MAGALLANES

VALUE INVESTORS

1st Quarterly Letter to Investors
2025
MAGALLANES VALUE INVESTORS, S.A. SGIIC

Dear Investor,

Due to the extraordinary nature of recent events, the first quarter letter to investors, for the first time in the history of Magallanes, will not be limited to the official close on 31 March, when the performance of our funds was **+4.3%** for the European fund, **+13.3%** for the Iberian fund and +**5.5%** for the Microcaps fund.[1]

Tariffs: uncertainty and opportunity

Although we were already starting to receive positive news, especially from Europe, 2 April (dubbed 'Liberation Day' by Trump himself) marked the start of one of the worst stock market runs in living memory. A collapse comparable to the worst days of COVID, in March 2020.

After the German federal elections, the government, under the leadership of Friedrich Merz, future chancellor of Germany, approved a historic package of fiscal measures that will provide a significant boost to the German economy, which has been stagnating for some time. Germany launched an infrastructure fund of 500 billion euros for the next 12 years. In addition, the government announced the relaxation of the so-called 'debt ceiling', a measure that will allow for increased public spending in key areas such as defence and security.

In addition to the above, the European Union is also looking for ways to finance the enormous investment needs demanded by the Draghi report. According to this report, it will be necessary to allocate approximately 4.5% of the EU's GDP (around 800 billion euros per year) to carry out the reform of the European economic model. Added to this is the planned increase in defence spending, which should reach 3% of GDP, in accordance with NATO's legal objective. This would imply an additional expenditure of 130 billion euros per year. Overall, the investment required would exceed 900 billion euros per year.

To meet this challenge, the European Commission has launched the Savings & Investment Union (SIU) project, which aims to increase the return on European citizens' savings and expand financing opportunities for businesses, in order to improve the EU's competitiveness. One possible source of funding is European savings themselves. Fortunately, Europe has a solid base: the savings rate is around 15%, well above that of the United States, which stands at around 4%.

However, these good fundamentals that were beginning to take shape in Europe were suddenly overshadowed by the announcement by the US administration to impose a series of tariffs on practically every country in the world. The measure was justified as compensation for the 'plundering and theft' that, in their own words, the United States had suffered for decades. In his argument, 'all countries ripped us off in a way that no country has ever ripped off another in history'.

[1] See Annex 1 for further details of performance by investment strategy, inception date and class.

An excessively permissive US economy in terms of debt and fiscal deficit in recent years (which, let's not forget, has been one of the main drivers of its growth) seems a more credible explanation behind this decision. In a way, it would be an attempt to 'socialise' that heavy financial and fiscal burden with the rest of the world, while seeking to bring about a relaxation in interest rates, which would make it easier to meet the country's not inconsiderable refinancing needs ahead.

Estimation of the theoretical and potential impact on funds

Be that as it may, our job is not to analyse the reasons behind political decisions, but to make our investors' money grow by selecting the best businesses. To do this, we focus on a detailed analysis of the companies, with special emphasis on the price we pay for them, their valuation and, very importantly, the probability of losing money with no chance of recovery: the risk.

Regarding this risk, and as a result of the tariffs announced so far, we have carried out a negative impact analysis on the funds, evaluating how the current situation would affect each company, similar to the analysis we did at the beginning of 2020 regarding the COVID-19 pandemic. This analysis tries to estimate the theoretical loss of intrinsic value of our funds, based on established hypotheses.

We classify companies into three categories according to expected potential risk, taking into account only the exposure of their income statements to the United States. It is important to note that tariffs are not yet in place and their duration is uncertain, making them difficult to calculate. Even the companies themselves do not know how to proceed in this regard.

Thus, companies are divided into three groups: affected, potentially affected and not affected. The companies affected are those that sell in the US but do not produce there; those potentially affected are those that produce in the US and, finally, those not affected are those that do not sell directly in the US or do so only marginally.

Based on this analysis and for the sake of simplicity, we focus on the companies affected, as those potentially affected are exempt from tariffs due to their local production.

Similarly, after a preliminary analysis of the portfolios of our three funds, only the European fund has significant exposure to companies directly affected by the tariffs.

Conclusion of the analysis

According to our calculations, in the Magallanes European Equity fund, around a dozen companies in the portfolio present a certain potential risk due to the tariffs, in the event that they are implemented as they stand and indefinitely. This potential risk would result in an adjustment in the fund's current upside potential, which is +97%, reducing it to approximately +90%. This would imply a theoretical loss of intrinsic value of the fund of only -3.5%.

Unlike the COVID-19 pandemic, where possible future scenarios could be incorporated depending on the reopening of markets, the appearance of vaccines, etc., the effect of tariffs has not yet materialised. Furthermore, if they are implemented, we do not know to what extent or for how long. Therefore, the portfolio's potential for revaluation is still +97% for the time being.

As for the Iberian and Microcaps funds, the risk is practically insignificant and would not alter the current potentials of +65% and +90%, respectively.

These calculations are based on as yet unverified hypotheses, but we believe it is a good exercise to estimate the potential risk of the funds. Taking into account the companies' solid balance sheets and valuations of less than 9 times earnings, we feel comfortable in the face of the uncertainty of these days.

Activity in the funds

What are we doing in the current environment? We are taking advantage of the uncertainty with the aim of protecting the funds. How? Not by selling, but by buying.

Specifically, we are buying more of the companies that are already part of the portfolio, with special emphasis on those that have been most penalised, that have the greatest potential and that have a stronger balance sheet. It is worth noting the addition of a new member: Sandvik AB, the Swedish industry leader in tools for mining and the high-precision cutting industry.

The funds are protected by increasing their margin of safety, which, for all practical purposes, means buying good businesses at attractive prices. The current environment is giving us an opportunity to re-evaluate companies we like, but at a lower price, and even to acquire new businesses that were previously off our radar due to the price.

The only noteworthy sale has been the takeover bid for Catalana Occidente, launched by the Serra family, the company's controlling shareholders. When we talk about the long term, top-level management teams and good businesses, Catalana Occidente is one of those essential investments in Magallanes, and this has been the case throughout the years that we have been invested in it. The investment in Catalana Occidente has provided a cumulative gain of close to +100%, in an environment that has not exactly been favourable for financial institutions, both banks and insurance companies.

For this reason, on behalf of Magallanes, I would like to publicly express my most sincere gratitude and recognition to the Serra family, the controlling shareholders and managers of the Catalana Occidente Group together with its management team, for their extraordinary work at the head of one of the most outstanding business success stories, not only in Spain, but also internationally. Thanks to their vision, rigour and perseverance, they have managed to build an exemplary company that has not only grown in a solid and sustained manner, but has also made many people who trusted in their project a lot of money.

Stock market crashes, Peter Lynch and Magallanes

To conclude, as well as expressing our most sincere gratitude, we would like to remind you that we are always available through our authorised channels for any clarification you may need.

I would also like to share a reflection of what Peter Lynch told us about stock market crashes at our meeting with him in Boston seven years ago: 'The only thing you need to know when investing is that stocks tend to fall -10% every two years, and up to -20% or more every six years. The first is called a correction and the second a bear market. If you're not prepared for this, investing in shares is not for you'.

Having said that, I would like to take this opportunity to convey our peace of mind and confidence in the funds, a confidence that means that the partners and a significant proportion of Magallanes' employees have made subscriptions, taking advantage of the corrections of recent days.

Yours sincerely,

Iván Martín Aránguez, CFA
Chief Investment Officer

MAGALLANES

VALUE INVESTORS

ANNEX 1. RETURNS BY FUND AND CLASS as of 31/03/2025.

MAGALLANES IBERIAN EQUITY, FI

FUND	NAV	3 M	6 M	12 M	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015 [1]	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes Iberian Equity FI "M"	220,1699	**13,15%**	**14,76%**	**23,67%**	**18,40%**	**13,30%**	**-1,82%**	**18,69%**	**-12,92%**	**6,02%**	**-9,22%**	**15,45%**	**15,48%**	**8,04%**	**113,51%**	95,5%
Iberian benchmark		13,53%	7,63%	17,83%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-5,73%	71,07%	
Magallanes Iberian Equity FI "P"	231,6336	**13,29%**	**15,05%**	**24,29%**	**18,99%**	**13,87%**	**-1,33%**	**19,28%**	**-12,48%**	**6,55%**	**-8,76%**	**16,03%**	**16,09%**	**6,32%**	**120,14%**	95,5%
Iberian benchmark		13,53%	7,63%	17,83%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-11,27%	60,58%	
Magallanes Iberian Equity FI "E"	250,0406	**13,50%**	**15,48%**	**25,23%**	**19,89%**	**14,72%**	**-0,58%**	**20,18%**	**-11,83%**	**7,35%**	**-8,07%**	**16,91%**	**16,91%**	**12,72%**	**150,04%**	95,5%
Iberian benchmark		13,53%	7,63%	17,83%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	2,57%	86,55%	

[1] Class M 29/01/2015; Class P 26/02/2015; Class E 09/01/2015. Returns net of fees. Iberian benchmark: 80% MSCI Spain Net TR + 20% MSCI Portugal Net TR.

MAGALLANES VALUE INVESTORS UCITS IBERIAN EQUITY – LUXEMBOURG

FUND	NAV	3 M	6 M	12 M	2024	2023	2022	2021	2020	2019	2018	2017	2016 [1]	2015	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes Iberian Equity Lux "R"	191,0624	**13,27%**	**14,42%**	**22,92%**	**17,48%**	**13,64%**	**-2,40%**	**17,93%**	**-13,94%**	**5,68%**	**-9,61%**	**14,79%**	**16,33%**	**-**	**91,06%**	92,7%
Iberian benchmark		13,53%	7,63%	17,83%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-	80,21%	
Magallanes Iberian Equity Lux "I"	200,6494	**13,42%**	**14,73%**	**23,58%**	**18,11%**	**14,25%**	**-1,87%**	**18,53%**	**-13,51%**	**6,21%**	**-9,14%**	**15,42%**	**16,99%**	**-**	**100,65%**	92,7%
Iberian benchmark		13,53%	7,63%	17,83%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-	80,21%	

[1] Class R 31/12/2015; Class I 31/12/2015. Returns net of fees. Iberian benchmark: 80% Ibex35 Net TR + 20% PSI20 Net TR.

MAGALLANES EUROPEAN EQUITY, FI

FUND	NAV	3 M	6 M	12 M	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015 [1]	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes European Equity FI "M"	211,7991	**4,19%**	**0,73%**	**-3,64%**	**-1,91%**	**21,15%**	**4,94%**	**23,49%**	**-3,30%**	**21,48%**	**-19,19%**	**19,52%**	**12,89%**	**3,47%**	**112,64%**	99,0%
European benchmark		5,91%	3,03%	6,85%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,42%	86,70%	
Magallanes European Equity FI "P"	222,9028	**4,31%**	**0,98%**	**-3,16%**	**-1,42%**	**21,76%**	**5,47%**	**24,11%**	**-2,81%**	**22,09%**	**-18,78%**	**20,12%**	**13,45%**	**4,23%**	**124,33%**	99,0%
European benchmark		5,91%	3,03%	6,85%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,43%	86,72%	
Magallanes European Equity FI "E"	240,5812	**4,51%**	**1,36%**	**-2,43%**	**-0,68%**	**22,67%**	**6,26%**	**25,04%**	**-2,08%**	**23,01%**	**-18,17%**	**21,02%**	**14,31%**	**4,29%**	**140,58%**	99,0%
European benchmark		5,91%	3,03%	6,85%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	9,77%	104,08%	

[1] Class M 27/01/2015; Class P 29/01/2015; Class E 09/01/2015. Returns net of fees. European benchmark: MSCI Europe Net TR.

MAGALLANES VALUE INVESTORS UCITS EUROPEAN EQUITY – LUXEMBOURG

FUND	NAV	3 M	6 M	12 M	2024	2023	2022	2021	2020	2019	2018	2017	2016 [1]	2015	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes European Equity Lux "R"	198,6359	**4,35%**	**0,51%**	**-3,75%**	**-2,18%**	**21,01%**	**5,20%**	**23,17%**	**-3,82%**	**20,89%**	**-19,43%**	**19,11%**	**18,30%**	**-**	**111,30%**	95,7%
European benchmark		5,91%	3,03%	6,85%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	9,39%	-	98,25%	
Magallanes European Equity Lux "I"	208,5039	**4,49%**	**0,78%**	**-3,23%**	**-1,65%**	**21,67%**	**5,77%**	**23,80%**	**-3,33%**	**21,50%**	**-19,00%**	**19,76%**	**27,76%**	**-**	**138,32%**	95,7%
European benchmark		5,91%	3,03%	6,85%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	19,66%	-	116,88%	
Magallanes European Equity Lux "P"	215,4124	**4,58%**	**0,96%**	**-2,89%**	**-1,31%**	**22,10%**	**6,14%**	**24,26%**	**-2,96%**	**21,96%**	**-18,70%**	**20,16%**	**12,08%**	**-**	**115,41%**	95,7%
European benchmark		5,91%	3,03%	6,85%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	-	85,91%	
Magallanes European Equity Lux "ING"	144,8800	**5,83%**	**1,49%**	**-5,04%**	**-5,92%**	**19,12%**	**12,05%**	**16,14%**	**2,15%**	**14,72%**	**-19,91%**	**-**	**-**	**-**	**44,88%**	95,7%
European benchmark		7,20%	3,63%	4,59%	3,61%	13,13%	-4,36%	17,37%	-3,32%	26,05%	-10,57%	-	-	-	52,03%	

[1] Class R 29/01/2016; Class I 12/02/2016; Class P 31/12/2015; Class ING 17/01/2018. Returns net of fees. European benchmark: MSCI Europe Net TR.

MAGALLANES MICROCAPS EUROPE, FI

FUND	NAV	3 M	6 M	12 M	2024	2023	2022	2021	2020	2019	2018	2017 [1]	2016	2015	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes Microcaps Europe, FI "B"	148,3554	**5,53%**	**0,28%**	**0,83%**	**-2,55%**	**13,51%**	**-9,42%**	**45,60%**	**-0,61%**	**10,59%**	**-21,98%**	**12,37%**	**-**	**-**	**48,36%**	97,3%
European benchmark		-0,33%	-2,63%	2,85%	2,51%	-0,32%	-24,87%	25,67%	18,66%	22,39%	-13,38%	8,14%	-	-	30,80%	
Magallanes Microcaps Europe, FI "C"	144,7944	**5,46%**	**0,36%**	**0,79%**	**-2,59%**	**13,20%**	**-9,67%**	**45,10%**	**-1,16%**	**10,10%**	**-22,18%**	**7,81%**	**-**	**-**	**39,16%**	97,3%
European benchmark		-0,33%	-2,63%	2,85%	2,51%	-0,32%	-24,87%	25,67%	18,66%	22,39%	-13,38%	7,22%	-	-	29,68%	

[1] Class B 17/03/2017; Class C 31/03/2017. Returns net of fees. European benchmark: MSCI Europe Micro Cap Net Total Return.