

August 20<sup>th</sup>, 2024

**Dear Partners:**

I hope that you are doing well. I continue to make progress both in the portfolio and in researching potentially attractive investment candidates.

- I added a new investment, International Game Technology (IGT), to the portfolio, which falls in the “Undervalued with a Catalyst” category.
- I continue to make progress on researching a small group of high-quality companies which are candidates for investment in the “Long-Duration Growth” category.
- I have applied the Investment Scorecard framework that I described in the last letter to rebalance the portfolio to better reflect the attractiveness of the investments as judged through a lens of the mental models that I have accumulated over decades of experience.

Partnership Performance			
	Last 12 Months	Last 3 Years (Annualized)	Since Inception (9/1/2016, Annualized)
Silver Ring Value Partners (Gross)*	-15.2%	-18.8%	2.7%
Silver Ring Value Partners (Net)**	-16.0%	-18.4%	1.1%
Average Cash Levels	39%	20%	19%
Average Option-Adjusted Net Exposure	-16%	13%	45%
Russell 3000 Index	23.1%	8.0%	13.8%
MSCI World Index	20.8%	7.4%	12.1%

\*Gross results are before both the the base and performance fees

\*\*Net results are net of all fees and expenses and use the 20% performance fee level above a 6% hurdle that represents the substantial majority of partnership assets over these periods

At the risk of sounding like a broken record, the investment landscape is still heavily dominated by greed rather than by fear. This has resulted in a scarcity of genuinely attractive investments where one doesn’t need to squint too hard to see the mispricing.

The real risk in such an environment isn’t missing out on what’s been working lately, but rather lowering one’s standards to force the action when patiently waiting is objectively the better choice. Just as a very hungry sailor stumbling on shore after a long voyage at sea might think the first morsel of food a royal feast, so might an investor exposed to a lengthy challenging environment convince themselves that the first decent-looking investment is a great bargain.

When you are faced with a *real* bargain you don’t need convincing. Rather, you usually have a reaction along the lines of “I must be missing something because it can’t possibly be *this* attractive.”

Nobody I know has a great ability to forecast when the next recession will come or how severe it will be. However, this past quarter was the first time in a long time that many companies that I follow

serving different end-markets and geographies reported a material and unexpected weakening in demand. I don't know if this represents a temporary lull in growth or a severe recession around the corner. However, I do believe that certain investment patterns, such as turnarounds, deserve an extra dose of caution since they are tougher to execute amidst a weak external environment. This might also portend that much more attractive investment opportunities are not too far away.

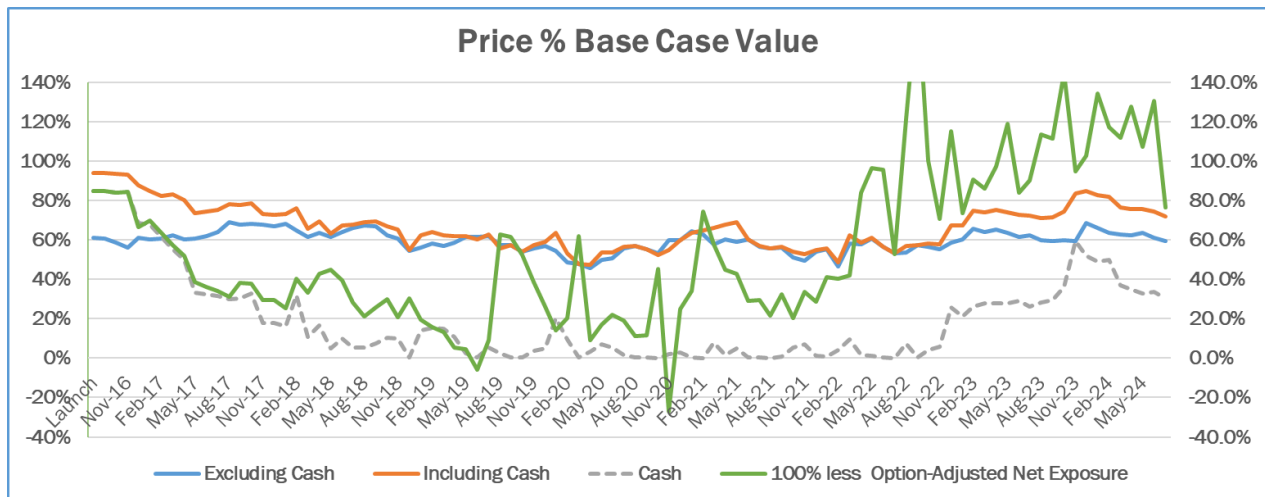
### Investment Activity

- **Started** a new **Small** position in International Game Technology (IGT)
- **Increased** our Alfa S.A.B. (ALFAA MM) position from Medium to **Large**

		Investment Thesis Tracker																							
Ticker	Company Name	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	1Q 2024	2Q 2024	3Q 2024	
WBD US	WARNER BROS DISCOVERY INC	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	
OI US	OWENS-ILLINOIS INC	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	
LILAK US	LIBERTY LATIN AMERICA CL C							Start->	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange		
ALFAA MM	ALFA S.A.B.-A											Start->	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange		
GTX US	GARRETT MOTION INC											Start->	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange		
BAB LN	BABCOCK INTL GROUP PLC																					Start->	Orange		
PHIN US	PHINIA INC																					Start->	Orange		
IGT US	INTERNATIONAL GAME TECHNOLOGY INC																						Start->		

- Light Gray: thesis is tracking roughly in-line with my base case
- Orange: thesis is tracking somewhat below my base case
- Red: thesis is tracking significantly below my base case
- Dull Green: thesis is tracking somewhat better than my base case
- Bright Green: thesis is tracking significantly better than my base case
- White: No data

Portfolio Holdings			
	Company	Position Size	Ticker
1	ALFA S.A.B	Large	ALFAA MM
2	LIBERTY LATIN AMERICA	Medium	LILAK US
3	GARRETT MOTION INC	Small	GTX US
4	BABCOCK INTERNATIONAL	Small	BAB LN
5	O-I GLASS INC	Small	OI US
6	WARNER BROS. DISCOVERY INC	Small	WBD US
7	PHINIA INC	Small	PHIN US
8	INTERNATIONAL GAME TECHNOLOGY INC	Small	IGT US
9	Equity Index Put Options	Small	
10	Credit Hedge	Small	
11	Inflation Hedge	Small	
12	Cash & Equivalents		



- Excluding cash the investments in the portfolio were priced at 60% of Base Case Value, and at 72% when including cash.
- Cash and equivalents were 30% of the portfolio at the of July and were a bottom-up residual of the investment process applied to the current opportunity set.

## Portfolio Update

### New Investment: International Game Technology (IGT)

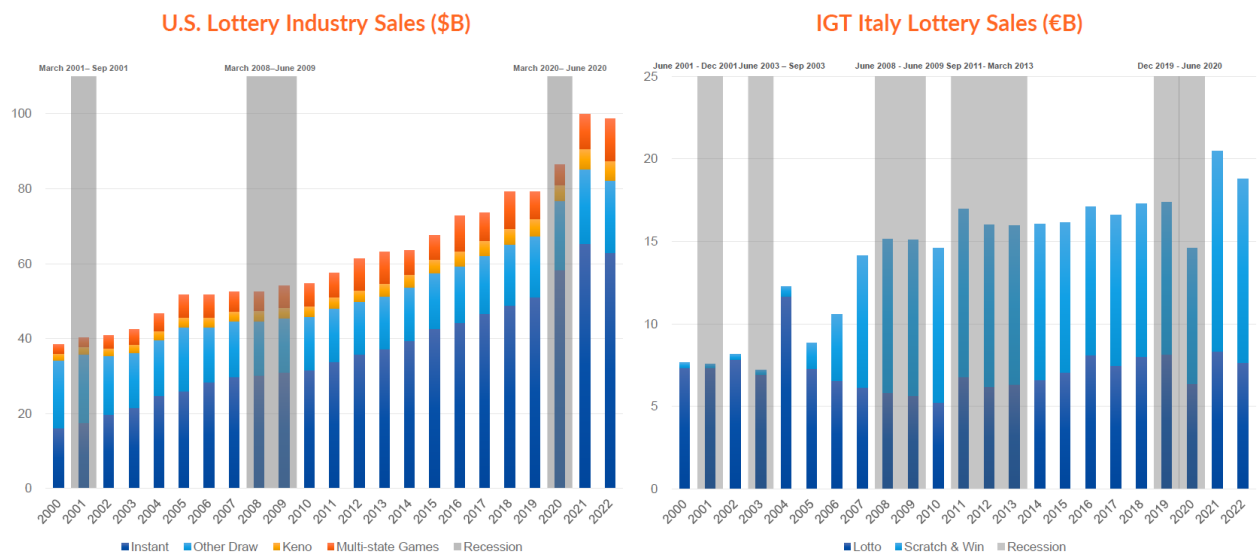
IGT is a new small investment in the “Undervalued with a Catalyst” category. The company is comprised of two businesses: a lottery operator and a designer of new slot machine games plus related products. The former is a good, stable business with low cyclical, high barriers to entry and switching costs but modest growth. The latter can be a good business, but is highly cyclical, very competitive and susceptible to product cycle hits and misses.

IGT was already in the process of spinning off its non-lottery businesses and merging them with Everi Holdings (EVRI), when the private equity firm Apollo announced that it will be buying the combined post-spin entity. This new deal results in a much higher all-cash payment to IGT than was contemplated under the spin-off. The deal is expected to close in about a year.

Following the transaction, the remaining IGT will be a pure play lottery operator with a lot of extra cash that it can use, in part, to buy back shares. The lottery business is only mildly cyclical and has withstood the introduction of new forms of online gambling. The company operates in two primary geographies, U.S., where contracts are awarded at the state level, and in Italy, where it is done nationally.



### U.S. and Italy Lottery Markets Historically Demonstrate Resilience During Periods of Recession



My research suggests that the incumbent lottery operator is very hard to replace due to both perceived and real switching costs. No bureaucrat is going to be very excited to take on the massive career risk of something going wrong unless there is a compelling reason to do so. My understanding is that in the past decade only one major U.S. state contract has changed hands for this reason. Furthermore, this business is built around long-term contracts that expire at different times, which further mitigates the risk of something going wrong.

The company's largest contract, in Italy, is coming up for renewal in 2025, which is a risk. The chances of them losing the contract are small, but there is a risk that Italy will attempt to extract additional concessions (e.g. a larger upfront payment) on the terms. This is a risk that I am monitoring, but I believe it to be manageable both in terms of magnitude and likelihood.

In about a year's time, I expect us to have gotten a durable, modestly growing lottery business for under 10x earnings. That is substantially below the intrinsic value of the cash flow stream or comparable private market transactions in the industry.

The downside to the Worst case scenario in which Italy's contract is lost and the U.S. business does not grow is less than 25%. This results in attractive risk/reward for a good business with a clear catalyst. While today the company is neglected due to its complexity, once it is a simple monoline business with good economic characteristics the gap between price and intrinsic value is more likely to close. If it doesn't, the company should have ample capital to buy back a meaningful portion of its shares, further increasing the intrinsic value per share for the remaining owners. In the meantime, we get to collect a 3.5%+ dividend yield while we wait.

## Company Updates

### Alfa S.A.B. (ALFAA MM)

Alfa is our largest investment, and I wanted to provide an overview of the investment thesis to help you understand why that is the case. The quick synopsis is that it is a **good business that is going through a corporate simplification process that is likely to serve as a catalyst** for value realization, and which is trading at close to my Worst case value estimate and at less than half of my Base case value. In my Base case, Alfa is **trading at 5x earnings or a ~ 20% Free Cash Flow (FCF) yield** post-spin.

Alfa has two businesses, which is down from four that it had a few years ago. The main business, Sigma, is a branded food business focused on meats and dairy and is the intended sole future business of the company. The second business, Alpek, is a commodity chemical producer with global scale in its markets. It is publicly traded and is 82% owned by Alfa.

The stated intent towards which Alfa's management has been working is to spin off Alpek just as it has done in the past with its other non-core businesses. The gating factor for that event is that management wants the remaining company to be at less than 2.5x Debt/EBITDA leverage post-spin to maintain strong investment grade credit rating. Currently, excluding Alpek it would be closer to 3.5x levered.

Therefore, the timing of the spin is going to be mainly determined by when leverage can be reduced to 2.5x. There are four drivers for that leverage to come down:

- Cash flow generated by Sigma
- Growth in Sigma's EBITDA
- Cash flow generated by Alpek and sent to Alfa in the form of a dividend
- Sale of non-core assets that the company is pursuing, such as corporate real estate

Some of these factors are within management's control while others depend primarily on the external environment. For example, as I will discuss in a moment, Alpek's business is going through a cyclical downturn, which is depressing its profitability and the amount of cash flow it is generating. Also, to sell non-core assets there needs to be a buyer willing to pay an appropriate price.

So, while there is some uncertainty as to when the spin-off of Alpek will happen, over the last several quarters I have detected an increased sense of urgency on the part of the management, both with respect to their words, and with respect to their actions. I can't pinpoint the timing of the catalyst with precision but would be surprised if it took more than two years to accomplish the deleverage and spin-off process.

Let's examine Sigma, which is the whole of the intended future company, as a business. It sells branded meats (e.g. cold-cuts, sausages, etc) and milk-based products (e.g. yogurts) in four main markets: Mexico, U.S., Latin America and EU. Of these, Mexico is the largest and the most profitable. This is due to structural reasons – the company's brands are strong and its customers, such as the small local bodegas, are small and fragmented. This contrasts with the company's most challenged business in the EU where it distributes its products through large chains with much greater bargaining power.

## Diverse portfolio of leading brands across categories and different segments

Our broad portfolio help us capture demand and top line growth across different economic cycles



8% of our revenues are from licensed brands<sup>(1)</sup>

(1) Includes the distribution of recognized third party brands such as Yoplait®, Oscar Mayer®, Grill Mates®, among others



Sigma's financial characteristics support my conclusion that it is a good, growing business. It grew revenues approximately 4% per year over the last decade, and operating income at an approximately 6% rate. In the recession year of 2020 its organic sales dropped less than 2%. While that probably understates how much sales would drop in a normal recession without the COVID benefit of consumption shifting from eating out to eating at home, this is still a sign of a resilient business. Margins have been in a relatively tight range over the last ten years. Over the last three years the segment averaged an after-tax Return on Net Assets of around 35%.

No, this is not a hyper-growth business, but all indications are that it is a business growing at a moderate rate with attractive financial characteristics. Qualitatively, consumers form habits for the brands of food that they eat, and so change happens slowly in the family kitchen. If you want to test this and you have kids, try to get them to eat a different brand of sausage or Ketchup!

The flip side of this not being a rapidly growing business is that there is a high chance of its key characteristics remaining very similar in 10 or 20 years to what they are today. That's a good thing, as it allows us to be more confident about predicting future cash flows.

<b>ALFA S.A.B.-A (alfaa mm) Model &amp; Value Estimate</b>						
	<b>Worst</b>	<b>Base</b>	<b>Best</b>	<b>LFY</b>	<b>LT Avg</b>	<b>LTM</b>
<b>Sales</b>	7,739	8,759	9,099	8,504	6,706	8,786
<b>EBITDA</b>	735	920	1,046	893	714	1,027
<b>EBITDA (%)</b>	9.5%	10.5%	11.5%	10.5%	10.6%	11.7%
<b>Depreciation</b>	232	263	318	250	212	
<b>% Sales</b>	3.0%	3.0%	3.5%	2.9%	3.2%	
<b>EBITA</b>	503	657	728	643	502	
<b>EBITA (%)</b>	6.5%	7.5%	8.0%	7.6%	7.5%	
<b>Interest Expense</b>	147	161	157			
<b>Interest Rate %</b>	8.0%	7.0%	6.0%			
<b>Tax Rate</b>	30.0%	30.0%	30.0%	51.8%	37.0%	
<b>Net Income</b>	249	347	400			

The above table shows my model of Alfa once it becomes just Sigma and absorbs corporate costs. I estimate that Net Income/equity FCF will range between USD \$250M and \$400M with a Base Case of ~ \$350M.

Alpek, of which Alfa owns 82%, is its own publicly traded company that focuses on chemicals such as PET and Styrenics. It has important global positions and good scale.



Alpek holds leading industry positions for all its products



**Polyester Industry Position<sup>1</sup> by Product**

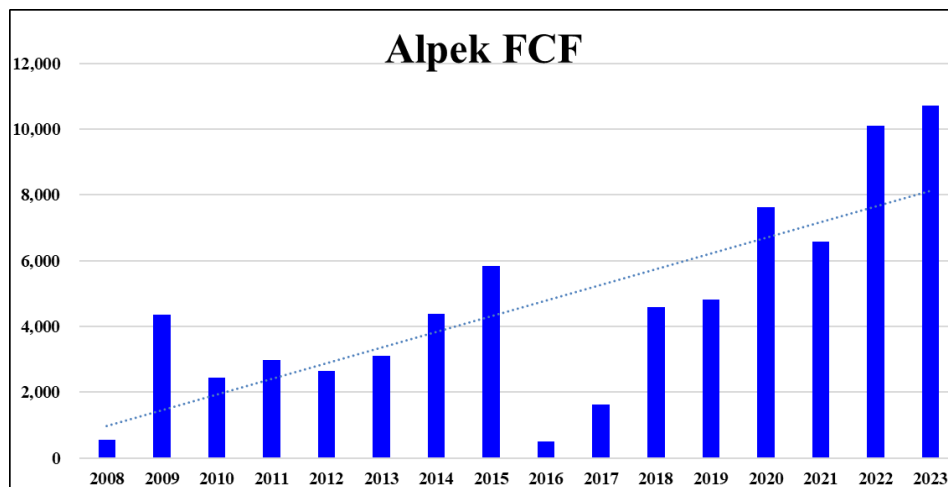
PTA	1	The Americas
PET	1	The Americas
	2	Worldwide
rPET	1	The Americas
PSF <sup>2</sup>	2	The Americas

**P&C Industry Position<sup>1</sup> by Product**

PP	1	Mexico
Expandable Styrenics	1	The Americas
	3	Worldwide
CPL	1	Mexico

(1) Industry position is based on installed capacity and reflects market position as of December 31, 2020. (2) Polyester Staple Fiber (excluding filaments)  
Source: PCI and Alpek estimates

It is a very cyclical and capital intensive business, which also currently happens to be near its trough profitability. However, it has generated strong cash flow over the full economic cycle, and with appropriate competitive position it isn't a bad business. Nobody knows when the cycle will turn, but in recent quarters the key measure of industry profitability, reference margins per pound, has shown signs of increasing off the bottom.



Source: Bloomberg, in MXN currency

Importantly, Alpek has been a very cash-generative business, even in tough times. Combined with moderate financial leverage, this is not a business whose survival depends on how quickly the cycle will turn.

<b>Alpek Valuation</b>			
	<b>Worst</b>	<b>Base</b>	<b>Best</b>
EBITDA	750	825	900
CapEx	275	300	325
Interest	180	160	140
Interest Rate %	10%	9%	8%
Taxes	89	109	130
<b>FCF</b>	<b>207</b>	<b>255</b>	<b>304</b>
Net Debt	1,729	1,757	1,729
Net Debt/EBITDA	2.3x	2.1x	1.9x

Looking at full-cycle average levels of profitability, I estimate that Alpek is capable of generating between ~ USD \$200M and \$300M of annual cycle-average equity FCF. Valuing this at between 7x and 13x equity FCF with a Base case of 10x, I estimate that Alfa's 82% stake in Alpek is worth between USD \$1.2B and \$3.2B with a Base case of \$2.1B. For reference, Alpek is currently trading at a market capitalization of \$1.26B, or just above my Worst case value. This isn't unusual for a cyclical near the trough of the cycle and represents an extra source of upside once the cycle turns.

Returning to Alfa, the corporate owner of both Sigma and Alpek, we get the following picture. We have a company with a market capitalization of USD \$2.7B. If we were to subtract even the *worst* case value of Alpek, consistent with the current depressed market price, and account for the free cash flow that needs to be used to reduce debt to target levels, that would result in Sigma trading at 7x my Base case earnings/FCF. If we were to use my Base case value for Alpek, that ratio would decline to under 5x.

We don't need to squint through a magnifying glass to see that the stock is very cheap almost any way that you look at it. No investment is without risk. Yes, it's a Mexican company, although one that sells its products in many countries. Yes, it's a smaller company compared to a larger peer like Hormel which is in a similar business to Sigma and trades at 20x earnings. However, we have the key ingredients for a successful investment: a good business, honest people trying to do the right thing, a catalyst on the horizon that is likely to help with unlocking value, and a very low price.

## Your Questions

As I have committed to do in the Owner's Manual, I will use these letters to provide answers to questions that I receive when I believe the answers to be of interest to all of the partners. This quarter there were three questions that I would like to address here. Please keep the questions coming; I will do my best to address them fully.

### Are the changes that you described in the last letter a reaction to try to catch up with the market returns?

I think about this differently than the premise implied in the question. Any time that an investor experiences a prolonged period of underperformance it is important to reflect and be humble enough to look for ways to improve what you are doing. That doesn't mean that everything that you have done before was bad, and chances are it wasn't. However, investing is all about a fine balance between conviction and flexibility and between humility and confidence.

So what I did was carefully and deliberately reflect on what I had done well and what are some things that were missing or that I could do better. If anything, I view the way that I improved the process as anything but a knee-jerk reaction designed to try to catch up with the market in the short term.

What would such a knee-jerk reaction look like? One obvious example would be to buy a lot of high momentum, in-favor stocks that I had "missed" to have them drive short-term returns. Another would be a wholesale change in the fundamental philosophy underlying the investment approach – e.g. "value investing just doesn't work anymore, I am going to do something completely different."

I have done neither of those things. The majority of what I am doing is still very much the same as what I have successfully done for the prior two decades. The improvements were incremental and driven by specific insights around where my *process* could be better. The primary areas are a better balance in the portfolio between different investment patterns, a more nuanced approach to position sizing and an improved approach to including businesses with long-term value growth in the portfolio in a way that is consistent with an intrinsic value approach and within my circle of competence.

If anything, as you can see from how long it has been taking me to find and vet the new Long-Duration Growth investments, this can only affect long-term results, and certainly not the next quarter or year. These are businesses that are by their nature going to add value over the course of many years, rather than stocks that I would expect to go up significantly in the short-term even if I am correct on the thesis.

While we are on the topic, there are other things that I *didn't* do that would most definitely have been a knee-jerk reaction to try to turn short-term results around. I could have convinced myself to load up on high risk/high reward, triple-or-nothing investments in the hope of a "Hail Mary" pass to

try to turn things around quickly. Or increased the use of options to hit it big on some stock move. However, I didn't do either of these things – because they would have been wrong.

When I started Silver Ring Value Partners I told you that I would be managing your capital as if it were my own, in large part due to the vast majority of my family's net worth being invested alongside yours. Whatever mistakes I might have made or not made, I have kept that promise and have been proceeding carefully and thoughtfully based on insights about improving the process rather than trying to achieve some short-term outcome.

Finally, I just plain don't have the tools in my arsenal to do anything that has a high expectation of affecting short-term performance in a material way. My investment process is geared towards the long-term, and that's where my focus will remain even during these challenging times.

### **Does the evolution of your portfolio construction process that you wrote about imply that all of the old investments, including ones still held today, were mistakes?**

Every investor makes mistakes, including me. The key is to make more good decisions than bad ones, avoid large mistakes and learn from mistakes in order to improve one's process.

I don't believe that most of my past investments were mistakes. I do believe that I had sized some investments at too large a portfolio weighting, and I have learned from that and have improved my process by now using my scorecard of investing mental models to help me size positions more appropriately.

I also had too many investments in the "Generally Undervalued" category, and not enough in the "Undervalued with a Catalyst" and "Long-Duration Growth" categories. This led to an unbalanced portfolio of really cheap out of favor investments which have continued to become more and more out of favor all at the same time during the last few years. I have learned from that, and plan to have a better balance between the three categories going forward.

At this point I have looked at the portfolio with a fresh pair of eyes, and investments are now sized appropriately based on my improved process. If we own something today it is because I believe it is appropriate to own it in that size based on my best current assessment, not because of inertia.

This of course won't eliminate all mistakes. That's not possible. However, I do believe it will lead to a more balanced and resilient portfolio going forward, comprised of complementary investment categories that balance each other better in different environments.

### **What percentage of the portfolio do you expect the Long-Duration Growth category to comprise over time?**

I don't believe that top-down parameters for portfolio construction are the best way to invest. That means that deciding at the start of the portfolio construction process to have X% in a country or Y% in an industry doesn't make much sense to me. The same goes for constraining myself to have a certain minimum percentage in each of the three portfolio categories.

Why is that? Because doing so would ignore the opportunity set at any given time. As an investor, you can't impose your will on the market and make it serve up specific kinds of opportunities. That's now how things work.

Instead, you need to do two things. First, you need to know yourself really well as an investor and be really clear about what is included in your circle of competence. Then, you need to work hard to scour the market for opportunities that fit what you do and construct the best portfolio that you can at a given point in time based on the results of that search process.

Different market environments cause the crowd to favor certain investment characteristics and cause others to be out of favor. Prejudging weights across different investment categories would lead to a suboptimal portfolio that would trade off expected long-term returns just to make the portfolio look a certain way. That is not how I plan to invest.

However, my expectation is that over time each of the three categories, Generally Undervalued, Undervalued with a Catalyst, and Long-Duration Growth will comprise material portions of the portfolio. If I had to provide an educated guess I would be surprised if any of the three averaged less than 20% of the portfolio over time.

With respect to the Long-Duration Growth category specifically, I plan to have it be a material portion of the portfolio and to treat it as the engine that should provide attractive annualized returns over the course of many years. Depending on the availability of investments in the other two categories and their attractiveness at any given time, the weighting of the Long-Duration Growth investment category in the portfolio will fluctuate.

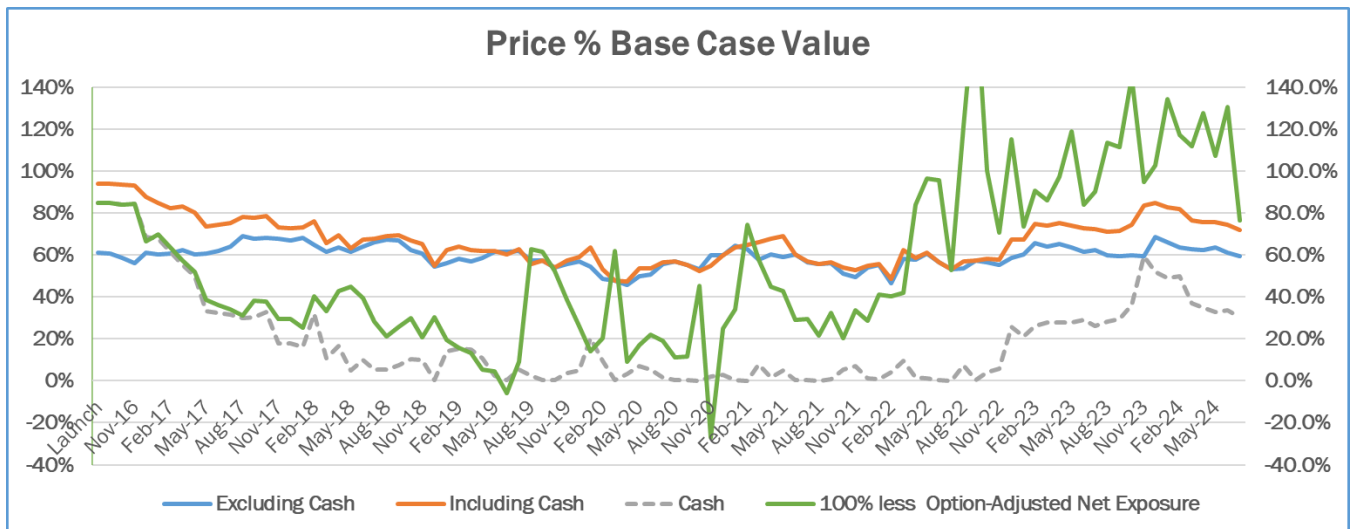
Ultimately, bottom-up considerations will be paramount, but I see all three categories making a meaningful contribution to our results over the span of many years. When I started this process evolution at the end of last year, we had 90% of our portfolio in the Generally Undervalued category and 10% in the Undervalued with a Catalyst category. Now that mix is 80%/20%. I never want to impose artificial time parameters on finding investments, but I would be surprised if when I write to you in a year's time that our portfolio is not much more balanced across all three categories than it is today.

## Portfolio Metrics

I track a number of metrics for the portfolio to help me better understand it and manage risk. I track these both at a given point in time, and as a time series to analyze how the portfolio has changed over time to make sure that it is invested in the way that I intend for it to be. Below I share a number of these metrics, what each means, and what it can tell us about the portfolio. As time passes, you should be able to refer to these charts and graphs to help you gain deeper insight into how I am applying my process.

### Price % Base Case Value

This metric tracks the portfolio’s weighted average ratio between market price and my Base Case intrinsic value estimate of each security. This ratio is presented both including cash and equivalents, which are valued at a Price to Value of 100%, and excluding those. All else being equal, the lower these numbers are, the better. Excluding cash and equivalents, a level above 100% would be a red flag, indicating that the portfolio is trading above my estimate of intrinsic value. Levels between 90% and 100% I would characterize as a yellow flag, suggesting that the portfolio is very close to my estimate of value. Levels between 75% and 90% are lukewarm, while levels below 75% are attractive.



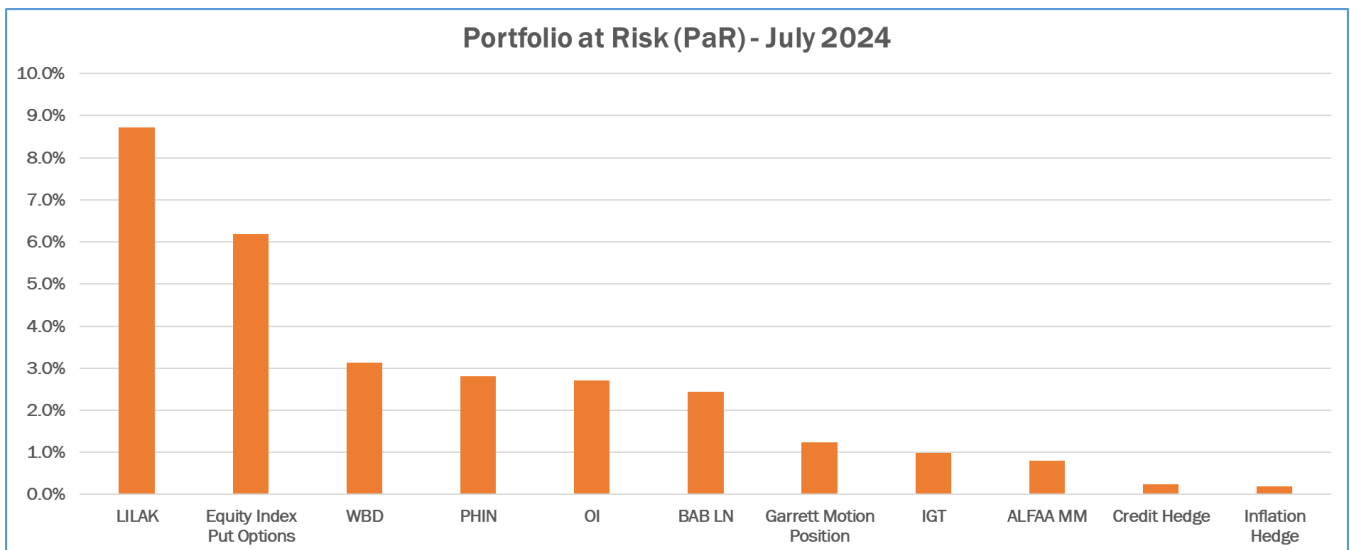
### Quality Quintiles

As outlined in the Owner’s Manual, I evaluate the quality of the Business, the Management and the Balance Sheet as part of my assessment of each company. I grade each on a 5-point scale with 1 meaning Excellent, 2 Above Average, 3 Average, 4 Below Average and 5 Terrible. The chart that follows presents the weighted average for each of the three metrics for the securities in the portfolio.



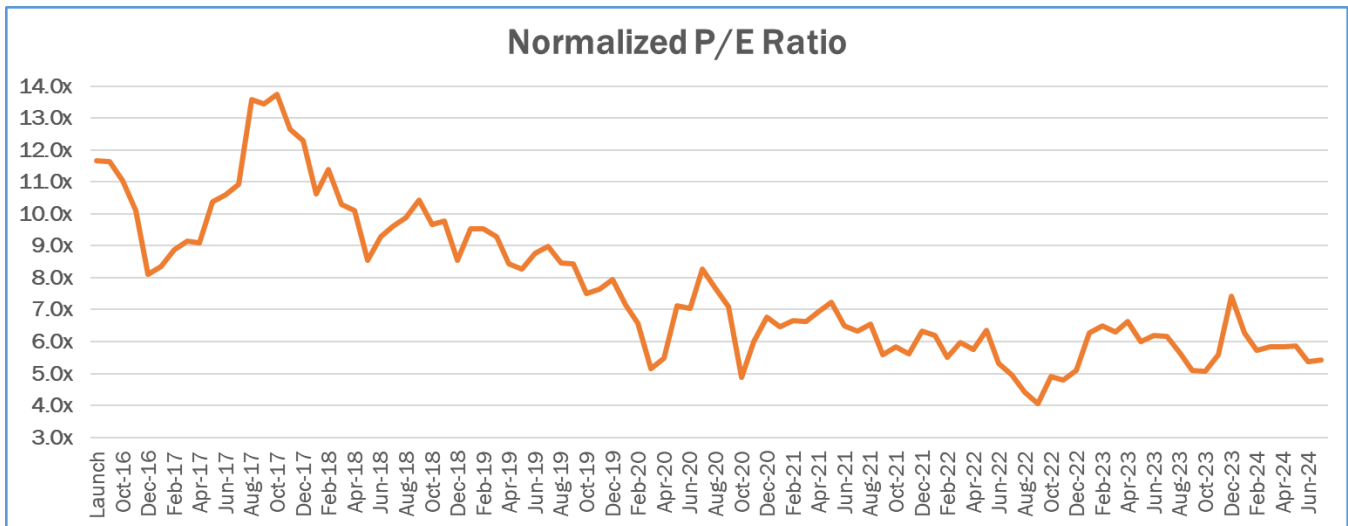
### Portfolio at Risk (PaR)

I estimate the Portfolio at Risk (PaR) of each position by multiplying the weight of each position in the portfolio by the percent downside from the current price to the Worst Case estimate of intrinsic value. This helps me manage the risk of permanent capital loss and size positions appropriately, so that no single security can cause such a material permanent capital loss that the rest of the portfolio, at reasonable rates of return, would not be able to overcome. I typically size positions at purchase to have PaR levels of 5% or lower, and a PaR value of 10% or more at any time would be a red flag. The chart below depicts the PaR values for the securities in the portfolio as of the end of the quarter. Positions are presented including options when applicable.



### Normalized Price-to-Earnings (P/E) Ratio

I supplement my intrinsic value estimates, which are based on Discounted Cash Flow (DCF) analysis, with a number of other metrics that I use to make sure that my value estimates make sense. One of the more useful ones is the Normalized P/E ratio. The denominator is my estimate of earnings over the next 12 months, adjusted for any one-time/unsustainable factors, and if necessary adjusted for the cyclical nature of the business to reflect a mid-cycle economic environment. The numerator is adjusted for any excess assets (e.g. excess cash) not used to generate my estimate of normalized earnings. One way to interpret this number is that its inverse represents the rate of return we would receive on our purchase price if earnings remained permanently flat. So a normalized P/E of 10x would be consistent with an expectation of a 10% return. While the future is uncertain, it is typically my goal to invest in businesses whose value is increasing over time. If I am correct in my analysis, our return should exceed the inverse of the normalized P/E ratio over a long period of time. The graph below represents the weighted average normalized P/E for the equities in the portfolio.



## Conclusion

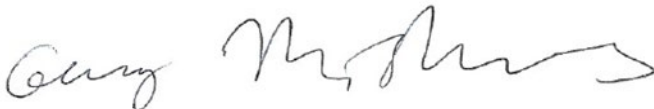
This has been the most challenging environment in my 23-year professional investment career. Rather than focusing on things outside of my control – the market, the Fed, the economy, I have chosen to use this time to make myself a better investor by focusing on things that *are* within my control.

Faced with a humbling few years of investment results after a long career of generating good investment returns, I believe I have reacted appropriately. I believe the general investment foundation of my long-term oriented intrinsic value approach is and will continue to be sound. I avoided the pitfall of making unwarranted wholesale changes due to a period of disappointing returns. At the same time, I have used this as motivation for deep reflection and introspection which has led to an improved, more resilient investment process that should serve us well going forward.

I don't know when the market will return to a more normal balance between greed and fear and offer more attractive opportunities. What I do know is that I am energized by the improvements that I have made and am ready to do my best to take advantage of whatever opportunities the market offers that fit my circle of competence.

I appreciate your trust and support. If I can answer any questions, please don't hesitate to reach out.

Thank you in advance,



Gary Mishuris, CFA  
Managing Partner, Chief Investment Officer  
Silver Ring Value Partners Limited Partnership

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