

# Hirschmann Capital

January 29, 2026

Dear Partner,

Below are updated results for the Hirschmann Partnership (the "Fund"). In H2 2025, Class A and Class B returned 63.2% and 67.3%, respectively, versus 11.9% for the S&P 500. Despite its ultra-bearish strategy, the Fund has outperformed US and global equities since inception.

	<b>Class A Return</b>	<b>Class B Return</b>	<b>S&amp;P 500 Index</b>	<b>MSCI World Index</b>	<b>Gold Miner Index</b>	<b>Junior Gold Miner Index</b>	<b>Gold (US\$)</b>
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%
2025	174.2%	187.3%	18.8%	21.1%	158.3%	176.5%	64.7%
YTD 2026	22.7%	20.8%	1.9%	2.1%	26.8%	25.5%	22.1%
<b>Cumulative</b>	<b>750.2%</b>	<b>816.9%</b>	<b>335.1%</b>	<b>220.9%</b>	<b>495.8%</b>	<b>428.0%</b>	<b>336.1%</b>
<b>Annualized</b>	<b>20.8%</b>	<b>21.6%</b>	<b>13.9%</b>	<b>10.8%</b>	<b>17.1%</b>	<b>15.8%</b>	<b>13.9%</b>

S&P 500 is gross return. MSCI is net return. Gold Miner Index is NYSE Arca. Junior Gold Miner Index is MVIS Global. As of Jan. 29

After an update on our gold mining equities ("GMEs"), I discuss historical gold portfolio allocations and compare our GMEs to other bearish strategies.

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### Portfolio Detail

The Fund's portfolio is summarized below:

Security	██████████	Portfolio Weight		H2 '25 Return	Price /	Stage
		Dec-25	Jun-25	Contribution	Intrinsic Value	
GME S	██████████	18.6%	19.3%	14.0%	6.7%	Developer
GME F	██████████	13.8%	8.0%	16.4%	16.3%	Developer
GME E2	██████████	10.3%	6.9%	10.3%	23.6%	Developer
GME S2	██████████	8.3%	9.1%	5.8%	14.9%	Developer
GME E	██████████	8.3%	6.8%	6.8%	16.3%	Developer
GME C3	██████████	7.4%	8.2%	4.8%	31.0%	Producer
GME U	██████████	7.3%	7.4%	5.5%	36.7%	Developer
GME X2	██████████	6.2%	6.4%	4.5%	33.0%	Developer
GME G2	██████████	5.5%	5.8%	4.0%	28.7%	Developer
GME U2	██████████	4.8%	4.5%	7.5%	To Be Sold	Developer
GME Z	██████████	4.6%	9.3%	-1.2%	21.8%	Developer
GME N	██████████	2.4%	3.8%	0.4%	8.0%	Developer
GME P	██████████	2.0%	2.2%	1.1%	8.7%	Developer
GME D2	██████████	1.3%	1.2%	1.2%	25.8%	Producer
GME G3	██████████	Sold	0.7%	0.2%	Sold	Developer
GME C2	██████████	Sold	0.4%	0.2%	Sold	Producer
<b>Total GMEs</b>		<b>100.8%</b>	<b>99.9%</b>	<b>81.5%</b>	<b>18.7%</b>	
Cash		-0.8%	0.1%	0.0%	100.0%	N/A
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>81.5%</b>		

Prices are as of Dec. 31. Returns exclude performance allocation. GMEs are listed by descending portfolio weight.

While higher gold prices benefited all holdings in H2, company-specific developments also supported several positions.

GMEs F, U, and X2 appreciated following positive feasibility studies.<sup>1</sup>

GME S rose as new management rapidly secured federal and state relationships in ██████████.

GME E2 appreciated after prioritizing its permitted, lower-risk ██████████ project.

GME C3 benefited from record gold production.

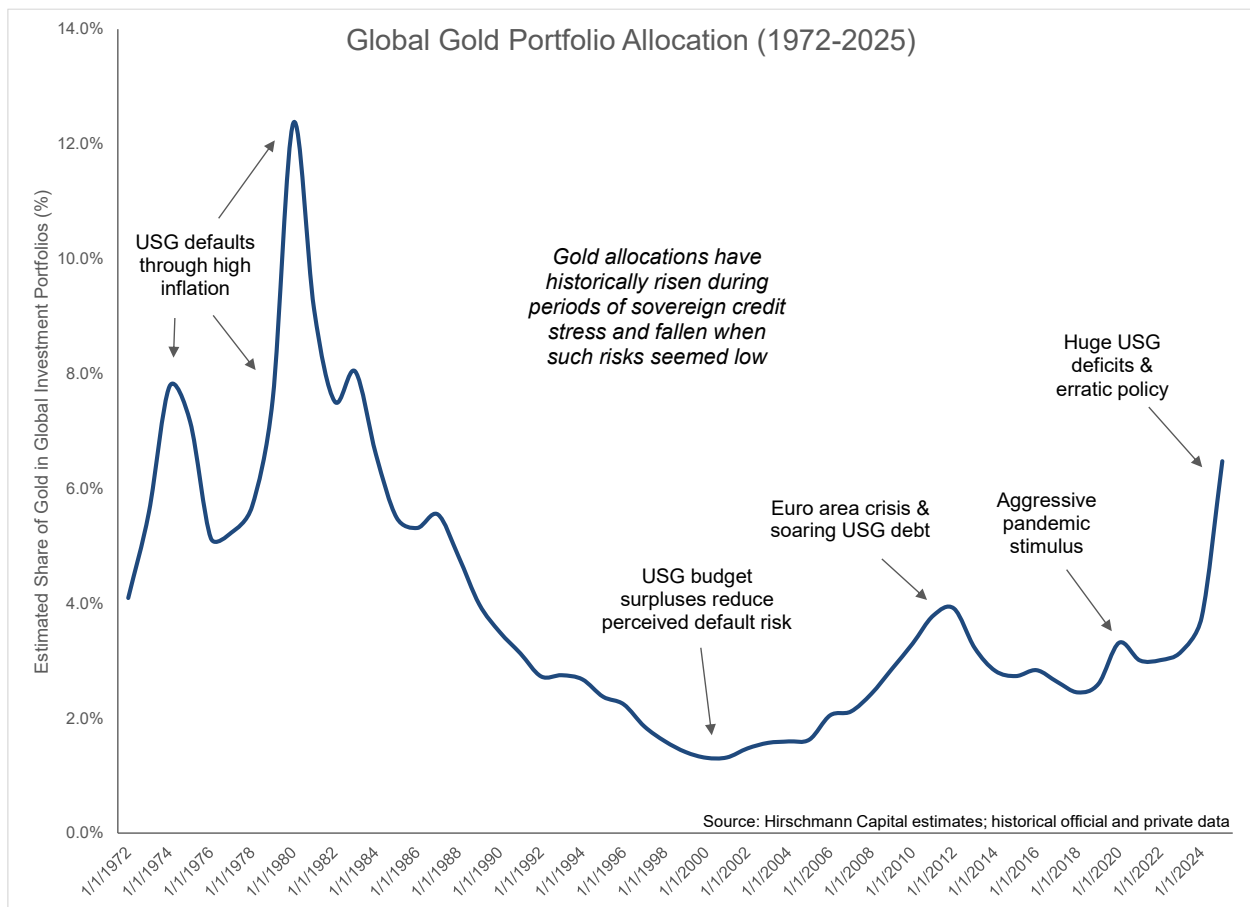
GME G2 appreciated after it shifted focus from exploration to mine development.

GME U2 was acquired by a major Canadian gold producer.

## Gold Valuation History

As shown in the chart below, investors have historically increased their gold allocations during periods of heightened concern about sovereign default—whether the default is outright or via inflation. Because the above-ground gold inventory is effectively fixed in the short term, a doubling of global gold allocations (e.g., 5% to 10%) should cause a proportional increase in the gold price. At year-end 2025, investors’ gold portfolio allocation stood at ~7%, well below the ~12% allocation reached in 1980, when the US government (USG) was effectively defaulting via high inflation.

As discussed in prior letters, the probability of a sovereign debt crisis is extremely high. Since 1825, all 55 [net debtor countries](#) with gross government debt exceeding 120% of GDP ultimately defaulted—whether through restructuring, devaluation, high inflation, or outright nonpayment.<sup>2</sup> Examples are shown in an endnote.<sup>3</sup> Crucially, this dataset excludes net creditors like Japan, which have historically [proven more resilient](#). The US, however, is the largest net debtor in history. It has already crossed the critical 120% threshold and should be far beyond it after the next recession.



At year-end 2025, gold allocations reached their highest level since 1984, a rational response to the high probability of a USG default via inflation. Given that a US debt crisis should coincide

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with private deleveraging and a collapse of the US equity and real estate bubbles, the next crisis should be far worse than in 1980, implying that gold allocations could surpass their 1980 peak.

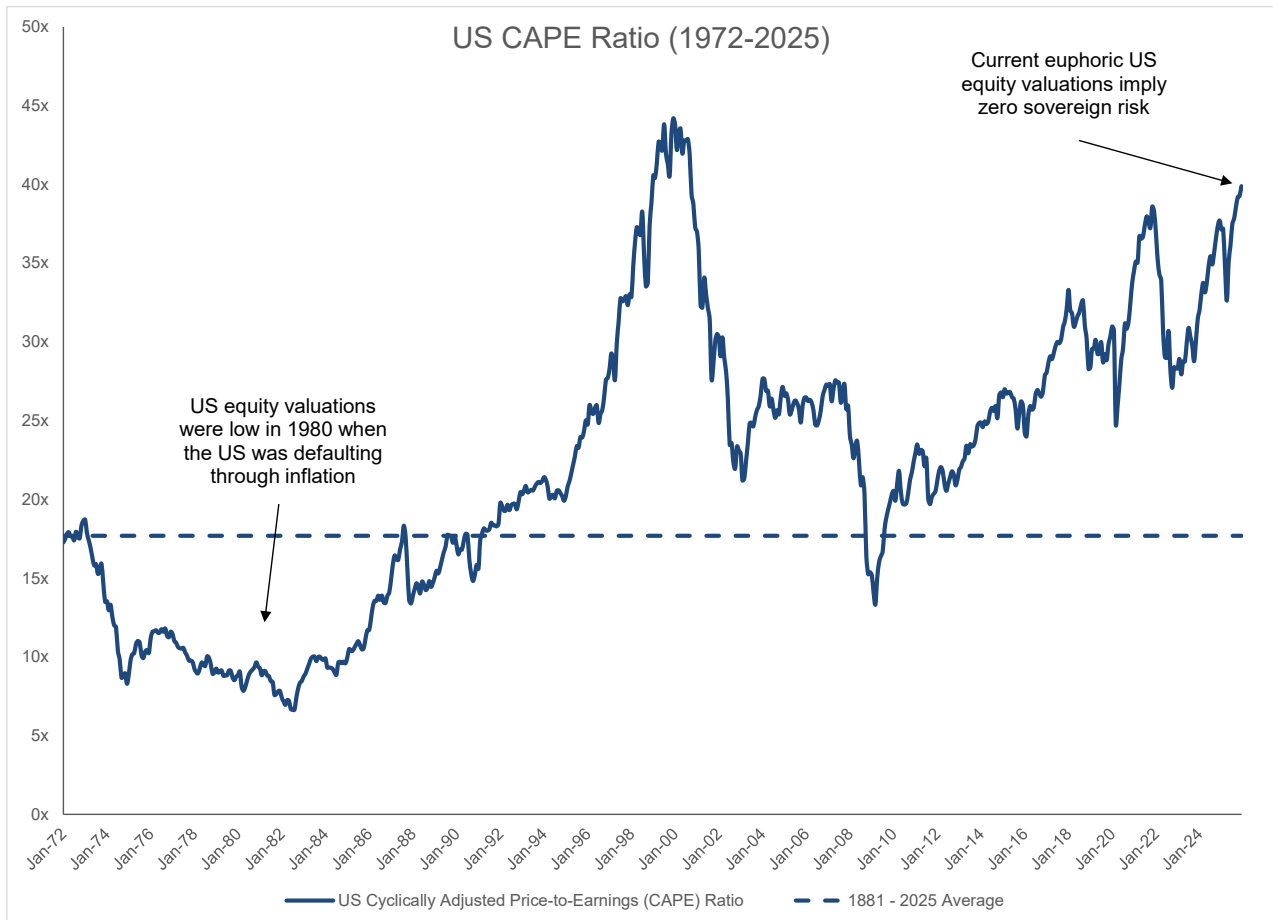
The Fund's GMEs remain far more attractive than gold bullion. Investors, distracted by bubbles in US equities and cryptocurrencies, fail to appreciate how higher gold prices have improved the safety and takeover prospects of our GMEs. If gold continues to rise, the Fund's GMEs should continue to outperform by a wide margin due to their low valuations and [fixed costs](#). Even if gold prices plateau or decline, the Fund's GMEs should perform well as projects advance from planning to construction and ultimately to production. Indeed, if gold prices do not change, our GMEs should more than triple over the next few years as they converge with their [intrinsic values](#). Minimal debt and low production costs should cushion any temporary drawdown.

## GMEs vs. Other Bearish Investments

During 1979–80, elevated gold allocations coincided with high inflation and an effective USG default. As expected, other asset classes reflected that stress. For example, high interest rates greatly pressured US equity valuations.

Today, gold allocations are again elevated, which suggests gold investors are assigning a substantial probability to renewed sovereign debt stress. In contrast, valuations across most other asset classes continue to imply minuscule sovereign debt risk. (US equities are one example, as the chart below demonstrates.) In sovereign bond markets, regulations (e.g., Basel III and Solvency II), along with other factors, have suppressed risk signals.

As a result, gold has become somewhat less attractive than some other bearish investments, such as equity shorts. For example, if the US CAPE ratio were to revert to its long-term average (let alone its 1980 crisis level), an S&P 500 short could gain more than 50%. In contrast, if gold were to revert to its average allocation since 1970 (~4%), gold could fall more than 35%. However, equity shorts face unlimited downside, negative carry, forced liquidation risk, and adverse tax treatment. See the movie *Dumb Money*, for example. Accordingly, while I continue to evaluate alternative strategies, I still view the GMEs as extremely attractive.



### Other

My interests remain fully aligned with yours. I am the Fund's largest investor, with the vast majority of my net worth invested alongside you.

As of January 2026, the Fund's expense ratio was ~0.06%, which compares favorably to the 0.44% average for mutual funds and ETFs.<sup>4</sup> The Fund remains focused on tax efficiency and has generated minimal short-term capital gains. Unlike more than 99% of hedge funds,<sup>5</sup> the Fund has no non-deductible management fees.

K-1s are scheduled for February. As of December 31, the Fund had 33 limited partners and ~\$60 million in assets under management. Partners' account statements will be uploaded to the [administrator's portal](#) shortly.

In November, I was [interviewed](#) on The Julia La Roche Show. I occasionally post comments relevant to the Fund on [Twitter](#) and, less frequently, on [LinkedIn](#).

In 2025, the Fund's auditor, Spicer Jeffries LLP, was [acquired](#) by [Cherry Bekaert](#). Cherry Bekaert will therefore conduct the Fund's next audit.

The Fund remains open to new investors, so feel free to distribute the [redacted version of this letter](#). The Fund's next letter is scheduled for mid-July.

The Fund's most important competitive advantage will always be its patient clients, so I greatly appreciate your continued support. As always, please feel free to contact me with any questions or suggestions.

Kind regards,

A handwritten signature in black ink, appearing to read 'BH', with a large, stylized flourish above the letters.

Brian Hirschmann  
Managing Partner

## Endnotes

<sup>1</sup> GME U's H2 [REDACTED]

<sup>2</sup> In [a prior letter](#), I noted that since 1800, 51 out of 52 countries with debt exceeding 130% of GDP defaulted. That earlier dataset included net creditors—such as the UK (1825–1945) and Japan (1970–present)—whereas the current analysis focuses strictly on net debtors.

<sup>3</sup>

### Government Default Study Examples

Country	120% Threshold		Default Type	Default Cause
	Crossed	Default		
Argentina	1827	1827	Outright default	Independence
Spain	1869	1877	Restructuring	Revolution
Turkey	1872	1876	Outright default	Drought and floods
Spain	1900	1900	Various	Spanish-American War
Germany	1918	1922	Hyperinflation	World War I
Italy	1919	1920	High inflation	World War I
Canada	1945	1946	High inflation	World War II
Ghana	1960	1966	Restructuring	Lower exports
Costa Rica	1981	1981	Outright default	Lower exports
Jamaica	2002	2005	High inflation	FINSAC Crisis
Greece	2009	2010	Bailout	2008 Financial Crisis
Iceland	2009	2011	Bailout	2008 Financial Crisis

Source: Reinhart and Rogoff, RIETI Japan, Bloomberg, HC estimates

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

<sup>5</sup> Source: Guy Spier. See [Zero Management Fees – The Survey](#)

## Disclaimer

The Hirschmann Partnership LP (the “Fund”) commenced operations on October 1, 2014. The Fund’s principal objective is to achieve positive long-term returns primarily through fundamental analysis of small- and micro-capitalization equities in U.S. and foreign markets. Hirschmann Capital LLC (the “General Partner”) seeks to achieve this objective by identifying securities trading at substantial discounts to intrinsic value. While the Fund primarily invests in small- and micro-cap equities, it may also invest in other securities. An investment in the Fund should be considered long-term in nature.

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Performance results shown are for the Hirschmann Partnership LP and are presented net of all fees, including performance allocations, brokerage commissions, and other operating expenses. Net performance reflects the reinvestment of dividends, interest, and capital gains. The General Partner does not charge an asset-based management fee. 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.

Performance allocations are generally calculated and earned annually or upon a withdrawal from the Fund. Because investors may be subject to different fee arrangements and because performance depends on the timing of capital contributions and withdrawals, individual investor results may differ from those presented herein.

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