MAGALLANES

VALUE INVESTORS

1st Quarterly Letter to Investors
31/03/2026
MAGALLANES VALUE INVESTORS, S.A. SGIIC

Dear Investor,

Performance for the first quarter of 2026 has been **-1.49%** for the European fund, **+2.56%** for the Iberian fund and -**3.19%** for the Microcaps fund. Since inception, accumulated returns are **+173.32%**, **+193.82%** and **+67.86%** respectively[1], outperforming their respective benchmarks.

The first quarter of 2026 has been marked by significantly higher-than-expected volatility. The main trigger was the outbreak of conflict in Iran in late February, an event that had an immediate impact on energy markets and, by extension, on global financial assets as a whole.

This episode serves as yet another reminder of an uncomfortable but recurring reality in the markets: things always happen. Even events that seemed improbable—or downright unimaginable—can materialize quickly and abruptly alter the economic and financial landscape. The closure of the Strait of Hormuz and the resulting energy shock were a clear example of this, triggering a sharp spike in oil prices and a sudden shift in expectations regarding inflation, growth, and monetary policy.

As a result, we witnessed a significant correction in the major stock indices during the quarter, centered on the month of March. This adjustment was accompanied by a deterioration in investor sentiment and a widespread repositioning toward more defensive sectors, against a backdrop of heightened macroeconomic and geopolitical uncertainty.

However, it is important to put this movement into perspective. The quarter's correction has overshadowed a dynamic that, up until that point, had been clearly positive. The start of 2026 had been marked by a healthy alignment between markets and the economy, with reasonably solid growth, favorable earnings expectations, and a gradual expansion of Europe's leadership—a truly positive development given its poor track record on global strategic issues.

In this regard, the legislative measures announced by the EU deserve special mention. Despite its greater sensitivity to the energy shock, the region has started the year with significant structural momentum. The initiatives stemming from the Draghi and Letta reports, along with the recent decisions of the European Council, reflect a shift in focus toward greater integration, investment, and strategic autonomy.

The European Union is moving from diagnosis to action, driving measures aimed at strengthening the single market, channeling savings toward productive investment, and bolstering key sectors such as energy, digital infrastructure, telecommunications, and defense. All of this is based on an increasingly clear premise: the need to gain strategic sovereignty in a more fragmented, competitive, and uncertain global environment.

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

This new framework, characterized by the reorganization of supply chains, the rise of economic nationalism, and a capital-intensive investment cycle (infrastructure, energy, and computing capacity), is beginning to favour companies traditionally undervalued due to their asset-intensive profiles, many of which are part of our portfolios.

At Magallanes, we are invested precisely in this type of industrial companies, which we consider essential for achieving strategic autonomy in the factors of production for any region or nation. Because, ultimately, it is not possible to develop American- or Chinese-style technology champions without prior physical infrastructure: high-precision components, advanced materials with high conductivity, state-of-the-art semiconductors, a robust power grid capable of sustaining growing energy demand, as well as basic raw materials such as copper, platinum, or steel. Nor is it viable without cement and construction materials to build critical infrastructure, data centers, or reliable and well-distributed telecommunications networks. In short, technological leadership, digitalization, and economic progress depend on a solid, capital-intensive, and strategically critical industrial base. In this context, Europe has not only an obvious need but also a clear opportunity to rebuild and strengthen this productive base.

War: The U.S., Israel, and Iran. Perceptions and Realities

Beyond the obvious and tragic human dimension, which must never be ignored, armed conflicts rarely constitute a determining factor for the long-term investor. Market history is, unfortunately, rife with adverse events, disasters, and crises that have triggered more or less severe corrections in the short term.

Our approach to such events differs from the typical perspective found daily in the media or in analysis focused on tactical market tracking. We do not aim to anticipate headlines or react in real time. Nor do we believe that value is generated by constantly following the pulse of uncertainty. On the contrary, we strive to separate sentiment from reality.

If one analyses the historical evolution of the markets, one will observe multiple declines that, over time, become mere blips on a long-term chart. In fact, in many cases it is difficult to even recall which specific event triggered them. However, when these episodes are unfolding in the present, the perception is radically different: everything is magnified, fear replaces calm, and the time horizon shrinks dangerously.

This phenomenon, which we could call “conditional perception of risk” or “opportunity based on timing,” is, paradoxically, one of the main sources of value creation for the patient investor. In Magallanes’ history, we have experienced several episodes of this kind: the Covid-19 crisis or, more recently, the trade war just a year ago. Both moments, analysed today with hindsight, represented clear investment opportunities.

In fact, there is a paradox worth remembering: the real risk of investing is usually inversely correlated with the level of market anxiety. The worse the news, the more prices fall, and the greater the perception of uncertainty, the lower the risk tends to be for the long-term investor.

To understand this, it helps to step back for a moment from the market noise: from the screens, the daily volatility, and the alarmist headlines talking about “collapse,” “crash,” or “catastrophe.” Let’s consider an unlisted company with a diversified customer base, a solid balance sheet, a competent management team, and efficient operations. It is clear that, in a context like the current one, it may be affected by rising raw material costs, supply chain tensions, or temporary difficulties faced by some customers. However, these factors (though relevant in the short term) do not necessarily alter its intrinsic value significantly, which is determined by its ability to generate profits over the coming years or decades.

A temporary lack of cash generation, caused by extraordinary circumstances, does not necessarily imply a structural deterioration of the business or its long-term viability. Quite the contrary: in many cases, these disruptions create opportunities to acquire stakes in good companies at more attractive prices. This is precisely what we have done at Magallanes over the past few weeks. In a highly volatile environment, we have increased positions in companies that the market perceives as having been hit hardest—many of them industrials—and we have reduced exposure to sectors considered to be more favoured in the short term, such as oil companies.

We believe that these types of decisions, which go against the consensus, are what allow us to consistently build value over time (more on portfolio moves below).

A Reminder About Market Trends AI, Uncertainty, and Information

In recent months, we have frequently received questions about how we apply artificial intelligence to our investment process. The answer is clear: we use it, as is only natural, but without falling into the illusion that it can resolve the central element of investing, which is none other than uncertainty. Ever since financial markets have existed, investing has consisted precisely of making decisions in environments characterized by incomplete, changing, and unpredictable information. AI can help us process large volumes of information, identify patterns, or improve analytical efficiency, but it cannot eliminate uncertainty or predict with certainty which companies will perform best in the future.

In fact, the history of investing itself is revealing in this regard. If intelligence (understood as the ability to process information) were sufficient, the brightest people in the world would have been systematically the most successful at investing. And the evidence shows that this is not the case. Investing is not a purely intellectual or mathematical matter; it is, to a large extent, an exercise in judgment, discipline, and emotional control in the face of uncertainty. In this context, AI is a powerful tool, but not a substitute for investor judgment.

Finally, it is worth framing the current boom in artificial intelligence within a recurring phenomenon in the markets: trends. Over time, various narratives (technological, sector-specific, or thematic) have captured investors’ attention, generating excessive expectations about their immediate impact. AI is no exception. Without questioning its enormous potential, we believe it is important to distinguish between real utility and implicit promises. More information, more data, or better tools do not eliminate the uncertainty inherent in investing; they simply change the way we deal with it. And it is precisely on managing that uncertainty that we continue to focus.

On the other hand, it is wise to be cautious about market fads. Today it is artificial intelligence; 25 years ago, it was TMT (Technology, Media, and Telecommunications). History shows that these narratives, even when grounded in reality, tend to generate disproportionate expectations and disappointing results for many investors. According to Morningstar data, more than 90% of thematic funds (whether focused on AI, defense, or technology) end up underperforming in the market, and a large portion of them close down after the fifth year. This does not mean that technology is not transforming the world, but rather that investing based on popular trends often involves paying excessive prices and taking on risks that are not always evident at the height of enthusiasm.

Ultimately, the quarter has been a reminder that uncertainty is inherent in investing. But it has also shown that, beyond the short-term noise, highly significant structural trends continue to unfold, particularly in Europe, where the push toward greater strategic autonomy and reindustrialization could become one of the key drivers of value creation in the coming years.

Takeover Bid for Telecom Italia and First-Quarter Developments

We had one particularly positive piece of news during the quarter: **Poste Italiane's** takeover bid for our largest holding in the **European fund, Telecom Italia**. After several years invested in the company, the conviction derived from rigorous analysis has paid off, resulting in a total capital gain of over +130%. This is undoubtedly a transaction representative of Magallanes' approach. When we initiated the investment, the market consensus was clearly negative toward the telecommunications sector in Europe, and particularly in Italy. However, we identified an ongoing restructuring process, supported by improved management following the appointment of Pietro Labriola as CEO, the reorganization of its various business units, and the sector's strategic importance—all at an extremely attractive valuation. This combination of factors allowed the value that had remained hidden within the company for years to gradually emerge, ultimately culminating in the offer received.

It is worth noting, however, that the journey has been neither simple nor comfortable. Despite the final outcome, during the investment period we weathered episodes of high volatility and significant uncertainty, with very sharp declines in the share price (reaching drops of nearly 30% in a single trading session) that required conviction and patience to maintain and even increase our position. Such experiences reinforce one of the key ideas of our process: the best investments are rarely linear and, in many cases, require navigating through difficult periods before the value fully emerges.

In addition, we have continued to reposition the **European fund's** portfolio, strengthening our exposure to companies aligned with the structural trends we have been highlighting. Among the major portfolio additions this quarter are **Saipem** (a new acquisition), **Syensqo**, and **RS Group**.

Saipem reflects our exposure to the development of energy infrastructure, in a context where security of supply and the need for new capacity are becoming increasingly critical. There is often a tendency to think that the main global energy problem is a scarcity of resources, when in reality oil and gas reserves remain abundant.

The real challenge lies in how to extract these resources efficiently, safely, and in an economically viable manner. And it is precisely at this point that a very limited number of companies worldwide come into play, possessing highly specialized technical, operational, and execution capabilities. Companies such as **Saipem** and **Noble Corporation** are part of this small group of key players, which gives them a strategic position within the energy value chain. In this regard, we believe their role will become increasingly important in an environment marked by the growing complexity of projects and the need to ensure long-term supply.

At the same time, we have reduced or completely divested positions in companies where we believed the potential was more limited or where the market reflected a higher degree of optimism. Among the major divestments, in addition to the aforementioned **Telecom Italia** following the takeover bid, the complete sale of **Commerzbank** stands out after our invested capital increased 3.5-fold; we have also reduced our exposure to **Aker BP**, **Carrefour**, and **Orange Polska**.

In the **Iberian fund**, among the key additions for the quarter is the purchase of a new company, **Amadeus**, following an excessive market correction due to uncertainty about the impact AI might have on its business model. **Amadeus** is the global leader in technology solutions for the tourism industry, where we see significant growth potential supported by its critical positioning for its clients and cash generation capacity. We have also increased positions in industrial and materials companies such as **Befesa**, **Acerinox**, **ArcelorMittal**, and **Gestamp**, all of which are benefiting from trends toward reindustrialization and increased investment in production capacity.

On the sell side, we have reduced our position in **Repsol** and fully exited **Bankinter** after tripling our invested capital, as we believe the market had already priced in a significant portion of our valuation of the company.

In the **Microcaps fund**, the main additions for the quarter include **Inchcape**, as well as **Travis Perkins** and **Ibstock.** On the sell side, we have fully divested from **Deep Value Driller** after multiplying our invested capital by 3.4. Furthermore, and in line with our reduced exposure to oil companies, we have reduced our exposure to **IPCO** following the positive performance of these positions and the resulting reduction in their upside potential.

These decisions reflect our disciplined and active approach to capital allocation, through which we rotate out of companies where potential is more limited or exhausted, toward others where we identify a greater margin of safety and long-term upside. Overall, these moves reinforce our exposure to companies with well-defined market niches, significant barriers to entry, and the capacity for sustained growth, many of which are benefiting from structural trends such as reindustrialization or increased investment in infrastructure.

Yours sincerely,

Iván Martín Aránguez, CFA
Chief Executive Officer

ANNEX 1. RETURNS BY FUND AND CLASS as of 31/03/2026.

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"	288,0741	**2,44%**	**10,40%**	**44,53%**	**18,40%**	**13,30%**	**-1,82%**	**18,69%**	**-12,92%**	**6,02%**	**-9,22%**	**15,45%**	**15,48%**	**8,04%**	**179,36%**	94,1%
Iberian benchmark		1,51%	12,20%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	3,11%	-5,07%	132,95%	
Magallanes Iberian Equity FI "P"	304,5926	**2,56%**	**10,68%**	**45,25%**	**18,99%**	**13,87%**	**-1,33%**	**19,28%**	**-12,48%**	**6,55%**	**-8,76%**	**16,03%**	**16,09%**	**6,32%**	**189,48%**	94,1%
Iberian benchmark		1,51%	12,20%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	3,11%	-10,89%	118,67%	
Magallanes Iberian Equity FI "E"	331,2726	**2,75%**	**11,09%**	**46,34%**	**19,89%**	**14,72%**	**-0,58%**	**20,18%**	**-11,83%**	**7,35%**	**-8,07%**	**16,91%**	**16,91%**	**12,72%**	**231,27%**	94,1%
Iberian benchmark		1,51%	12,20%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	3,11%	3,52%	154,02%	

[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"	249,8430	**2,44%**	**10,66%**	**44,58%**	**17,48%**	**13,64%**	**-2,40%**	**17,93%**	**-13,94%**	**5,68%**	**-9,61%**	**14,79%**	**16,33%**	**-**	**149,84%**	99,1%
Iberian benchmark		1,51%	12,20%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	0,52%	-	145,39%	
Magallanes Iberian Equity Lux "I"	263,8128	**2,58%**	**10,96%**	**45,37%**	**18,11%**	**14,25%**	**-1,87%**	**18,53%**	**-13,51%**	**6,21%**	**-9,14%**	**15,42%**	**16,99%**	**-**	**163,81%**	99,1%
Iberian benchmark		1,51%	12,20%	52,30%	8,75%	22,58%	0,65%	9,08%	-8,96%	16,47%	-10,78%	11,19%	0,52%	-	145,39%	

[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"	256,7400	**-1,61%**	**8,14%**	**28,36%**	**-1,91%**	**21,15%**	**4,94%**	**23,49%**	**-3,30%**	**21,48%**	**-19,19%**	**19,52%**	**12,89%**	**3,47%**	**157,76%**	92,7%
European benchmark		-0,94%	5,25%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,42%	108,48%	
Magallanes European Equity FI "P"	271,5840	**-1,49%**	**8,41%**	**29,02%**	**-1,42%**	**21,76%**	**5,47%**	**24,11%**	**-2,81%**	**22,09%**	**-18,78%**	**20,12%**	**13,45%**	**4,23%**	**173,32%**	92,7%
European benchmark		-0,94%	5,25%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,43%	108,50%	
Magallanes European Equity FI "E"	295,2974	**-1,31%**	**8,82%**	**29,97%**	**-0,68%**	**22,67%**	**6,26%**	**25,04%**	**-2,08%**	**23,01%**	**-18,17%**	**21,02%**	**14,31%**	**4,29%**	**195,30%**	92,7%
European benchmark		-0,94%	5,25%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	9,77%	127,89%	

[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"	243,5656	**-1,39%**	**8,20%**	**29,76%**	**-2,18%**	**21,01%**	**5,20%**	**23,17%**	**-3,82%**	**20,89%**	**-19,43%**	**19,11%**	**18,30%**	**-**	**159,10%**	92,1%
European benchmark		-0,94%	5,25%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	9,39%	-	121,39%	
Magallanes European Equity Lux "I"	257,0576	**-1,26%**	**8,49%**	**30,47%**	**-1,65%**	**21,67%**	**5,77%**	**23,80%**	**-3,33%**	**21,50%**	**-19,00%**	**19,76%**	**27,76%**	**-**	**193,82%**	92,1%
European benchmark		-0,94%	5,25%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	19,66%	-	142,19%	
Magallanes European Equity Lux "P"	266,5045	**-1,17%**	**8,68%**	**30,93%**	**-1,31%**	**22,10%**	**6,14%**	**24,26%**	**-2,96%**	**21,96%**	**-18,70%**	**20,16%**	**12,08%**	**-**	**166,50%**	92,1%
European benchmark		-0,94%	5,25%	19,39%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	-	107,61%	
Magallanes European Equity Lux "ING"	186,9500	**-1,14%**	**8,74%**	**38,13%**	**-5,92%**	**19,12%**	**12,05%**	**16,14%**	**2,15%**	**14,72%**	**-19,91%**	**-**	**-**	**-**	**86,95%**	92,1%
European benchmark		-0,88%	5,37%	26,08%	3,61%	13,13%	-4,36%	17,37%	-3,32%	26,05%	-10,57%	-	-	-	77,24%	

[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"	167,8578	**-3,19%**	**-0,62%**	**23,34%**	**-2,55%**	**13,51%**	**-9,42%**	**45,60%**	**-0,61%**	**10,59%**	**-21,98%**	**12,37%**	**-**	**-**	**67,86%**	95,1%
European benchmark		-4,56%	-3,21%	16,27%	2,51%	-0,32%	-24,87%	25,67%	18,66%	22,39%	-13,38%	8,14%	-	-	45,63%	
Magallanes Microcaps Europe, FI "C"	163,3559	**-3,25%**	**-0,74%**	**22,98%**	**-2,59%**	**13,20%**	**-9,67%**	**45,10%**	**-1,16%**	**10,10%**	**-22,18%**	**7,81%**	**-**	**-**	**57,00%**	95,1%
European benchmark		-4,56%	-3,21%	16,27%	2,51%	-0,32%	-24,87%	25,67%	18,66%	22,39%	-13,38%	7,22%	-	-	44,38%	

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