July 8, 2015

Dear Partner,

Updated results for the Hirschmann Partnership (the "Fund") are shown below:

	Class A Return	Class B Return	S&P 500 Index	MSCI World Index
Q4 2014	-2.2%	-2.2%	4.9%	1.0%
H1 2015	12.4%	12.4%	1.2%	2.8%
Cumulative	**9.9%**	**9.9%**	**6.2%**	**3.8%**
Annualized	**13.4%**	**13.4%**	**8.4%**	**5.2%**

As a reminder, the share classes are identical except for their performance allocation. For Class A, the performance allocation is 25% of the profit above a 6% hurdle rate. For Class B, it is 33% of the profit above the S&P 500 return. Neither has a management fee.

Since the Fund invests for the long-term (i.e., ~7 years), short-term results are less meaningful. Nevertheless, I am pleased that the Fund's conservative portfolio outperformed a frothy US market over the Fund's first nine months.

The securities that caused Q4 2014 underperformance were the same securities that caused H1 2015 outperformance. This reflects the Fund's value-oriented strategy, which entails sometimes suffering short-term underperformance in order to enjoy long-term outperformance.

Market Update

In short, most markets seem dangerously overvalued.

Government bonds in the US, Japan and Europe are probably the most overvalued they have ever been. Government debt is at levels that have almost always led to default. Yet investors seem to be satisfied with pathetic yields because they believe governments can indefinitely set their own borrowing cost through central banks. This idea may prove as silly as the 1999 idea that the internet justified wild tech stock valuations and the 2006 idea that US housing prices would never fall nationwide. Thus, more debt crises are very likely after the current Greek one.

Based on the cyclically-adjusted price to earnings ratio, US equities are nearly as overvalued as they were on the eve of the 1929 and 2008 crashes. As with bond investors, equity investors seem to blindly believe that central banks can always bail them out. A major stock market decline would almost certainly cause government debt to surge and thereby trigger or exacerbate a debt crisis, which would probably cause further stock market declines.

In contrast to the US, UK equity valuations seem reasonable. Thus, although a European debt crisis might cause a temporary decline, UK equities seem likely to perform well over the long-term. Further, the Pound seems undervalued.

China may be experiencing the largest investment bubble in history. Probably never before has any economy borrowed so much to build so much unaffordable infrastructure and real estate. Every similar past situation seems to have ended badly.

Over the past year, China has attempted to spur growth by encouraging a stock market bubble; however, this strategy seems to have backfired as the market has fallen ~30% in the last month. Meanwhile, GDP growth has continued to slow despite government stimulus and a housing bubble.

Based on the Fund's proprietary model, gold is undervalued – even before considering the high risk of a debt crisis. When bonds plunge due to fears of inflation or default, gold usually soars (e.g., 1977-1981). Since a global debt crisis could be triggered by a China slowdown, a US stock market decline or other events, gold seems likely to appreciate in many scenarios.

I am not predicting an imminent crash anywhere. Markets are always unpredictable in the short-term and bubbles can last for years, as the bubbles in bonds, US equities and China already have. On the other hand, the longer a bubble lasts the higher the probability it will soon burst. The Fund's investments are intended to earn attractive returns whether the bubbles suddenly pop or last for many more years.

For more on these topics, see the presentation under the "About" section of the Fund's website.

Portfolio

The Fund's portfolio as of July 2 is summarized below:

Category	Weight
Countercyclical China-Related Companies	48%
Gold-Linked Securities	35%
UK Company	17%
Cash	0%
Total	**100%**

- The countercyclical China-related companies (CCCs) will probably appreciate substantially if China's growth stabilizes or continues to slow. The CCCs are all located in English-speaking countries with strong legal and corporate governance systems.
- The gold-linked securities will probably appreciate dramatically if gold rises and appreciate to a lesser extent if gold falls.
- The UK company seems to be a high-quality business selling at a bargain price. Since it has operated for more than a century, it can probably handle whatever comes next.

The CCCs have contributed the most to the Fund's H1 2015 returns and thus their relative weight has risen. Their weight may decline in H2 2015 as the Fund uses new contributions to shift the portfolio toward more attractive securities.

The portfolio remains concentrated in a handful of securities that are trading at large discounts to their estimated value. Although concentration may increase short-term volatility, it will probably reduce long-term risk by allowing the Fund to benefit fully from the rare securities that seem to offer high upside with very little chance of long-term loss.

Other

The Fund continues to strive for tax efficiency and has yet to generate any non-qualified dividends or short-term capital gains.

As always, I have the majority of my net worth invested in the Fund.

A fund is only as strong as its clients are patient, so I greatly appreciate your continued support. Partners will receive their account statements this week and their next letter in January. Please contact me with any questions or comments.

Kind regards,
Brian

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Legal 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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