Old West Investment Management, LLC

April 15, 2023

Dear Investor,

The first quarter of 2023 was relatively quiet in financial markets until all hell broke loose in March with the failure of Silicon Valley Bank plus two other banks. It was one of the largest bank failures in US history and might serve as the "canary in the coal mine" for more trouble ahead. The fact that interest rates were so low for so long due to Federal Reserve Bank manipulation resulted in extreme risk taking by investors of all types. Trillions of dollars were invested in the bond market at near zero percent interest rates, trillions more dollars were dumped into the stock market, private equity and venture capital with little attention paid to valuations, and investors foolishly gambled on all sorts of speculative investments like cryptocurrencies and NFTs. Famed investor Leon Cooperman likened buying long term bonds yielding 0.5% to picking up dimes in front of a steam roller. If you're right, you get a dime. If you're wrong, you get crushed. The management and shareholders of Silicon Valley bank got crushed, and the depositors once again were rescued by Uncle Sam.

Over the past year, we have seen the stock price of money-losing, over-leveraged companies fall 70-90%. The bond market had its worst year in history in 2022. Yet to come are mark-to-market losses in private equity and venture capital as pension funds and endowments threw money at firms who were desperate to generate returns.

It makes sense that the lowest interest rates in history would result in huge losses once rates normalized. Thankfully, Old West clients were spared the calamity as we never drank the Kool-Aid. As you can see from your enclosed statement, our portfolios slightly underperformed their benchmarks in the first quarter. Eight mega-cap tech stocks accounted for virtually all the S&P 500 gains in the first quarter, with the other 492 stocks nearly unchanged. Investors have been piling into the mega caps as a flight to safety, but many of them are trading at 30 times earnings with minimal revenue growth, so it's lost on us how these stocks can be considered "safe".

Our value bias should serve us well in the next few years as we are expecting a difficult investing environment. Investing in companies run by owner/managers with strong balance sheets, actual versus adjusted earnings, and a moat around their business, will prove to be far superior compared to blindly buying an index fund.

In every quarterly letter we discuss one or more of our holdings in depth. This quarter, we thought to instead include Old West's feature interview from this month's issue of Value Investor Insight, which is arguably the most read and respected industry publication to the value investing community. In the interview, we discuss our ownership stakes in Filo Mining, Alphamin Resources, Bunge, SmartRent and WildBrain. We hope you enjoy the interview!

Thank you for your continued support and we look forward to giving you strong performance results the balance of this year and beyond.

Sincerely,

Joseph Boskovich, Sr.
Chairman and Chief Investment Officer

ValueInvestor INSIGHT

March 31, 2023

The Leading Authority on Value Investing

Top Down

Joseph Boskovich, Sr., Brian Laks and Joseph Boskovich, Jr. of Old West Investment Management describe why they start their company research with the proxy statement, how they zero in on the eclectic mix of businesses they own, why they're still high on many commodities, and why they see mispriced value in Alphamin Resources, Bunge and WildBrain.

INVESTOR INSIGHT

Old West Investment Management
(l to r) Joseph Boskovich, Sr., Brian Laks, Joseph Boskovich, Jr.

In his first career, Joseph Boskovich – ultimately as CEO – helped build his family's farming business from a single 500-acre farm in Southern California to a firm growing 35 different vegetables on 15,000 acres in the U.S. and Mexico. But he never lost the investment bug he caught as a teenager: "I always thought that's what I'd do when I grew up," he says. "I was in my 40s, but I decided to take the plunge."

That plunge eventually led him in 2008 to found Old West Investment Management, where his small-cap portfolio has earned a net annualized 12.7%, vs. 10.7% for the Russell 2000. Focused first on management's alignment with shareholders, he sees opportunity today in such areas as agricultural products, tin and children's entertainment.

Joseph Sr., how does the fact that you spent the first 20-plus years of your career building your family's farming business influence the way you invest?

Joseph Boskovich, Sr.: Warren Buffett talks about this, but I think there's no question that having run a business makes you a better investor. With any investment I'm really looking at it as if I'm buying the entire company for the profits I expect it to produce over time. My background is also the reason we put so much emphasis on evaluating management. No one is going to know a business better than the people running it, so we will not be successful as investors unless the people in charge are very good at what they do and their interests are aligned with ours as shareholders. In our experience material owners of the company are the best capital allocators, and I'd like to believe we can have an advantage in evaluating the character, incentives and experience of the management team that will be in control of our capital.

Which would explain why you emphasize that you often start your research with the proxy statement.

JB Sr.: Incentives matter, so we can usually tell after five minutes with the proxy statement whether we're interested. How much stock does management own? How are they paid and what metrics drive the incentive portion of their pay? We're looking for cash compensation levels that are respectful to the company's owners, incentives tied to actual rather than "adjusted" metrics, and overall compensation that emphasizes equity ownership far more than salaries and cash bonuses. We eliminate probably 90% of the companies we look at just from a quick read of the proxy.

One of our favorite screens for new ideas is to follow insider buying. A few years ago I noticed a filing with the SEC showing that the newly named CEO of Bunge Ltd., Greg Heckman, had bought $9 million of stock. My initial thought was that the company gave him the shares as a signing bonus, but I called them to find out and they said no, all of the $9 million came out of his own pocket. You don't see that very often, but that's very much the type of thing that will attract our attention and make us want to look into it further.

You've been active in mining stocks where you see clean-energy-driven demand and constrained supply working to companies' advantage. To get a sense of how you might play that, describe your interest in a company like Filo Mining [Toronto: FIL].

Brian Laks: Copper is a metal we believe will be in significant demand driven by electrification and other clean-energy initiatives, while supply will be challenged by underinvestment in exploration and by declines in average copper grades making mines less productive. In such an environment a large high-grade discovery of copper is a big deal, and that's what caught our attention with Filo Mining.

The company in 2021 announced what could be a generational discovery of copper resource at its Filo del Sol deposit in Argentina. What made that more interesting to us is the involvement of the Lundin Group, which owns one-third of the company. Adolf Lundin was a Swedish entrepreneur who built an oil and mining empire in the 1970s that has grown under the leadership of his sons and grandsons. This is not an early-stage project run by promoters – we think they have the experience and the deep pockets to bring this project to production into what will be a highly favorable pricing environment.

We couldn't think about investing in a company at this stage of its development without confidence that the many operating and financing decisions to be made for Filo to ultimately succeed were being made by owner managers with the expertise to pull it off. Their geologists now believe they're developing essentially a new mining district that will support multiple projects. In one very positive sign, BHP early last year invested C$100 million for 5% of the project – paying a premium to the prevailing share price – and agreed to form an advisory committee to help guide its development.

The company's shares at a recent price of C$23 have more than doubled since they started trading in October 2021. How do you think about valuing a stock like this?

BL: The company in 2019 delineated a development project with a pre-feasibility study on the reserves defined at that point. That was before further exploration indicated the resource base was far larger. At current copper prices and assuming only the reserves they *originally* defined, we estimate the net asset value here at about C$2.5 billion, which is roughly the current enterprise value. It's typical for the market not to give full credit to non-producing reserves, but given the magnitude of the additional discoveries, we think the discount here today is way too large.

Turning to something quite different, how did a technology company like SmartRent [SMRT] get on your radar screen?

JB Sr.: The company sells to owners of residential rental properties hardware and software that helps them run buildings more efficiently. As an example, the technology allows available units to be shown without needing a representative of the landlord present. Other applications are for things like leak detection, temperature control and parking-flow optimization. In this case I actually have two close friends involved with the company, one who is on the board and the other who is a satisfied customer. They prompted our looking into it further, and we concluded the company is well run by an owner/manager – the founder and CEO, Lucas Haldeman, owns 5.6% of the outstanding shares – and has a very long runway of growth.

ON TIN:

We see short-term volatility in the context of secular growth in demand combined with a supply/demand imbalance.

We invest in traditional value ideas as well, but this is another one that doesn't fit that mold. The stock came public as a SPAC in early 2021 and [at a recent price of around $2.30] is down 75% since. We started investing in it last summer when it got to a point where the pessimism struck us as overdone. They have $200 million in cash, no debt, are growing 50% year over year, and should be free cash flow positive in 2024. But the market treats it as if it's going to go broke tomorrow – we just think that's not at all the case.

Explain your bullish case for tin producer Alphamin Resources [Toronto: AFM].

JB Sr.: Money managers often don't like to invest in commodity companies because the price of the commodity has such an influence on the profitability of the company. We think about it somewhat differently. These commodities are typically essential to the economy with excellent prospects over time, but the relative lack of interest by the investment community means we have time to examine the industry while valuations are still attractive. That's not at all to say cycles are easy to predict and invest through, but we've found opportunities when the market's lack of interest or misunderstanding is pronounced.

We've had particular success in recent years investing in uranium miners and other companies involved in the nuclear fuel cycle. Brian has spearheaded that and has also done a lot of research into tin, which leads us to Alphamin.

BL: We typically focus on niche commodities where supply/demand imbalances can form with relative ease, leading to current or expected shortages. It could be that supply is falling due to natural depletion or there's a lack of development investment when prices are low Also, technology developments may lead to increased demand for certain materials faster than supply can respond. This has been the case for a variety of specialty metals necessary to enable the global transition to clean energy, and one of which that isn't talked about as much is tin.

The global tin market is small, only 2% the size of copper, but it's essential to manufacturing electronic devices. The largest use is in solder, the conductive material that connects electronic components in printed circuit boards. So demand for tin is strongly tied to semiconductor demand, which has a number of long-term growth tailwinds from the build out of things like advanced telecom networks, datacenters, interconnected devices and electric vehicles. Another example of a new demand driver is solar ribbon, which is copper wire that has been coated in tin and is used to connect individual solar cells on solar panels.

At the same time, the supply situation is fragile. China and Indonesia control roughly half of the market and have seen their production decline over the last two decades. In China much of the production is in the southwestern province of Yunnan, where extreme weather and rising energy prices can lead to power rationing that impacts tin supply. Indonesia has mined much of its onshore resources and miners have been forced into shallow offshore waters to dredge alluvial tin. The third-largest producer, Myanmar, is politically unstable and has also seen much of its high-grade discovery depleted. In general, even when tin prices last year hit highs of $50,000 per metric ton, there were not many high-quality development projects in the works to fill the growing supply gap.

The price of tin is still extremely volatile. From $50,000 per ton last year, the price hit $20,000 earlier this year and is now around $25,000. But we see short-term volatility within the context of a longer-term secular growth in demand combined with a growing supply/demand imbalance. In our view, today's price is unsustainably low. Not enough production is profitable to meet current levels of demand, let alone where demand is expected to grow. That gets us excited about a company like Alphamin long-term.

Why do you consider it uniquely positioned to benefit from all this?

BL: One of the primary ways to have an advantage in a commodity industry is to be a low-cost producer. And the way to have low costs is to either have a very large project or a very high-grade resource base. Alphamin has both, with what is arguably the highest-grade operating tin mine in the world, located in the Democratic Republic of the Congo. The reserve grade is better than 4% – in a world where 1% is good – and some deeper drilling has found grades at multiples of 4%. It appears to be a geological freak of nature. The current mine produces 12,000 tons per year and a second adjacent mine under development – which is entirely self-funded – is expected to add another 8,000 tons of capacity. At 20,000 tons in annual production the company would provide close to 7% of the world market for tin.

How are you looking at risks tied to operating in the Congo?

BL: It's the nature of investing in these types of companies that you have to regularly weigh the jurisdictional and other operating risks against the opportunity. In this case, Alphamin and other bigger miners like Ivanhoe Mines and Barrick Gold have been operating in the Congo for years without material difficulty. We consider the jurisdictional risks here to be higher than they might be elsewhere, but when judged against the opportunity, we think the risks are manageable and reasonable to take.

You haven't yet mentioned the people involved in running Alphamin.

BL: The top shareholder is a private equity firm called Denham Capital, which owns almost 60% of the company. We consider their involvement to be a clear positive. They have a great track record investing in natural resources tied to energy transition and have funded Alphamin from the early stages. The current CEO, Maritz Smith, came from Denham Capital, where he had been running its African mining platform.

How are you looking at valuation from today's C$0.90 share price?

BL: Even though the price of tin today at $25,000 per ton is at a level where much

INVESTMENT SNAPSHOT

Alphamin Resources
(Vancouver: AFM)

Business: Headquartered in Mauritius, currently produces roughly 4% of the world's mined tin from high-grade deposits located in the Democratic Republic of Congo.

Share Information
(@3/30/23, Exchange Rate: $1 = C$1.35):

Price	**C$0.88**
52-Week Range	C$0.57 – C$1.46
Dividend Yield	6.8%
Market Cap	C$1.12 billion

Financials (TTM):

Revenue	$391.0 million
Operating Profit Margin	49.4%
Net Profit Margin	25.8%

Valuation Metrics
(@3/30/23):

	AFM	S&P 500
P/E (TTM)	8.3	17.7
Forward P/E (Est.)	4.3	17.7

Largest Institutional Owners
(@12/31/22 or latest filing):

Company	% Owned
Tremont Master Holdings	57.2%
Fidelity Mgmt & Research	1.2%
Affiliated Managers Group	0.9%
Adansonia Pe Opportunities	0.8%
Cara Investment	0.3%

Short Interest (as of 3/15/23):

Shares Short/Float	n/a

AFM PRICE HISTORY

THE BOTTOM LINE

With a "geological freak of nature" resource base, Brian Laks believes the company will greatly benefit from the higher copper prices he expects in coming years. With its shares trading on his near-term EBITDA estimate at 3.3x enterprise value, "we don't need heroic multiple or tin-price assumptions to see very significant upside in the stock," he says.

Sources: Company reports, other publicly available information

of the industry is unprofitable, because Alphamin's all-in production costs are under $15,000 per ton it is still nicely profitable. Using rough numbers, at 20,000 tons in annual production when they turn on the second mine later this year, the company can earn close to US$200 million in EBITDA. That on today's US$650 million enterprise value gives you an EV/EBITDA multiple of less than 3.3x.

And that's at today tin price, which we think is unsustainably low. At the $50,000 price level just from last year, the company would be earning more in EBITDA per year than its current enterprise value. From today's share price, we don't need heroic multiple or tin-price assumptions to see very significant upside in the stock.

You mentioned earlier what attracted you to Bunge's stock. Why are you still high on its prospects?

JB Sr.: The company is one of the biggest agribusinesses in the world, operating literally at a wide variety of points in the food chain. They are a leading producer of oilseeds, vegetable oils and protein meals. They process grain, produce wheat flour and mill corn. They sell a variety of consumer food products. They also have a growing business producing feedstocks for renewable fuels.

Most of it is about feeding the world, which continues to grow in population and in wealth, allowing people to expand their diets. It's a giant market and Bunge is one of four large, rationally competitive players at a global level. It's not go-go tech, but there's steadily increasing long-term demand in providing products that are absolutely essential to daily life.

Greg Heckman since taking over as CEO has done an excellent job in streamlining and reinvigorating the company, which had been underearning. One thing we loved early on was his moving the headquarters from New York, where they had no actual operations, to St. Louis, right in the heart of the U.S. breadbasket. That signaled to us what has proven to be the case, that he was bringing a no-nonsense practical approach to a company that had gotten bloated and stretched itself too thin.

Since taking over he has invested behind new opportunities where the company has an advantage and has discontinued or exited a variety of ventures where it didn't. He's also put emphasis on taking out costs up and down the organization. At his first investor day in mid-2020 he described how he thought the company's earnings, around $3 per share when he took over, could be at $5 per share in two years. Earnings per share last year came in at $10.50 per share and this year we estimate will be closer to $11.75 per share.

With the shares now at $95.30, has the market not recognized all that?

JB Sr.: The stock has gone up nicely, but when we bought it in mid-2020 it sold for 10x trailing earnings. Today it trades for just over 9x trailing earnings and 8x forward earnings. This will never be a high-multiple stock, but we see no reason why Bunge trades at a discount to a competitor like Archer Daniels Midland [ADM], which is currently priced at 11.5x forward earnings. With some re-rating, mid-single-digit or better earnings growth over time, and a current dividend yield of 2.6%, we

INVESTMENT SNAPSHOT

Bunge
(NYSE: BG)

Business: Purchase, storage, transport, processing and sale of agricultural commodities and commodity products; this month replaced Signature Bank in the S&P 500.

Share Information (@3/30/23):

Price	**95.34**
52-Week Range	80.41 – 128.40
Dividend Yield	2.6%
Market Cap	$14.29 billion

Financials (TTM):

Revenue	$67.23 billion
Operating Profit Margin	3.9%
Net Profit Margin	2.4%

Valuation Metrics
(@3/30/23):

	BG	S&P 500
P/E (TTM)	9.1	17.7
Forward P/E (Est.)	8.0	17.7

Largest Institutional Owners
(12/31/22 or latest filing):

Company	% Owned
Capital Research & Mgmt	14.5%
Vanguard Group	10.1%
BlackRock	8.5%
Fidelity Mgmt & Research	4.3%
UBS Asset Mgmt	3.1%

Short Interest (as of 3/15/23):

Shares Short/Float	1.7%

BG PRICE HISTORY

THE BOTTOM LINE

The company under Greg Heckman has methodically and intelligently invested behind areas where it has potential advantage and exited those areas where it doesn't, says Joseph Boscovich, Sr. With some valuation re-rating, mid-single-digit or better annual EPS growth and a 2.6% dividend yield, he thinks the stock's return profile is "quite attractive."

Sources: Company reports, other publicly available information

think the return profile here for shareholders is still quite attractive.

You may have noticed that Bunge just recently was added to the S&P 500 index, replacing Signature Bank. We obviously weren't counting on that, but it's a nice recognition of what we think the company has become.

Turning to something completely different, explain your interest in children's entertainment company WildBrain [Toronto: WILD].

Joseph Boskovich, Jr.: This is a Canadian company, originally called DHX Media, that is one of the few independent players in children's cartoons and television shows. Through company-owned intellectual property and licenses, it produces and distributes content for franchises including Peanuts, Teletubbies, Strawberry Shortcake, Sonic the Hedgehog, Yo Gabba Gabba! and Inspector Gadget. Distribution is typically through linear television, streaming services such as Apple TV+ and Netflix, and the company also has its own popular advertising-based video-on-demand channel on YouTube called WildBrain Spark. There's a large licensing business as well, making up about 50% of total revenues, tied to character-based consumer products.

We had originally seen WildBrain pitched at a Sohn Investment Conference and it was on our watch list when they named Eric Ellenbogen as CEO in 2019. We liked the business model of creating content that can be recycled over and over again to new generations of children, and Eric had an impressive resume in developing kids' entertainment franchises at places like Golden Books, Marvel and DreamWorks Animation. We often view management change as a catalyst for unlocking shareholder value and we definitely think that's the case here.

There have basically been two phases to the turnaround under Eric. Phase one involves finding the right creative talent to produce new content that extends and reinvigorates the company's already impressive IP library. Among successes there have been two new Peanuts-related series that have been produced for Apple TV and a new Sonic the Hedgehog series called Sonic Prime that launched successfully on Netflix last year.

Phase two has been to better translate increased audience engagement into licensing revenue from the sale of consumer products. Peanuts has been an excellent positive example. In calendar 2018 the brand generated $1.8 billion in character-based retail consumer products sales worldwide, a number that increased in 2022 to $2.5 billion. Sonic Prime has already translated into a significant new pipeline of licensing deals. If they continue to be successful in building or re-building viewer engagement across the portfolio, the leverage in licensing revenue would be very high.

From today's price of C$2.50, how are you looking at upside for the stock?

JB Jr.: We don't believe the share price reflects how well the company is executing. Management has guided for the fiscal year ending in June 2024 to C$125 million in EBITDA. We think that's achievable given that the guidance was set based

INVESTMENT SNAPSHOT

WildBrain
(Toronto: WILD)

Business: Produces, distributes and licenses children's entertainment content, including such franchises as Peanuts, Teletubbies, Strawberry Shortcake and Inspector Gadget.

Share Information
(@3/30/23, Exchange Rate: $1 = C$1.35):

Price	**C$2.50**
52-Week Range	C$1.84 – C$3.55
Dividend Yield	0.0%
Market Cap	C$439.9 million

Financials (TTM):

Revenue	C$508.6 million
Operating Profit Margin	13.6%
Net Profit Margin	0.4%

Valuation Metrics
(@3/30/23):

	WILD	S&P 500
P/E (TTM)	n/a	17.7
Forward P/E (Est.)	60.5	17.7

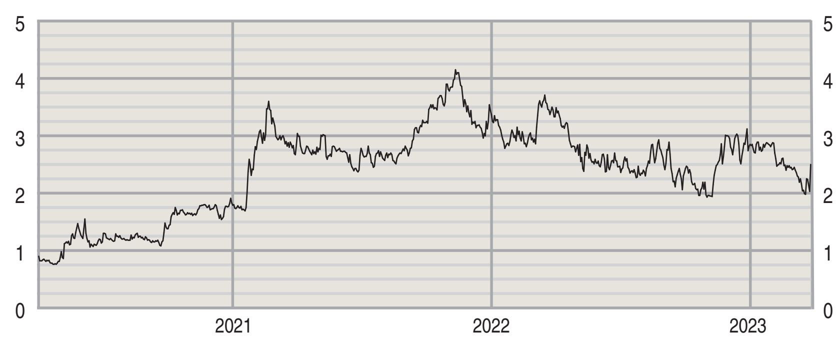
Largest Institutional Owners
(@12/31/22 or latest filing):

Company	% Owned
Fine Capital	38.4%
EastBay Asset Mgmt	9.7%
Primecap Mgmt	3.8%
Dimensional Fund Adv	0.9%
Alprime Capital	0.2%

Short Interest (as of 3/15/23):

Shares Short/Float	n/a

WILD PRICE HISTORY



THE BOTTOM LINE

Joseph Boscovich, Jr. believes that under current management the company is doing all the right things to capitalize on its already impressive library of intellectual property and that doing so will eventually pay off big for shareholders. At what he considers a reasonable 15x EV/EBITDA on management's fiscal 2024 guidance, the shares would triple.

Sources: Company reports, other publicly available information

on already-contracted licensing and distribution deals that pre-dated some more recent successes like Sonic Prime. At what we consider a reasonable 15x EV/EBITDA multiple on that number, the share price from today would triple. If they continue along the path we think they're on, the growth potential goes well beyond that. Given their library of IP, we also think a higher valuation more in line with comps such as Hasbro's purchase of eOne and the Blackstone-backed purchase of Moonbug Entertainment is possible.

There is debt, but the company has continued to emphasize paying that down and has been doing so successfully. When Eric took over the ratio of net debt to EBITDA was almost 6x, but it's now 4.3x. We expect that paydown to continue as the cash generated by the business increases.

One last thing I'd mention is that Eric's pay package is largely tied to stock, and he only starts to make big money when the share price hits C$7, C$9 and C$11. We think his willingness to sign on for that is indicative of how big the opportunity might be.

Joe Sr., you embarked on your investing career not long after the Internet bubble popped, in a period that turned out to be extremely favorable for value investing. Would you draw any parallels between then and now?

JB Sr.: One thing not as evident then was the prominence of passive investing, which has had such an impact on how the market behaves. I'm with those who believe that the passing of the free-money era means that active investing is going to have a revival. And while there are differences between then and now in terms of how much excess has come out of stock prices, value investing tends to do well in periods after speculative bubbles pass. We see many of the same types of opportunities in the post-bubble period today that we saw then. We don't think the revival of value investing is over either. VII