MAGALLANES

VALUE INVESTORS

1st Quarterly Letter to Investors
31/03/2024
MAGALLANES VALUE INVESTORS, S.A. SGIIC

Dear Investor,

Performance for the first quarter of 2024 has been **+6.2%** for the European fund, **+8.5%** for the Iberian fund and +**2.0%** for the Microcaps fund. Since inception, accumulated returns are **+131.7%**, **+77.1%** and **+47.1%** respectively[1], outperforming their respective benchmarks.

Equity markets have performed positively, driven by resilient global economic growth and expectations of interest rate cuts during the year.

Global GDP growth forecasts for 2024 remain at +2.9%, in a context of historically low unemployment rates. Emerging market economies will continue to drive a substantial part of global growth, estimated at over +4%. The US is also showing solid economic data and there are currently no signs of recession. On the other hand, the eurozone economy is expected to grow by +0.8% in 2024, slightly below previous estimates, but still above the +0.5% growth in 2023.

However, there is no sign of geopolitical risks abating. The protracted war between Russia and Ukraine, the conflict in the Middle East, the ongoing tensions between China and the US and the Red Sea crisis continue to generate uncertainty in the global economy.

One of the bright spots at the moment is the continued moderation in inflation growth rates due to falling commodity prices and tight monetary policy. The latest inflation data for the euro zone slowed to +2.4% in March, reinforcing expectations that the ECB could start cutting rates at one of its upcoming meetings. Inflation is also moderating in the US, albeit still above +3%, lowering expectations about the number of interest rate cuts by the market.

In this context, the yield on the 10-year US Treasury bond rose to 4.20%, while the German 10-year bond ended the quarter at 2.29%.

Market guided by fundamentals

Major equity markets performed positively during the quarter. However, in contrast to what had been the case until now, the rises are starting to be less heterogeneous among the different companies. For example, the American "Magnificent 7" have been renamed the "Fantastic 4", as some of their members have lagged far behind, such as Tesla, which has lost -33% of its value over the year, or Apple, which is down -11%, but despite this, the S&P 500 index managed to close with +10%, one of its best starts to the year since 2019.

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

Whether it is because the economy has dodged the much heralded recession or because interest rates are due to fall at some point this year, the fact is that the degree of participation in the rises is increasing among the rest of the listed companies that make up the market, beyond the "American tech giants".

What is really interesting in this process is that, for the first time in a long time, the market is beginning to recognise companies whose fundamentals are doing well, via share price rises, regardless of whether they are large or small, technology or industrial, American or European. Fundamentals dictate which stocks rise and which do not.

A fundamentally driven market is very good news for our funds, whose portfolios are made up of a collection of businesses with excellent balance sheets and high cash flow generation capacity. This is reflected in this year's earnings valuations of 10x, while offering a shareholder return of 5% between dividends and share buybacks.

Movements during the first quarter

Of note in the European fund's portfolio were the incorporation of two new companies. On the one hand, the purchase of the German luxury car manufacturer **Porsche AG**, taking advantage of the weakness of its shares when they were trading near their historical lows around €70. This contrasts with the euphoric moment of its IPO just two years ago, when market excitement about the Stuttgart-based luxury car maker drove its shares to €120 per share. Uncertainty over Chinese demand and the delay of some of its models were among the main reasons for its steep fall, which led it to trade at ridiculous valuation levels for the very high quality of its sports cars such as the iconic 911, and for the high profitability of its business model. The agility in redistributing its cars between different markets such as the US and Europe and the launch of the new electric Macan in the second half of 2024 have cleared up a significant part of the doubts that weighed on the stock.

In addition, we bought UK-based mining conglomerate **Anglo American Plc**, as we did with **Porsche AG**, taking advantage of the sharp fall from the highs of two years ago. **Anglo American Plc** is a diversified global miner with interests ranging from copper to iron ore, platinum, palladium, rhodium, metallurgical coal, nickel, manganese, a fertiliser project and even natural diamonds.

The company is characterised by a long track record of good asset allocation, investing and divesting according to the underlying asset prices at any given time, always with an eye on creating shareholder value. The noise of economic recession, the doubts about China's economic health, the poor performance of some of its raw materials such as those belonging to the platinum group, the threat of synthetic diamonds over natural diamonds, the fertiliser project that requires heavy investments and its disappointing production guidance are some of the reasons that have caused the share to trade at levels well below its true fundamental value.

With its copper business being the jewel in the crown, and by way of example, if we value its four copper mines (of very high quality) at multiples similar to other listed companies such as **Antofagasta**, these assets alone would cover almost all of **Anglo American's** market capitalisation, all this without taking into account the rest of the assets which, due to their cash generation, are also highly valuable.

On the other hand, we continued to increase our exposure to the German chemical company **Evonik** and the Swiss global travel retailer company **Avolta**.

Finally, on the outflow side for the **European fund**, it is worth noting the total sale with a cumulative gain of close to +100% of **Scorpio Tankers**, owner of one of the largest fleets of ships transporting petroleum products such as petrol, diesel, and paraffin, among others. The history of **Scorpio Tankers** undoubtedly reflects our approach to the capital cycles of each industry, regardless of the global economic cycle at any given juncture. At the time we identified a severe shortage of ships on the supply side, the result of a total lack of incentive to place new ship orders due to a very depressed rate environment. However, demand was growing steadily year after year, until it could not be satisfactorily supplied by the low fleet of available vessels. Those operators who had been able to sustain themselves were the ones who took advantage of the new high rates cycle. Despite the good profitability finally achieved, the history of **Scorpio Tankers** has not been an easy one, being in latent losses in almost every year of the investment (sometimes well over -50%), with several capital increases along the way (which we took) and against the widely held view that demand for fossil fuels was disappearing. Value investing is not a bed of roses.

In the **Iberian fund**, the most important development was the purchase of **Banco Sabadell** shares at the beginning of the year. The restructuring and reorganisation process carried out since the great financial crisis, surviving the drastic reduction of similar competitors, complying with the restrictive European banking regulations, all in a period of zero interest rates and Covid, to become the most solvent listed bank in Spain, offering an annual shareholder return of close to 15% between dividends and share buybacks, is very commendable.

Another new addition to the **Iberian fund** is the purchase of shares in the Spanish copper miner **Atalaya Mining**, which we already held in the Microcaps fund.

Finally, in the **Microcaps fund**, the most important movement was the purchase of the leading UK brick manufacturer **Ibstock Plc** and the acceptance of the takeover bid for **Lucas Bols** shares, with a cumulative gain of more than +40%.

We are very grateful for your confidence. It is a great responsibility and an honour to manage your money along with ours, €3 billion and 30,000 investors, a task we perform every day with the same dedication and passion as always, with the added satisfaction of knowing that, at the end of this quarter, none of our investors are losing money.

Yours sincerely,

Iván Martín Aránguez, CFA
Chief Investment Officer

MAGALLANES
VALUE INVESTORS

ANNEX 1. RETURNS BY FUND AND CLASS as of 31/03/2024.

MAGALLANES IBERIAN EQUITY, FI

FUND	NAV	6 M	12 M	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015 [1]	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes Iberian Equity FI "M"	178,0257	**8,72%**	**13,40%**	**8,33%**	**8,22%**	**-1,82%**	**18,69%**	**-12,92%**	**6,02%**	**-9,22%**	**15,45%**	**15,48%**	**8,04%**	**72,64%**	97,1%
Iberian benchmark		13,43%	15,54%	4,79%	11,25%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-5,73%	45,19%	
Magallanes Iberian Equity FI "P"	186,3628	**8,99%**	**13,97%**	**8,46%**	**8,36%**	**-1,33%**	**19,28%**	**-12,48%**	**6,55%**	**-8,76%**	**16,03%**	**16,09%**	**6,32%**	**77,12%**	97,1%
Iberian benchmark		13,43%	15,54%	4,79%	11,25%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-11,27%	36,29%	
Magallanes Iberian Equity FI "E"	199,6722	**9,40%**	**14,83%**	**8,66%**	**8,56%**	**-0,58%**	**20,18%**	**-11,83%**	**7,35%**	**-8,07%**	**16,91%**	**16,91%**	**12,72%**	**99,67%**	97,1%
Iberian benchmark		13,43%	15,54%	4,79%	11,25%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	2,57%	58,32%	

[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	6 M	12 M	YTD	2023	2022	2021	2020	2019	2018	2017	2016 [1]	2015	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes Iberian Equity Lux "R"	155,4390	**9,20%**	**13,71%**	**8,26%**	**8,19%**	**-2,40%**	**17,93%**	**-13,94%**	**5,68%**	**-9,61%**	**14,79%**	**16,33%**	**-**	**55,44%**	97,8%
Iberian benchmark		13,43%	15,54%	4,79%	11,25%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-	52,94%	
Magallanes Iberian Equity Lux "I"	162,3594	**9,50%**	**14,32%**	**8,40%**	**8,34%**	**-1,87%**	**18,53%**	**-13,51%**	**6,21%**	**-9,14%**	**15,42%**	**16,99%**	**-**	**62,36%**	97,8%
Iberian benchmark		13,43%	15,54%	4,79%	11,25%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-	52,94%	

[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	6 M	12 M	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015 [1]	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes European Equity FI "M"	219,8090	**10,83%**	**13,97%**	**6,06%**	**12,74%**	**4,94%**	**23,49%**	**-3,30%**	**21,48%**	**-19,19%**	**19,52%**	**12,89%**	**3,47%**	**120,68%**	91,2%
European benchmark		14,56%	14,79%	7,63%	8,61%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,42%	74,73%	
Magallanes European Equity FI "P"	230,1810	**11,11%**	**14,54%**	**6,19%**	**12,88%**	**5,47%**	**24,11%**	**-2,81%**	**22,09%**	**-18,78%**	**20,12%**	**13,45%**	**4,23%**	**131,66%**	91,2%
European benchmark		14,56%	14,79%	7,63%	8,61%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,43%	74,75%	
Magallanes European Equity FI "E"	246,5839	**11,53%**	**15,41%**	**6,39%**	**13,09%**	**6,26%**	**25,04%**	**-2,08%**	**23,01%**	**-18,17%**	**21,02%**	**14,31%**	**4,29%**	**146,58%**	91,2%
European benchmark		14,56%	14,79%	7,63%	8,61%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	9,77%	91,00%	

[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	6 M	12 M	YTD	2023	2022	2021	2020	2019	2018	2017	2016 [1]	2015	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes European Equity Lux "R"	206,3739	**10,84%**	**14,20%**	**6,06%**	**12,39%**	**5,20%**	**23,17%**	**-3,82%**	**20,89%**	**-19,43%**	**19,11%**	**18,30%**	**-**	**119,53%**	90,9%
European benchmark		14,56%	14,79%	7,63%	8,61%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	9,39%	-	85,55%	
Magallanes European Equity Lux "I"	215,4637	**11,14%**	**14,82%**	**6,20%**	**12,54%**	**5,77%**	**23,80%**	**-3,33%**	**21,50%**	**-19,00%**	**19,76%**	**27,76%**	**-**	**146,28%**	90,9%
European benchmark		14,56%	14,79%	7,63%	8,61%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	19,66%	-	102,98%	
Magallanes European Equity Lux "P"	221,8268	**11,33%**	**15,22%**	**6,29%**	**12,64%**	**6,14%**	**24,26%**	**-2,96%**	**21,96%**	**-18,70%**	**20,16%**	**12,08%**	**-**	**121,83%**	90,9%
European benchmark		14,56%	14,79%	7,63%	8,61%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	-	74,00%	
Magallanes European Equity Lux "ING"	152,5700	**9,68%**	**12,00%**	**4,85%**	**11,52%**	**12,05%**	**16,14%**	**2,15%**	**14,72%**	**-19,91%**	**-**	**-**	**-**	**52,57%**	90,9%
European benchmark		12,91%	11,69%	6,19%	7,56%	-4,36%	17,37%	-3,32%	26,05%	-10,57%	-	-	-	45,36%	

[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	6 M	12 M	YTD	2023	2022	2021	2020	2019	2018	2017 [1]	2016	2015	SINCE INCEPTION	INVESTMENT LEVEL
Magallanes Microcaps Europe, FI "B"	147,1315	**10,73%**	**9,02%**	**1,99%**	**6,18%**	**-9,42%**	**45,60%**	**-0,61%**	**10,59%**	**-21,98%**	**12,37%**	**-**	**-**	**47,13%**	93,9%
European benchmark		5,60%	-1,14%	-0,66%	0,17%	-24,87%	25,67%	18,66%	22,39%	-13,38%	8,14%	-	-	27,18%	
Magallanes Microcaps Europe, FI "C"	143,6658	**10,57%**	**8,73%**	**1,93%**	**6,12%**	**-9,67%**	**45,10%**	**-1,16%**	**10,10%**	**-22,18%**	**7,81%**	**-**	**-**	**38,08%**	93,9%
European benchmark		5,60%	-1,14%	-0,66%	0,17%	-24,87%	25,67%	18,66%	22,39%	-13,38%	7,22%	-	-	26,09%	

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