.3%	-1.2%
2023	42.6%	42.6%	26.3%	23.8%	10.6%	8.6%	14.1%
2024	61.8%	61.8%	25.0%	18.7%	10.6%	15.7%	27.2%
H1 2025	68.0%	71.7%	6.2%	9.5%	53.5%	58.7%	25.3%
<b>Cumulative</b>	<b>324.7%</b>	<b>353.8%</b>	<b>281.7%</b>	<b>184.5%</b>	<b>179.2%</b>	<b>141.4%</b>	<b>171.6%</b>
<b>Annualized</b>	<b>14.4%</b>	<b>15.1%</b>	<b>13.3%</b>	<b>10.2%</b>	<b>10.0%</b>	<b>8.5%</b>	<b>9.7%</b>

S&P 500 is gross return. MSCI Index is net return. Gold Miner Index is NYSE Arca. Junior Gold Miner Index is MVIS Global. As of June 30

The end of the US superbubble continues to seem near:

- US equity valuations remain the highest-ever on nearly all reliable metrics<sup>1</sup>
- The US real estate bubble is tottering: home affordability is near an all-time low<sup>2</sup> while home listings and days on market have been rising<sup>3</sup>
- In May, the US 30-year bond yield reached its highest level since 2006.<sup>4</sup> I have often warned that US government debt is at levels that have nearly always led to default (see [2020](#) and [2023](#) letters). As I mentioned in my previous letter, surging yields are precisely how a debt crisis might begin
- The yield curve,<sup>5</sup> unemployment rate,<sup>6</sup> and Leading Economic Index<sup>7</sup> continue to indicate that a US recession is imminent. These indicators have accompanied eight of the last eight recessions, with no false positives. Meanwhile, the largest tariff increase in US history<sup>8</sup> may upend the economy. As [previously noted](#), a recession should trigger a US government debt crisis

Although our gold mining equities (GMEs) have rallied, they remain extremely undervalued and remain an ideal way to invest in gold (see [prior letter](#)). After an update on our GMEs, I discuss several misconceptions about gold.

## Portfolio Detail

The Fund's portfolio is summarized below:

Security	Region	Portfolio Weight		H1 '25 Return	Price /	Stage
		Jun-25	Dec-24	Contribution	Intrinsic Value	
GME S		19.3%	7.9%	24.0%	5.3%	
GME Z		9.3%	3.1%	9.6%	25.1%	
GME S2		9.1%	1.2%	4.2%	12.5%	
GME C3		8.2%	9.8%	4.5%	28.2%	
GME F		8.0%	6.6%	4.8%	6.0%	
GME U		7.4%	6.0%	4.5%	21.3%	
GME E2		6.9%	2.4%	0.9%	13.3%	
GME E		6.8%	6.3%	0.2%	5.8%	
GME X2		6.4%	1.6%	1.7%	11.6%	
GME G2		5.8%	10.7%	-0.7%	20.0%	
GME U2		4.5%	0.9%	3.4%	30.0%	
GME N		3.8%	4.7%	1.9%	9.3%	
GME P		2.2%	1.1%	1.3%	6.7%	
GME D2		1.2%	1.5%	0.5%	21.4%	
GME G3		0.7%	1.1%	0.2%	Acquired in H2	
GME C2		0.4%	1.4%	0.6%	Sale Pending	
GME O2		Sold	0.5%	0.0%	Sold	
GME C1		Sold	33.7%	9.9%	Sold	
<b>Total GMEs</b>		<b>99.9%</b>	<b>100.4%</b>	<b>71.7%</b>		
Cash		0.1%	-0.4%	0.0%	100.0%	N/A
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>71.7%</b>		

Prices are as of Jun. 30. Returns exclude performance allocation. GMEs are listed by descending portfolio weight.

GME S ("S") appreciated for two reasons. First, [REDACTED].  
[REDACTED]. Second, S appointed new leadership with extensive experience in [REDACTED].

GME C1 ("C1") appreciated after announcing a merger with a larger Australian gold producer. Due to C1's increased valuation, I sold the Fund's C1 shares.

GME Z ("Z") appreciated due to higher gold prices and increased expectations that a nearby gold producer will acquire Z.

GME F appreciated due to higher gold prices and favorable drilling results.

GME C3 appreciated as it began producing gold from the second of its three gold projects.

GME U (“U”) appreciated due to higher gold prices and progress towards mine construction (e.g., U recently completed the final feasibility study for its project).

GME U2 (“U2”) appreciated due to favorable drilling results and increased expectations that a nearby gold producer will acquire U2.

### Gold Misconceptions

In April, a professor employed by a large investment manager published a report<sup>9</sup> about gold that was riddled with misconceptions.

*Report: Gold rose in early 2025 because US gold imports increased due to tariff concerns*

The impact of the import increase is insignificant. Through May, US gold imports had increased by \$5 billion year-over-year.<sup>10</sup> That’s only 0.02% of the value of the global aboveground gold inventory. Gold’s appreciation in H1 2025 is more likely due to the depreciation of the US dollar and the US government’s reckless fiscal and trade policies.

*Report: Gold has appreciated since 2005 due to gold exchange-traded funds (ETFs)*

Gold ETFs own less than 2% of the global gold inventory.<sup>11</sup> A 2% ownership stake is too small to account for the 345% real (inflation-adjusted) increase in gold prices since 2005. Gold’s appreciation is better explained by its low valuation in 2005 (see discussion below) and increasing concerns about government borrowing and stimulus.

*Report: Gold has increased since Q3 2022 due to Chinese government buying*

Official Chinese government gold buying since Q3 2022 has been tiny – less than 0.2% of global gold inventory. Further, more than 80% of these Chinese government purchases occurred in 2022-23, whereas gold’s large rally didn’t begin until 2024.<sup>12</sup>

A major bank recently claimed that, due to underreporting, actual Chinese government buying has been ~0.5% of the world’s gold inventory.<sup>13</sup> However, that amount is still small and remains unproven.

Global institutional investors, which control 70-80% of global financial assets,<sup>14</sup> have far greater impact on gold prices than the Chinese government. China’s central bank, which is the primary holder of the Chinese government’s gold,<sup>15</sup> controls only ~1% of global financial assets.

*Report: Gold is not a useful safe asset because it is much more volatile than inflation*

Despite gold’s volatility, adding gold to a portfolio has historically improved risk-adjusted returns.<sup>16</sup> Gold’s impact on portfolio returns is a much better way to assess gold’s usefulness than comparing the volatilities of gold and inflation. Nearly all asset classes (e.g., equities, bonds, and real estate investment trusts) are more volatile than inflation. Further, gold’s volatility creates opportunities for the Fund to purchase gold at a bargain price when its valuation is low and sell gold when its valuation is high (see paragraph below).

*Report: Gold is overvalued because its inflation-adjusted price is at an all-time high*

My preferred method for valuing gold is by comparing [REDACTED] to their historical average. When gold [REDACTED] are low ([REDACTED]), investors tend to [REDACTED]. When gold [REDACTED] are high ([REDACTED]), investors tend to [REDACTED]. Since the aboveground gold inventory is relatively fixed in the short term, [REDACTED].

It is incorrect to value gold by comparing its inflation-adjusted price to its historical average. [REDACTED] since the US ended its gold peg in 1971. Therefore, the gold price has had to increase in real terms for [REDACTED].

[REDACTED]. Therefore, gold's valuation is reasonable given the high probability of an inflation crisis.

The report also criticized gold using two Warren Buffett quotes. Here is the first quote: *"What motivates most gold purchasers is their belief that the ranks of the fearful will grow. Beyond that, the rising price has on its own generated additional buying enthusiasm, attracting purchasers who see the rise as validating an investment thesis. As 'bandwagon' investors join any party, they create their own truth — for a while."*

Gold investors do indeed expect the ranks of the fearful to grow during the looming crisis. However, there is nothing wrong with buying cheap insurance before a flood. Buffett himself has said investors should "be fearful when others are greedy."

Unlike US equities and real estate, gold's valuation is near its historical mean; thus, the "bandwagon" effect should not be a significant concern.

The second Buffett quote: *"Gold has two significant shortcomings, being neither of much use nor procreative. True, gold has some industrial and decorative utility, but the demand for these purposes is both limited and incapable of soaking up new production. Meanwhile, if you own one ounce of gold for an eternity, you will still own one ounce at its end."*

Industrial and decorative demand for gold is indeed small. However, I'm bullish on gold because I expect higher [REDACTED] for gold, not because I expect higher industrial and decorative demand.

I'm not arguing that gold will outperform equities for eternity. However, I do expect the gold price to increase dramatically in the looming inflation crisis as investors seek a safe alternative to bonds, equities, and bank accounts. Indeed, gold may increase more than 150% if [REDACTED] return to their peak during the 1965-82 US Great Inflation. Therefore, gold is currently a sensible investment.

The high costs and complexity of gold mining limit new gold production. Further, since gold is virtually indestructible, most of the gold ever mined still exists. This ensures that annual gold production is a tiny percentage of aboveground gold inventory. (See [2020 letter](#).) Thus, new production should be trivial compared to investor demand during a crisis.

In the unlikely event that no crisis occurs, the real gold price should nevertheless increase because the [REDACTED] should easily exceed the increase in gold inventory due to new production.

### Other

I remain the Fund's second-largest investor, with most of my net worth invested in the Fund.

We remain open to new investors, so feel free to distribute the [redacted version of this letter](#).

As of July 2025, the Fund's expense ratio was ~0.12%, which compares favorably to the 0.44% average for mutual funds and ETFs.<sup>17</sup>

Partners' account statements will be uploaded shortly to the [administrator's portal](#). The Fund's next letter is scheduled for mid-January.

In March, I was [interviewed](#) by the Wall St for Main St podcast.

Tax estimates will be sent in October. If there is a significant change, a second estimate will be sent in December. The Fund continues to focus on tax efficiency and has yet to incur any significant short-term capital gains. Unlike more than 99% of hedge funds,<sup>18</sup> the Fund has no non-deductible management fees.

As of July 2025, the Fund had 33 clients (i.e., limited partners).

In H1 2025, the Fund introduced a new e-subscription platform.

I occasionally post comments relevant to the Fund on [Twitter](#) and, less frequently, on [LinkedIn](#).

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 Hirschmann  
Managing Partner

## Endnotes

<sup>1</sup> Metrics that have been reliable predictors of future returns include [price to sales](#), [price to replacement cost \(FAQ\)](#), [price to gross value added](#), [price to GDP](#), and [price to cyclically adjusted earnings](#). [See here for more about reliable valuation metrics](#).

<sup>2</sup> Source: [Atlanta Fed](#)

<sup>3</sup> Source: [RedFin](#)

<sup>4</sup> Source: [Trading Economics](#)

<sup>5</sup> Source: [New York Fed](#). The end of yield curve inversions predicted eight of the last eight US recessions.

<sup>6</sup> Source: Federal Reserve. The unemployment rate rising 0.4% above its three-year average has predicted ten of the last ten recessions. The 1979-82 recession is counted as one recession.

<sup>7</sup> Source: Conference Board. [See June 20 press release](#). The nine prior US Leading Economic Index declines have been followed by recessions.

<sup>8</sup> Source: [VisualCapitalist](#). As shown on the Visual Capitalist chart, tariffs were highest in the early 1900s. However, the expected 2025 tariff increase is the largest increase on the chart. For a more recent estimate of the 2025 tariff increase, see the first chart in [this article](#)

<sup>9</sup> See [“Gold \\$5,000?”](#)

<sup>10</sup> Source: [US Trade Numbers](#)

<sup>11</sup> Source: World Gold Council

<sup>12</sup> Source: World Gold Council

<sup>13</sup> Source: [Bloomberg](#)

<sup>14</sup> Source: [ChatGPT](#)

<sup>15</sup> Source: [ChatGPT](#)

<sup>16</sup> Source: [World Gold Council](#)

<sup>17</sup> Source: [Vanguard](#)

<sup>18</sup> Source: Guy Spier. See [Zero Management Fees – The Survey](#)

## 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 trading at large discounts to actual value. The Fund primarily invests in small- and micro-cap equities in U.S. and foreign markets, but also invests in other securities. 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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The 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, the net performance for an individual investor may vary from the net performance stated herein.

This document refers to indices such as the S&P 500. This does not imply that the Fund will have returns, volatility, or other characteristics similar to those of the indices. The Fund’s holdings may differ significantly from those of the underlying securities of the indices. The indices have not been selected as comparative measures of investment performance, but they are disclosed since they are well-known and widely used. You may not be able to invest directly in the indices.

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