

Old West Investment Management, LLC

April 14, 2022

Dear Investor,

The first quarter of 2022 could be described as “all hell breaking loose” as inflation skyrocketed and war broke out in Europe. The stock market actually held up pretty well with the S&P 500 down 4.6%. In addition to stock market losses the bond market had its biggest quarterly loss on record, down 5.58%, which exceeded the previous record loss of 5.4% in 1980. The bull market for US Treasuries that began in 1981 has finally ended, as the Bloomberg Barclays US Treasury Index has fallen 22% since its peak in March 2020. The 10 year Treasury bottomed at 0.318% at that time. That was a nearly 40 year run for the bond bull market, the longest in history.

Old West portfolios had a tremendous quarter with our long only separate accounts up between 12% and 18% and our LPs up between 14.5% and 23% net of all fees.

We can now see how ridiculous past Fed policy has been where Fed officials weren't happy that inflation was running below their target of 2%. For years I have asked what is wrong with no inflation or very little inflation. I have compared Fed officials to Dr. Frankenstein mixing chemicals in the lab. Watch what you wish for. The inflation genie is out of the bottle and there will be a lot of pain incurred trying to control it.

The war in Ukraine only exacerbates the situation as “the breadbasket of Europe” is under siege. Nobody knows how this war will play out but consumers around the world are the big losers. From paying \$120 to fill your tank to empty store shelves, I believe a recession is inevitable given these cost pressures. Americans were feeling flush for the past two years given government assistance during Covid, but now that money has run out and people are back to maxing out their credit cards.

In my year-end letter I stated the stock market was the most expensive in history by most measures, and it's impressive that it's only 5% from its all-time high. However, the S&P 500 masks the carnage experienced by many stocks in the quarter like Netflix down 38%, Paypal down 30%, Facebook down 26% in one day and the NASDAQ down 20% from its high. I didn't like the prospects for the market going into the new year and I like it a lot less today.

I am extremely grateful for our talented and hard working team who continue to come up with research and original stock ideas that have generated outstanding performance. When our partner Brian Laks first recommended investing in uranium miners five years ago you rarely heard the numerous benefits of nuclear power. Today it is widely accepted that nuclear power is crucial to combating global warming. There are numerous other examples of

investments we have made that aren't popular and never mentioned on CNBC. We have stubbornly owned gold mining stocks for several years, and with what is happening on the inflation front as well as war raging in Europe, gold is once again seen as the ultimate safe haven. Our contrarian thinking and intense research have led to our market beating performance.

I have always been attracted to boring companies in boring industries, especially companies that are growing revenue and income and have strong balance sheets. Bunge Ltd. fits the bill of boring as one of the largest agricultural companies in the world. My description of boring is in reference to the markets love for tech stocks for the past decade, with stocks valued on multiples of revenue and profit far off into the future- if ever.

BUNGE LTD

Bunge (pronounced BUN-GEE) Ltd (BG) is one of the biggest agribusinesses and food companies in the world. There are four worldwide companies that dominate the sector, the others being Archer-Daniels-Midland Cargill, and Dreyfuss. One of our favorite ways to screen for new ideas is following insider buying. When I saw the Form 4 filed by new Bunge CEO Greg Heckman, his purchase of \$9 million of BG stock intrigued me. My initial thought was the company gave him the stock as a signing bonus. I contacted BG Investor Relations and asked whether it was a signing bonus or did Heckman actually write a check for \$9 million. IR assured me it was his own hard earned money that he invested in the company he was about to run.

Heckman was a long time executive at Conagra Foods who obviously sensed opportunity at BG. One of his first moves as CEO was to move the company's HQ from New York to St. Louis, right in the middle of America's breadbasket. BG had been plagued for years with poor decisions by underperforming management. Heckman's decision to move to St. Louis was indicative of a no nonsense style and he would commence cutting expenses and selling non-core assets.

BG's operations stretch from farmer to consumer. The company is a leading producer of oilseeds, vegetable oils and protein meals. They are a global grain processor, seller of packaged vegetable oils, producer of wheat flour, baking mixes and dry milled corn products. BG also produces sugar and ethanol in Brazil. The company's core operations consist of Agribusiness, Edible Oil products, Milling products, and Fertilizer segments.

The Agribusiness segment is a integrated global business involved in the purchase, storage, transportation, processing and sale of ag commodities. The ag operations are located in North and South America, Europe, and Asia-Pacific.

The Edible Oil products segment sells vegetable oils and fats, including cooking oils, shortenings, margarines, mayonnaise, and specialty ingredients.

The Milling products segment includes businesses that sell wheat flours, bakery mixes and corn-based products. These operations are located in North and South America.

The Fertilizer segment is involved in producing, blending and distributing fertilizer products for the ag industry in South America, with operations in Argentina, Uruguay and Paraguay, and port facilities in Argentina and Brazil.

We first purchased BG shares in June 2020 for \$44 per share. At the time the company's stock was trading at 10 times earnings, the market cap was \$5.8 billion and the stock had a 5% dividend yield. Today the stock trades at \$124 per share, has a market cap of \$16 billion and the P.E. ratio has fallen to 9 as earnings per share have grown to \$13 per share versus \$4.50 when Heckman took over.

CEO Heckman has done a masterful job of turning around the company. When EVERYONE is clamoring to buy tech stocks based on a multiple of revenue, our contrarian streak draws us to companies with strong balance sheets and steadily growing earnings. BG has \$4 billion of net debt, a leverage ratio of only 1.6 and a current dividend yield of 1.8%. Earnings have been growing at over 50% per year since Heckman became CEO.

The war in Ukraine will have a dramatic effect on food supplies. Worldwide wheat and corn production will be severely affected by the war, and since BG's operations are heavily tilted to the Americas, BG will benefit from shortages and high prices. In investing you are often times surprised by an unknown event, and we have had them in our favor and against us. When the price you pay has a margin of safety built into it, the chances of getting hurt are minimized. A rule of investing that I believe in is "never sell a great company." Greg Heckman may very well make Bunge a great company, which means we may own it for a very long time.

Thank you for your continued support and we look forward to an exciting rest of the year.

Sincerely,

A handwritten signature in black ink, appearing to be 'JB', written in a cursive style.

Joseph Boskovich, Sr.
Chairman and Chief Investment Officer