



2nd Quarterly Letter to Investors

30/06/2025

MAGALLANES VALUE INVESTORS, S.A. SGIC

Dear Investor,

Returns during the first half of 2025 were **+11.5%** for the European fund, **+25.3%** for the Iberian fund and **+16.1%** for the Microcaps fund. Since their launch, cumulative returns are **+139.8%**, **+143.6%** and **+63.2%** respectively, outperforming their corresponding benchmark indices¹.

Following the shock caused by the tariff measures announced by the US administration on 2 April, the rounds of negotiations initiated between the different countries have helped to normalise the financial markets, which have seen strong gains since the lows of that month.

The case of investment in European equities

On 17 June, the European Commission proposed measures to simplify and improve the EU securitisation framework. This is the first step in a broader initiative, the Savings and Investment Union², whose ultimate goal is to mobilise European savings towards more productive investments. The Commission has also launched a consultation on the LCR (liquidity coverage ratio) for banks and has promised further changes to securitisation for insurance companies and pension funds.

This is one of the first measures announced by the EC and responds to the Draghi report, which recommended regaining Europe's lost competitiveness vis-à-vis the US with an estimated investment of around €800-900 billion per year. This could, in principle, be mobilised from the huge amount of savings accumulated by European citizens in recent years, with a savings rate of 15%, almost four times higher than that of our American counterparts. It is estimated that Europe has accumulated around €33 trillion in savings invested in low-yield assets (including €10 trillion in bank deposits), and that around €300 billion leaves the EU every year to be invested in US assets.

In short, the Savings and Investment Union was created with the aim of mobilising and optimising these resources by reducing excessive regulation, strengthening the market for securities (the first step has been taken, with an estimated size of €2 trillion), and reducing costs and increasing participation in European asset markets.

Along the same lines, and also during June, several EU countries officially launched the 'Finance Europe³' initiative, a new European label designed to encourage citizens to channel their savings into investments that boost economic growth in the European Union.

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

² https://finance.ec.europa.eu/publications/savings-and-investments-union-strategy-enhance-financial-opportunities-eu-citizens-and-businesses_en

³ <https://www.reuters.com/business/finance/seven-eu-countries-back-pan-european-savings-product-label-2025-06-04/>



The 'Finance Europe' label aims to offer a clear and reliable solution, helping savers to identify investment products that directly support the financing of the European real economy. To obtain the label, financial products labelled 'Finance Europe' must meet three cumulative criteria: a portfolio allocation with at least 70% of assets invested in European companies, a minimum investment horizon of five years, and a substantial portion invested in equities, without a permanent capital guarantee, to encourage productive investment and thus contribute to economic growth.

In addition, there is the €500 billion fiscal stimulus announced by the new German government under Chancellor Friedrich Merz, which will undoubtedly have a stimulating effect not only in Germany but also in the rest of the EU.

These and other initiatives show that Europe is waking up from its slumber, which was beginning to take a heavy toll on the economic and social prosperity of European citizens themselves.

In this regard, a significant rotation of capital flows towards European assets has begun to be observed so far this year. Amid growing concerns about US fiscal policy, rising debt and the risk of trade tariffs triggering a recession, \$25 billion left US stock funds in May, the largest outflow in a year, while \$21 billion flowed into European funds, accumulating just over \$82 billion for the year⁴.

It is worth noting the renewed interest of large international investors in the European market. Blackstone recently announced that it plans to invest up to \$500 billion in Europe over the next 10 years, citing the continent's growing attractiveness to investors. Its CEO, Steve Schwarzman, said that Europe is a 'great opportunity' for its investors⁵.

Global risks and the need to protect savings

However, it is important to remember the current global challenges, mainly the escalation of war and the imposition of tariffs on international trade, with significant adverse effects on the world order, in addition to the terrible humanitarian crises, in terms of the disruption of supply chains with their potential inflationary effects.

For example, pending the final outcome of the current negotiations on tariffs, some financial analysts are indicating an average tariff rate of 13% compared to the previous 3%, and depending on the ability of companies to pass on these increases, approximately 70% of the price increase would be absorbed by consumers.

Protecting savings is more important than ever in an environment where inflation erodes purchasing power: not only do the prices of goods and services rise, but money loses value over time. Both sides of this reality make it clear that keeping savings without investing means, in practice, accepting a constant loss of value. That is why investing becomes the only effective way to preserve and, if possible, increase wealth in the long term.

⁴ <https://www.reuters.com/markets/wealth/global-markets-fundflows-2025-06-11/>

⁵ <https://www.bloomberg.com/news/articles/2025-06-10/blackstone-plans-500-billion-europe-investment-schwarzman-says?srnd=homepage-europe>



Currently, the rising cost of living (with significant increases in fuel, electricity, food, household appliances, cars and, especially, housing) is one of the main concerns for both families and governments. It is not just that things cost more, but that money that is not invested is worth less every year. Hence the urgency of putting savings to work through investment, a need reinforced by recent European initiatives that seek to encourage saving and channel it into the capital markets.

However, investing in any way is not enough: the key is to choose assets with attractive valuations and real growth potential. In this regard, the European market currently offers one of the best opportunities. European equities are trading, on average, at a 35% discount to their US counterparts, generating very attractive valuations. In addition, many European industrial companies, which are essential to economic development and leaders in their sectors, are trading at historically low valuations and have solid fundamentals.

Our fund portfolios are particularly well positioned in these types of European companies, which we believe are well placed to benefit from both the current stimulus measures and the gradual normalisation of international markets. Europe has outperformed Wall Street in terms of returns so far this year and the outlook for earnings growth over the next few years is positive. Investing in our funds therefore not only allows you to hedge against inflation and the loss of value of your money, but also to take advantage of the upside potential offered by the European market in this new economic cycle.

Our portfolios are currently trading at around 10 times earnings, reflecting very attractive valuations in the European context. In addition, they offer a combined dividend and share buyback yield of close to 5%, which is above the European market average. This combination represents an effective way to protect against the risks of inflation and loss of purchasing power, while providing exposure to the strong performance of a carefully selected group of leading companies that are well positioned to benefit from European and global growth potential.

Fund activity

We continue to work to increase the potential of our funds through active portfolio management. This involves rotating positions, selling companies in which we have already made significant gains and whose upside potential is now more limited, in order to reinvest in businesses that, according to our analysis, offer greater opportunities for future growth. In this way, we seek to maximise value for our investors and keep the portfolio aligned with our investment process, which is based on buying good companies at low prices.

In the European fund, we have increased our exposure to **Sandvik, Rexel, Syensqo, Brenntag** and car manufacturers. On the sell side, we have reduced our exposure to European banks, specifically **Commerzbank, Unicredit, Eurobank** and **ING**.

In the Iberian fund, we have added a new position, **Zegona Communications**, owner of Vodafone Spain. We have also increased our weighting in **Meliá Hotels** and **Inmobiliaria Colonial**. On the sales side, we have reduced our weighting in banks other than **Banco Sabadell** and sold our entire position in **Logista** with a cumulative gain of over +100%.



In the Microcaps fund, we have increased our exposure to **Stabilus**, **Ashmore** and **Recticel**, and on the selling side we have partially reduced our weighting in **Cementir** and **Sol Spa**.

Thank you

We sincerely appreciate the trust you place in us to manage your assets. We continue to work with the utmost rigour and commitment to achieve the objectives set and protect your interests. As always, we remain at your disposal for any questions or comments you may wish to convey to us.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Iván', with a stylized flourish extending from the end.

Iván Martín Aránguez, CFA
Chief Investment Officer

MAGALLANES



VALUE INVESTORS

ANNEX 1. RETURNS BY FUND AND CLASS as of 30/06/2025.

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"	243,2896	10,50%	25,03%	31,76%	18,40%	13,30%	-1,82%	18,69%	-12,92%	6,02%	-9,22%	15,45%	15,48%	8,04%	135,93%	91,7%
Iberian benchmark		8,85%	23,58%	26,82%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-5,73%	86,22%	
Magallanes Iberian Equity FI "P"	256,2763	10,64%	25,34%	32,42%	18,99%	13,87%	-1,33%	19,28%	-12,48%	6,55%	-8,76%	16,03%	16,09%	6,32%	143,56%	91,7%
Iberian benchmark		8,85%	23,58%	26,82%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-11,29%	74,80%	
Magallanes Iberian Equity FI "E"	277,1593	10,85%	25,81%	33,42%	19,89%	14,72%	-0,58%	20,18%	-11,83%	7,35%	-8,07%	16,91%	16,91%	12,72%	177,16%	91,7%
Iberian benchmark		8,85%	23,58%	26,82%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-2,57%	103,06%	

¹ Class M 29/01/2015; Class P 24/02/2015; 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"	210,7803	10,32%	24,96%	30,95%	17,48%	13,64%	-2,40%	17,93%	-13,94%	5,68%	-9,61%	14,79%	16,33%	-	110,78%	93,2%
European benchmark		2,49%	8,55%	8,08%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,42%	91,35%	
Magallanes Iberian Equity Lux "I"	221,6589	10,47%	25,30%	31,66%	18,11%	14,25%	-1,87%	18,53%	-13,51%	6,21%	-9,14%	15,42%	16,99%	-	121,66%	93,2%
Iberian benchmark		8,85%	23,58%	26,82%	8,75%	22,58%	-0,84%	11,74%	-11,07%	15,38%	-11,59%	12,13%	0,52%	-	96,16%	

¹ Class R 31/12/2015; Class I 31/12/2015. Returns net of fees. Iberian benchmark: 80% Ibsv35 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"	226,0477	6,73%	11,19%	5,56%	-1,91%	21,15%	-4,94%	23,49%	-3,30%	21,48%	-19,19%	19,52%	12,89%	3,47%	126,94%	91,9%
European benchmark		2,49%	8,55%	8,08%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,42%	91,35%	
Magallanes European Equity FI "P"	238,2213	6,87%	11,48%	6,10%	-1,42%	21,76%	-5,47%	24,11%	-2,81%	22,09%	-18,78%	20,12%	13,45%	4,23%	139,75%	91,9%
European benchmark		2,49%	8,55%	8,08%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,42%	91,35%	
Magallanes European Equity FI "E"	257,5677	7,06%	11,89%	6,88%	-0,68%	22,67%	-6,26%	25,04%	-2,08%	23,01%	-18,17%	21,02%	14,31%	4,29%	157,57%	91,9%
European benchmark		2,49%	8,55%	8,08%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	9,77%	109,17%	

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"	214,1542	7,81%	12,51%	6,65%	-2,18%	21,01%	-5,20%	23,17%	-3,82%	20,89%	-19,43%	19,11%	18,30%	-	127,81%	92,6%
European benchmark		2,49%	8,55%	8,08%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	0,42%	103,20%	
Magallanes European Equity Lux "I"	225,0969	7,96%	12,81%	7,22%	-1,65%	21,67%	-5,77%	23,80%	-3,33%	21,50%	-19,00%	19,76%	27,76%	-	157,29%	92,6%
European benchmark		2,49%	8,55%	8,08%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	19,66%	-	122,28%	
Magallanes European Equity Lux "P"	232,7574	8,05%	13,01%	7,60%	-1,31%	22,10%	-6,14%	24,26%	-2,96%	21,96%	-18,70%	20,16%	12,08%	-	132,76%	92,6%
European benchmark		2,49%	8,55%	8,08%	8,59%	15,83%	-9,49%	25,13%	-3,32%	26,05%	-10,57%	10,24%	2,58%	-	90,55%	
Magallanes European Equity Lux "ING"	160,2000	10,57%	17,02%	8,61%	-5,92%	19,12%	12,05%	16,14%	2,15%	14,72%	-19,91%	-	-	-	60,20%	92,6%
European benchmark		4,91%	12,46%	9,20%	3,61%	13,13%	-4,36%	17,37%	-3,32%	26,05%	-10,57%	-	-	-	59,49%	

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"	163,1619	9,98%	16,06%	7,98%	-2,55%	13,51%	-9,42%	45,60%	-0,61%	10,59%	-21,98%	12,37%	-	-	63,16%	96,6%
European benchmark		9,61%	9,25%	6,71%	2,51%	-0,32%	-24,87%	25,67%	18,66%	22,39%	-13,38%	8,14%	-	-	43,37%	
Magallanes Microcaps Europe, FI "C"	159,0817	9,87%	15,86%	7,89%	-2,59%	13,20%	-9,67%	45,10%	-1,16%	10,10%	-22,18%	7,81%	-	-	52,90%	96,6%
European benchmark		9,61%	9,25%	6,71%	2,51%	-0,32%	-24,87%	25,67%	18,66%	22,39%	-13,38%	7,22%	-	-	42,14%	

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