January 12, 2021

Dear Partner,

In H2 2020, Class A appreciated 21.0% v. 23.4% for the S&P 500. Updated results, net of all fees, for the Hirschmann Partnership (the "Fund") are shown below:

	Class A Return	Class B Return	S&P 500 Index	MSCI World Index	Gold Miner Index	Gold (US$)
Q4 2014	-2.2%	-2.2%	4.9%	1.0%	-13.3%	-2.2%
2015	27.0%	24.8%	1.4%	-0.5%	-24.8%	-10.4%
2016	47.1%	44.7%	12.0%	7.9%	54.3%	9.1%
2017	-12.6%	-12.6%	21.8%	22.8%	12.2%	12.6%
2018	-23.0%	-23.0%	-4.4%	-8.4%	-8.5%	-1.5%
2019	63.3%	63.3%	31.5%	28.1%	40.4%	18.3%
2020	52.1%	64.4%	18.4%	16.3%	23.7%	25.1%
Cumulative	**205.3%**	**219.2%**	**116.0%**	**81.9%**	**79.5%**	**56.8%**
Annualized	**19.6%**	**20.4%**	**13.1%**	**10.0%**	**9.8%**	**7.5%**

MSCI Index is Developed Market Standard (Net w. USA Gross). Gold Miner Index is NYSE Arca Index.

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.

Although the Fund has appreciated ~160% over the past two years, our gold mining equities (GMEs)[1] remain incredibly undervalued. Our GMEs are trading at $200 per gold reserve ounce versus the $1600 per reserve ounce that Warren Buffett's Berkshire Hathaway recently paid for Barrick Gold.[2] That valuation differential should narrow dramatically and thus the Fund should trounce its benchmarks over the long-term even if gold prices falter.

More likely, gold prices won't falter. Instead they should surge as the late-innings bubbles in bonds, China, US equities and US real estate burst. If so, the Fund should appreciate more than 500%. While temporary underperformance is possible, our eventual gains will almost certainly be worth the wait.

Portfolio Detail

Our portfolio is summarized below:

		Portfolio Weight		H2 '20 Return	Price /		
Security	[redacted]	Dec-20	Jun-20	Contribution	Intrinsic Value	[redacted]	[redacted]
GME S	[redacted]	30.5%	45.0%	11.3%	29.8%	[redacted]	[redacted]
GME C	[redacted]	13.8%	3.5%	-2.7%	10.8%	[redacted]	[redacted]
GME C2	[redacted]	9.9%	6.7%	1.3%	25.6%	[redacted]	[redacted]
GME D2	[redacted]	9.6%	5.4%	1.0%	24.1%	[redacted]	[redacted]
GME G2	[redacted]	8.1%	5.0%	2.3%	20.7%	[redacted]	[redacted]
GME A	[redacted]	7.9%	8.1%	0.2%	40.4%	[redacted]	[redacted]
GME R	[redacted]	7.7%	7.1%	6.5%	14.5%	[redacted]	[redacted]
GME N	[redacted]	7.6%	6.4%	3.6%	35.2%	[redacted]	[redacted]
GME D	[redacted]	4.2%	1.9%	0.9%	31.6%	[redacted]	[redacted]
GME O	[redacted]	Sold	4.6%	1.2%	Sold	[redacted]	[redacted]
Total GME		**99.4%**	**93.7%**	**25.5%**			
UK Co.	[redacted]	0.6%	1.0%	0.1%	39.0%	N/A	N/A
Cash		0.0%	5.2%	N/A	100.0%	N/A	N/A
Total		**100.0%**	**100.0%**	**25.6%**			

Prices are as of December 31. Returns exclude performance allocation and operating expenses.

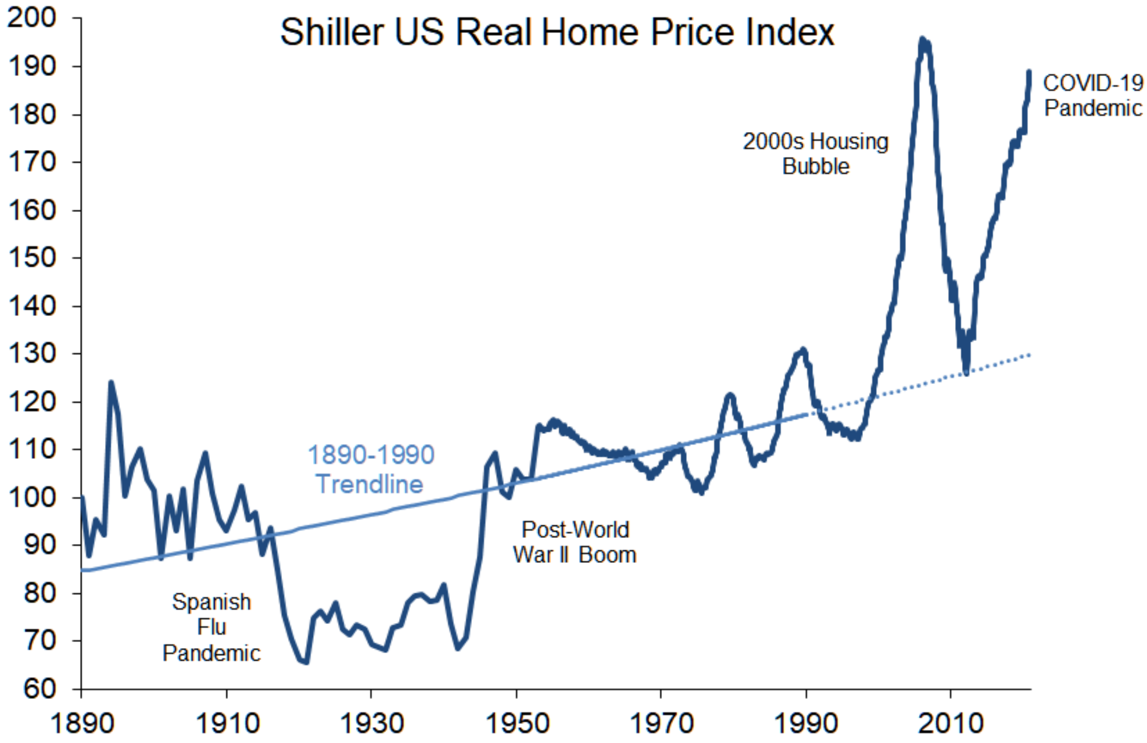
GME S (“S”) appreciated as it [redacted]. S remains a large position due to its high expected return and low long-term risk.

GME R and GME N appreciated, probably due to their low valuations and [redacted]. GME N also [redacted].

GME C (“C”) [redacted]. The Fund should ultimately earn a high return on its C investment as C converges with its intrinsic value.

US Real Estate Bubble

As shown below, US residential real estate (RRE) prices are ~50% above their long-term trend and are approaching their 2006 peak. Price-rent and price-income ratios are also far above their historical averages and nearing their 2006 peaks.[3]



US commercial real estate (CRE), which is roughly half the size of the RRE market, is also severely overvalued. In fact, in early 2020, CRE prices were at an all-time high relative to income.[4] While CRE prices have since declined modestly (~8%), CRE cash flow has plunged far more (~30% y/y).[5]

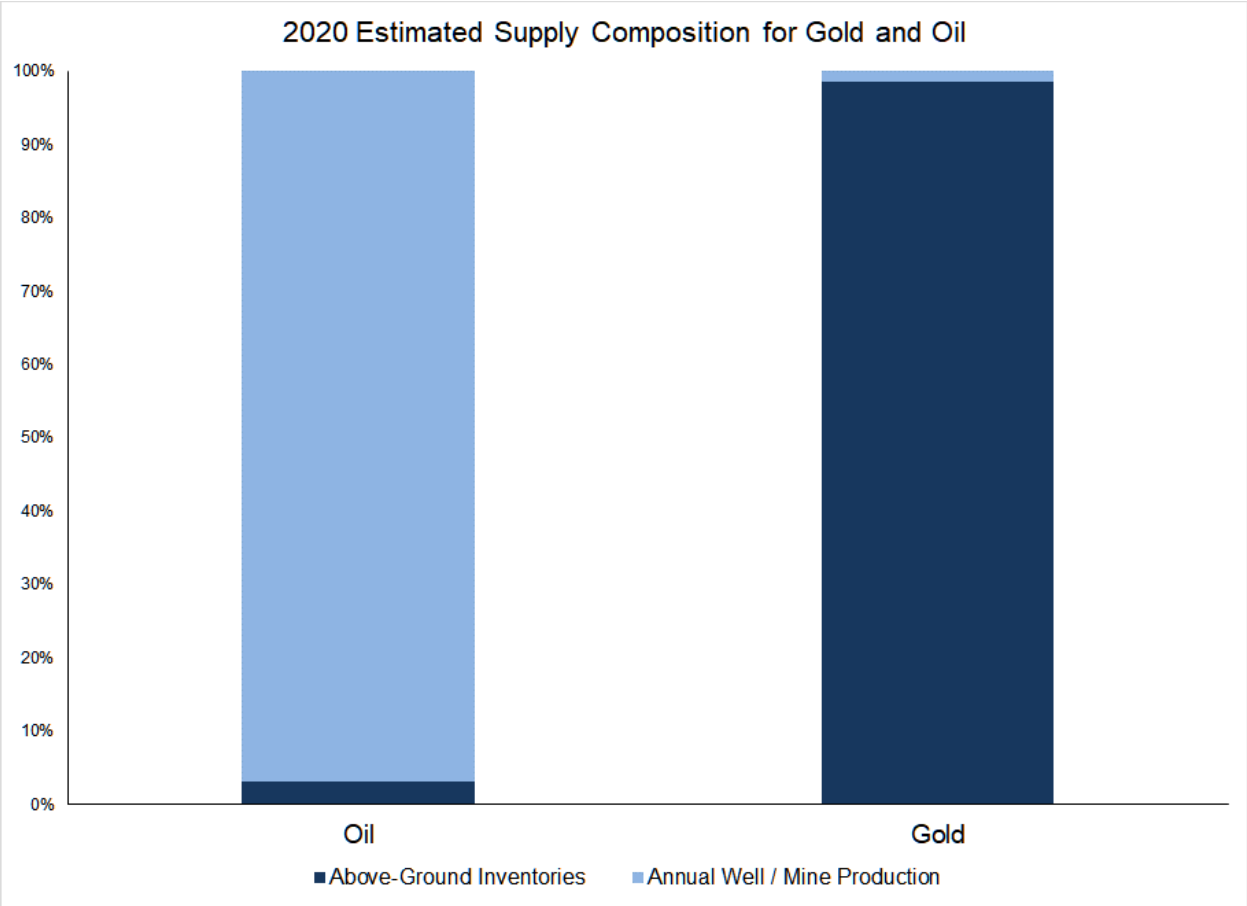
High RRE and CRE valuations are not justified by low interest rates. As during the 2000s housing bubble, builders are incentivized to churn out new real estate whenever prices are high. Hence new construction will pressure both RRE and CRE prices even if rates remain low. (Single-family housing starts have been steadily increasing for the last decade and even increased in 2020.)[6]

If new supply doesn't burst the real estate bubble, higher interest rates should. As discussed in the mid-year 2020 letter, a US government (USG) debt crisis seems inevitable and should cause interest rates to spike. That should cause equity and real estate prices to plunge, which in turn should exacerbate the debt crisis. Our GMEs should then skyrocket.

Gold Supply

A gold bear recently argued that gold mine production will reduce gold prices just as shale oil production has reduced oil prices. However, gold mine production, unlike oil well production, is a tiny portion of supply.

Oil is representative of industrial commodities in that nearly all annual production is quickly consumed. As shown in the chart below, the amount of oil that is stored (e.g. in tanks or oil tankers) is small relative to annual production.[7] Therefore, oil production influences prices far more than inventories do.



In contrast, nearly all mined gold has been stored for investment as bullion or jewelry.[8] [9] As a result, global gold inventory has grown steadily over past millennia and is now more than 60 times annual mine production. Thus, annual mine production is a tiny percentage of gold supply and has a correspondingly tiny impact on prices. While mine production is almost guaranteed to increase if gold's price rips higher, production should remain small relative to gold supply.

Because gold supply doesn't change much from year to year, investor demand is the primary gold price driver. Although my method for forecasting long-term investor demand is confidential, the takeaway is that gold does not seem overvalued and should go through the roof if any of the aforementioned bubbles burst.

Other

We remain open to new investors, so feel free to distribute the redacted version of this letter.

I am the Fund's second-largest investor and continue to have most of my net worth invested in the Fund.

I was recently interviewed by Palisades Radio regarding gold, the Fed and the looming government debt crisis.

I also occasionally post articles relevant to the Fund on Twitter and less frequently on LinkedIn. To view Tweets without creating a Twitter account, see this article.

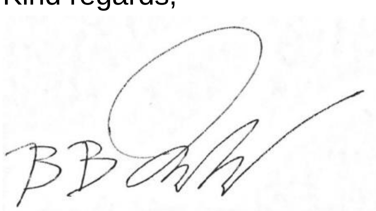
The Fund continues to strive for tax efficiency and has yet to incur any significant short-term capital gains. 2020 tax estimates were distributed in October and December. I expect those estimates to be distributed more promptly in 2021.

Partners will receive several items over the next six months:

- Account statements should be sent this week. [redacted]
- 2020 K-1s should be sent by March
- The Fund's audited financial statements should be sent by May
- The Fund's next letter should be sent in mid-July

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

[1] GMEs were referred to as gold-linked securities (GLS) in prior letters. I've changed the nomenclature solely for clarity. The underlying investments have not changed
[2] The GME gold reserve ounce multiple estimate excludes GME N because [redacted]
[3] Source: Aaron Brown, Bloomberg, Harvard University Joint Center for Housing Studies
[4] Source: Altus Group, Cornerstone Real Estate Advisers, David Ling, NAREIT
[5] Source: Green Street Advisors, NAREIT
[6] Source: Dodge Data & Analytics
[7] Source: US Energy Information Administration
[8] Source: World Gold Council
[9] Jewelry is often called "the poor man's insurance" due to its investment value

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. An investment in the Fund should be considered a long-term investment.

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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. This does not imply that the Fund will have returns, volatility or other characteristics similar to the indices. The Fund's holdings may differ significantly from the indices' underlying securities. The indices have not been selected to be comparative measures of investment performance, but rather are disclosed since they are well-known indices. You may not be able to invest directly in the indices.

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