MAGALLANES

VALUE INVESTORS

2nd Quarterly Letter to Investors
30/06/2026
MAGALLANES VALUE INVESTORS, S.A. SGIIC

Dear Investor,

Returns during the first half of 2026 were **+4.7%** for the European fund, **+8.5%** for the Iberian fund and **-2.6%** for the Microcaps fund. Since their launch, cumulative returns are **+190.5%**, **+206.3%** and **+68.9%** respectively, outperforming their corresponding benchmark indices[1].

Artificial Intelligence: the greatest technological revolution... and also the market's dominant narrative

It is difficult to dispute that artificial intelligence represents one of the most significant technological transformations of recent decades. Its potential to enhance productivity, accelerate innovation and reshape countless business models appears extraordinary.

What is equally difficult to dispute is that, alongside this technological transformation, we are witnessing an investment boom of remarkable intensity. Private valuations reaching hundreds of billions of dollars even before companies are publicly listed, expectations surrounding the future IPOs of firms such as OpenAI and Anthropic, record investments in computing capacity, and the market's almost exclusive focus on anything related to artificial intelligence all bear, at least to some extent, a resemblance to previous episodes of intense investor enthusiasm.

History shows, however, that major technological revolutions and equity market valuations do not always evolve at the same pace.

Perhaps the clearest example can be found in the behaviour of listed companies themselves. According to Goldman Sachs Global Investment Research, more than half of publicly traded companies now reference artificial intelligence in their earnings presentations as a source of productivity or efficiency improvements. Yet only around 2% are currently able to quantify with any meaningful degree of confidence its actual impact on earnings. The direction of travel appears clear; what remains highly uncertain is the pace and magnitude at which this potential will ultimately translate into tangible profits. Nevertheless, the valuations of many of the principal beneficiaries of this trend suggest that the market is already pricing in an exceptionally favourable scenario, extrapolating today's exponential growth far into the future while leaving very little room for disappointment.

As investors, we believe it is essential to distinguish between a truly transformative innovation and the price we are willing to pay to participate in it.

[1] See Annex 1 for more details on returns based on investment strategy, launch date and class.

Artificial Intelligence Also Smells of Grease and Oil

The composition of our portfolios is not the result of a deliberate search for "artificial intelligence winners." In fact, many of our holdings had been part of our portfolios long before AI became the market's primary focus. Our investment thesis has always remained the same: investing in companies with difficult-to-replicate assets, strong competitive positions and attractive valuations.

However, recent developments suggest that the economic backdrop has indeed changed. For many years, the market assigned extraordinary value to asset-light business models, while numerous capital-intensive industrial companies were largely overlooked. Today, we are beginning to observe a different reality. Growing demand for electrification, data centres, automation, infrastructure and defence is once again bringing to the forefront precisely those assets whose development requires decades of investment, technical expertise and execution capabilities.

Artificial intelligence does not exist solely in the form of algorithms. Behind every trained model lies a vast physical infrastructure comprising power grids, transformers, copper, steel, cement, cooling systems, factories, logistics and engineering. The cloud, in reality, rests on a deeply physical foundation. But this is not unique to artificial intelligence. Every major wave of economic progress ultimately depends on capital-intensive physical assets.

Behind almost every product or service, however light, digital or intangible it may appear, stand factories, infrastructure, supply chains, energy networks and decades of accumulated capital investment. Artificial intelligence also smells of grease and oil.

Against this backdrop, we believe the market has yet to fully recognise the value embedded in many of these capital-intensive businesses. For years, they were regarded as mature companies with limited growth prospects and significant capital requirements.

Yet it is precisely those substantial barriers to entry—installed capacity, long-standing customer relationships, industrial know-how, certified production processes and distribution networks built over decades—that today represent exceptionally difficult-to-replicate assets. In an environment where expanding productive capacity requires years of investment, lengthy permitting processes, increasingly demanding regulation and ever more complex industrial execution, ownership of such assets is far more valuable than current market valuations imply.

We do not invest in these companies because artificial intelligence is expected to drive their growth. We invest because we believe the market continues to undervalue businesses whose productive capacity and strategic assets are worth substantially more than their share prices suggest. If the new cycle of industrial investment, electrification and digitalisation ultimately accelerates that recognition, it will simply represent a favourable outcome of an investment thesis that long predates today's enthusiasm for artificial intelligence.

Our Portfolio: Investing in Outstanding Businesses, Not Narratives

The composition of our portfolios reflects exactly the same investment process we have followed for more than a decade. We seek market-leading companies with durable competitive advantages, strong balance sheets, capable management teams and share prices that offer a sufficient margin of safety relative to our estimate of intrinsic value.

That process has never been driven by the prevailing market narrative. We do not build portfolios around a particular theme; we build them around businesses whose quality we believe the market continues to undervalue. That is why many of our largest holdings were already part of our portfolios long before certain trends became the centre of investors' attention.

Antofagasta is a good example. More than simply a mining company, it controls one of the world's most strategic resources: copper. Its assets are the product of decades of exploration, capital investment, regulatory approvals and infrastructure development—assets that would require enormous amounts of capital, lengthy execution periods and substantial risk to replicate. When a business of this quality can be acquired at a discount to its intrinsic value, we find exactly the type of opportunity we seek.

The same logic applies to **Syensqo**. Its highly specialised materials and chemical compounds are used in some of the world's most demanding industrial applications, including aerospace, among many others. Yet its true competitive advantage lies not only in its technology, but also in decades of collaboration with customers, exceptionally long qualification processes and accumulated know-how that would be extraordinarily difficult to replicate overnight.

A similar pattern can be seen at **Sandvik**. Its precision tooling, mining equipment and advanced machining solutions are the product of generations of engineering expertise and applied innovation. These are businesses where experience, reliability and close customer relationships matter far more than the price of any individual product.

We see much the same dynamic at **SKF**. Its bearings and condition-monitoring systems are installed in thousands of industrial facilities where an unexpected shutdown can cost far more than the component itself. In that environment, the trust, quality and responsiveness built over more than a century represent a far stronger competitive advantage than any cost-based proposition.

Saint-Gobain, which we recently added to the European Fund, provides another example of how a company with more than three centuries of history can continue to occupy a privileged competitive position through deep materials expertise, a strong culture of innovation and close relationships with its customers. Many of its products are specified in some of the world's most demanding civil engineering, infrastructure and industrial projects, where obtaining the necessary certifications and approvals requires years of experience and a proven track record of reliability that is extremely difficult to replicate. Once a material becomes embedded in a critical technical specification, price ceases to be the primary purchasing criterion. It is precisely these barriers to entry, built over decades, that we believe the market continues to underestimate.

Perhaps **RS Group** best illustrates our investment philosophy. At first glance, it appears to be a straightforward business: distributing industrial spare parts and components. Yet however mundane its activity may seem, its service is mission-critical for thousands of industrial customers. When a factory needs a replacement component to avoid shutting down a production line, the cost of the part is almost irrelevant compared with the cost of halting operations. What truly matters is having a supplier capable of identifying the required component among millions of stock-keeping units, delivering it within hours and doing so with absolute reliability. This value proposition, supported by an extensive logistics network, relationships with thousands of manufacturers and decades of technical expertise, constitutes an exceptionally difficult competitive advantage to replicate. There is, however, another aspect that the market often overlooks. **RS Group** has built a genuine industrial platform where manufacturers and customers transact with remarkable efficiency. This network effect—where more suppliers attract more customers and more customers attract more suppliers—continuously reinforces its competitive position, making the business increasingly difficult to replicate over time.

Although these companies operate in very different industries, they all share a common characteristic: each has required decades of investment to build physical assets, industrial expertise, customer relationships, reputation and execution capabilities that today would be extraordinarily costly—if not impossible—to recreate from scratch. We therefore believe the market continues to underestimate the time, capital and effort required to build businesses of this quality. Yet rarely have these assets been more valuable than they are today. Virtually every major economic transformation likely to shape the coming decades—from electrification and reindustrialisation to digitalisation, infrastructure and defence—depends on a relatively small number of companies capable of providing this industrial capacity. There are no shortcuts to building it, nor can it be expanded overnight. In our view, this scarcity represents a source of value that the market has yet to fully recognise.

Adding to this is another aspect that we find particularly compelling as investors: the attractive valuations at which these businesses can currently be acquired. It is uncommon to find a portfolio comprising market leaders with significant competitive advantages and exceptionally difficult-to-replicate assets, while at the same time trading at such attractive valuations. The European Fund, for example, currently trades at around 13x earnings, offers a dividend yield of more than 4%, and we estimate aggregate earnings growth of approximately 28% over the next twelve months.

Our experience tells us that, over time, share prices ultimately reflect the evolution of corporate earnings. In the short run, markets may be driven by narratives, fashions or shifts in sentiment. Over the long term, however, the true driver of investment returns remains what it has always been: companies' ability to generate higher earnings, create greater value and reinvest capital at attractive rates of return.

That is precisely why we approach the years ahead with considerable confidence. Not because we believe we can predict the market's next dominant theme, but because we believe our portfolios combine an exceptional mix of business quality, growth potential and attractive valuations.

We do not know what the market's next dominant narrative will be. What we do believe is that, ten years from now, the world will still require raw materials, advanced materials, automation, industrial components, infrastructure and productive capacity. It will also continue to reward the companies capable of supplying them with the same reliability, efficiency and competitive advantage they demonstrate today. Our investment case rests on that conviction—not on the market's next fashionable theme.

Portfolio Activity During the Second Quarter

Within the **European Fund**, we continued to refine the portfolio by allocating capital to companies where we see a more compelling combination of business quality, growth potential and valuation. The most significant new investment during the quarter was **Saint-Gobain**, a global leader in construction solutions and high value-added materials. The company embodies many of the characteristics we seek: substantial barriers to entry, a competitive position that would be difficult to replicate and significant long-term value creation potential. We also increased our holdings in companies including **Persimmon**, **KION**, **Forvia** and **RS Group**, taking advantage of share prices that we believe offer particularly attractive entry points.

On the disposal side, two complete exits deserve particular mention. The first was **Aker BP**, following a strong share price performance supported by elevated oil prices, allowing us to realise a cumulative return in excess of **140%**.

The second was our final exit from **Telecom Italia** following the successful takeover offer, bringing to a close one of Magallanes' most representative investments of recent years and generating a cumulative return of more than **130%**.

Within the **Iberian Fund**, the principal addition was **Tubacex**, a leading manufacturer of high-alloy tubular solutions for highly demanding industrial applications, where we continue to see attractive upside potential. We also increased our exposure to **Aena**, **Inditex** and **Amadeus**, businesses that, in our view, continue to offer a highly attractive combination of quality and valuation. On the selling side, we partially reduced our positions in **Repsol**, **Ibersol** and **Semapa** following their strong share price performance.

Within the **Microcaps Fund**, we also initiated a position in **Tubacex** and increased our investments in **Ibstock**, **Travis Perkins** and **STO**, where we continue to identify attractive valuations in businesses with meaningful barriers to entry and exposure to favourable long-term structural trends. On the disposal side, we exited **International Petroleum Corporation (IPCO)** in full, an investment that generated a cumulative return of approximately **330%**, as well as the UK asset manager **Ashmore**, where we realised a gain of around **50%**.

Taken together, these transactions reflect the same philosophy that has always guided our investment process: reallocating capital from businesses where we believe upside has become more limited towards others that continue to offer a wider margin of safety and more attractive appreciation potential. Our objective remains unchanged: to build a portfolio of outstanding businesses with durable competitive advantages, acquired at prices that we believe will generate attractive long-term returns.

Thank You

Once again, thank you for the trust you place in us. We never lose sight of the fact that behind every investment are individuals, families and institutions who entrust us with an important part of their wealth and their long-term aspirations. That responsibility demands the highest standards of discipline and rigour, while at the same time providing us with tremendous motivation.

We feel genuinely privileged to dedicate ourselves to a profession we are passionate about and to share this journey with all of you. We will continue to approach our work with the same enthusiasm, curiosity and commitment that have guided us since day one—always seeking the best investment opportunities while remaining faithful to the principles that have shaped our investment philosophy from the very beginning. We look forward to sharing many more years of this rewarding journey with you.

Yours sincerely,

Iván Martín Aránguez, CFA
Chief Investment Officer

ANNEX 1. RETURNS BY FUND AND CLASS as of 30/06/2026.

MAGALLANES IBERIAN EQUITY, FI

FUND	NAV	3 M	6 M	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015 [1]	SINCE INCEPTION	INV. LEVEL
Magallanes Iberian Equity FI "M"	304,4061	5,67%	8,24%	44,53%	18,40%	13,30%	-1,82%	18,69%	-12,92%	6,02%	-9,22%	15,45%	15,48%	8,04%	195,20%	91,1%
Iberian benchmark		13,17%	14,87%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	3,11%	-5,07%	163,62%	
Magallanes Iberian Equity FI "P"	322,2626	5,80%	8,51%	45,25%	18,99%	13,87%	-1,33%	19,28%	-12,48%	6,55%	-8,76%	16,03%	16,09%	6,32%	206,27%	91,1%
Iberian benchmark		13,17%	14,87%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	3,11%	-10,89%	147,46%	
Magallanes Iberian Equity FI "E"	351,1464	6,00%	8,92%	46,34%	19,89%	14,72%	-0,58%	20,18%	-11,83%	7,35%	-8,07%	16,91%	16,91%	12,72%	251,15%	91,1%
Iberian benchmark		13,17%	14,87%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	3,11%	3,52%	187,47%	

[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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016 [1]	2015	SINCE INCEPTION	INV. LEVEL
Magallanes Iberian Equity Lux "R"	264,0340	5,68%	8,26%	44,58%	17,48%	13,64%	-2,40%	17,93%	-13,94%	5,68%	-9,61%	14,79%	16,33%	-	164,03%	100,0%
Iberian benchmark		13,17%	14,87%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	0,52%	-	177,70%	
Magallanes Iberian Equity Lux "I"	279,1745	5,82%	8,56%	45,37%	18,11%	14,25%	-1,87%	18,53%	-13,51%	6,21%	-9,14%	15,42%	16,99%	-	179,17%	100,0%
Iberian benchmark		13,17%	14,87%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	0,52%	-	177,70%	

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

MAGALLANES EUROPEAN EQUITY, FI

FUND	NAV	3 M	6 M	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015 [1]	SINCE INCEPTION	INV. LEVEL
Magallanes European Equity FI "M"	272,5251	6,15%	4,44%	28,36%	-1,91%	21,15%	4,94%	23,49%	-3,30%	21,48%	-19,19%	19,52%	12,89%	3,47%	173,60%	93,2%
European benchmark		11,80%	10,75%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,42%	133,08%	
Magallanes European Equity FI "P"	288,6415	6,28%	4,70%	29,02%	-1,42%	21,76%	5,47%	24,11%	-2,81%	22,09%	-18,78%	20,12%	13,45%	4,23%	190,49%	93,2%
European benchmark		11,80%	10,75%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,43%	133,10%	
Magallanes European Equity FI "E"	314,4317	6,48%	5,09%	29,97%	-0,68%	22,67%	6,26%	25,04%	-2,08%	23,01%	-18,17%	21,02%	14,31%	4,29%	214,43%	93,2%
European benchmark		11,80%	10,75%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	9,77%	154,78%	

[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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016 [1]	2015	SINCE INCEPTION	INV. LEVEL
Magallanes European Equity Lux "R"	258,7804	6,25%	4,77%	29,76%	-2,18%	21,01%	5,20%	23,17%	-3,82%	20,89%	-19,43%	19,11%	18,30%	-	175,28%	91,9%
European benchmark		11,80%	10,75%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	9,39%	-	147,51%	
Magallanes European Equity Lux "I"	273,4837	6,39%	5,05%	30,47%	-1,65%	21,67%	5,77%	23,80%	-3,33%	21,50%	-19,00%	19,76%	27,76%	-	212,60%	91,9%
European benchmark		11,80%	10,75%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	19,66%	-	170,76%	
Magallanes European Equity Lux "P"	283,7818	6,48%	5,23%	30,93%	-1,31%	22,10%	6,14%	24,26%	-2,96%	21,96%	-18,70%	20,16%	12,08%	-	183,78%	91,9%
European benchmark		11,80%	10,75%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	-	132,10%	
Magallanes European Equity Lux "ING"	196,2100	4,95%	3,76%	38,13%	-5,92%	19,12%	12,05%	16,14%	2,15%	14,72%	-19,91%	-	-	-	96,21%	91,9%
European benchmark		10,22%	9,26%	26,08%	3,61%	13,13%	-4,36%	17,37%	-3,32%	26,05%	-10,57%	-	-	-	95,36%	

[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	2025	2024	2023	2022	2021	2020	2019	2018	2017 [1]	2016	2015	SINCE INCEPTION	INV. LEVEL
Magallanes Microcaps Europe, FI "B"	168,8952	0,62%	-2,59%	23,34%	-2,55%	13,51%	-9,42%	45,60%	-0,61%	10,59%	-21,98%	12,37%	-	-	68,90%	91,5%
European benchmark		8,80%	3,83%	16,27%	2,51%	-0,32%	-24,87%	25,67%	18,66%	22,39%	-13,38%	8,14%	-	-	58,44%	
Magallanes Microcaps Europe, FI "C"	164,2548	0,55%	-2,72%	22,98%	-2,59%	13,20%	-9,67%	45,10%	-1,16%	10,10%	-22,18%	7,81%	-	-	57,87%	91,5%
European benchmark		8,80%	3,83%	16,27%	2,51%	-0,32%	-24,87%	25,67%	18,66%	22,39%	-13,38%	7,22%	-	-	57,08%	

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