July 15, 2020

Dear Partner,

Updated results, net of all fees, for the Hirschmann Partnership (the “Fund”) are shown below:

	Class A Return	Class B Return	S&P 500 Index	MSCI World Index	Gold Miner Index	Gold (US$)
Q4 2014	-2.2%	-2.2%	4.9%	1.0%	-13.3%	-2.2%
2015	27.0%	24.8%	1.4%	-0.5%	-24.8%	-10.4%
2016	47.1%	44.7%	12.0%	7.9%	54.3%	9.1%
2017	-12.6%	-12.6%	21.8%	22.8%	12.2%	12.6%
2018	-23.0%	-23.0%	-4.4%	-8.4%	-8.5%	-1.5%
2019	63.3%	63.3%	31.5%	28.1%	40.4%	18.3%
H1 2020	26.7%	31.4%	-4.0%	-5.6%	24.7%	17.6%
Cumulative	**154.4%**	**155.0%**	**75.1%**	**47.6%**	**80.9%**	**47.4%**
Annualized	**17.6%**	**17.7%**	**10.2%**	**7.0%**	**10.9%**	**7.0%**

MSCI World Index is Developed Market Standard (Net with USA Gross). Gold Miner Index is NYSE Arca Index

As a reminder, the share classes are identical except for their performance allocation. For Class A, the performance allocation is 25% of the profit above a 6% hurdle rate. For Class B, it is 33% of the profit above the S&P 500 return. Neither has a management fee.

Although the Fund outperformed its benchmarks in H1 2020, our gold-linked securities (GLS) continue to trade at deep discounts to their intrinsic value (see 2018 year-end letter) and remain incredibly undervalued relative to gold, bonds, equities, real estate and gold mining ETFs. Due to the government borrowing binge arising from the pandemic, severe stagflation seems inevitable and should cause the Fund to appreciate more than 500%.

More importantly, due to the GLS’ low valuations, the Fund’s long-term risk remains low. Indeed the Fund has not had any realized losses since its inception six years ago. Further I remain the Fund’s largest investor and continue to have most of my net worth invested in the Fund.

Portfolio Detail

Our portfolio is summarized on the table below:

		Portfolio Weight		H1 '20 Return	Price /		
Security	[redacted]	**Jun-20**	**Dec-19**	**Contribution**	**Intrinsic Value**	[redacted]	[redacted]
GLS S	[redacted]	45.0%	42.7%	22.7%	23.8%	[redacted]	[redacted]
GLS A	[redacted]	8.1%	4.2%	5.6%	32.8%	[redacted]	[redacted]
GLS R	[redacted]	7.1%	Not Held	0.5%	8.3%	[redacted]	[redacted]
GLS C2	[redacted]	6.7%	10.3%	-5.4%	28.6%	[redacted]	[redacted]
GLS N	[redacted]	6.4%	2.5%	6.1%	28.8%	[redacted]	[redacted]
GLS D2	[redacted]	5.4%	5.3%	0.3%	24.5%	[redacted]	[redacted]
GLS G2	[redacted]	5.0%	2.0%	0.5%	11.2%	[redacted]	[redacted]
GLS O	[redacted]	4.6%	6.2%	0.6%	56.7%	[redacted]	[redacted]
GLS C	[redacted]	3.5%	5.4%	-0.1%	4.9%	[redacted]	[redacted]
GLS D	[redacted]	1.9%	1.4%	0.1%	18.2%	[redacted]	[redacted]
GLS M2	[redacted]	Sold	10.7%	1.4%	Sold	[redacted]	[redacted]
GLS M	[redacted]	Sold	6.1%	-0.1%	Sold	[redacted]	[redacted]
Total GLS		**93.7%**	**96.7%**	**32.1%**			
UK Co.	[redacted]	1.0%	2.3%	-0.7%	39.9%	N/A	N/A
Cash		5.2%	1.1%	N/A	100.0%	N/A	N/A
Total		**100.0%**	**100.0%**	**31.5%**			

Prices are as of June 30. Returns exclude performance allocation and operating expenses.

GLS S (“S”) [redacted]. Although we trimmed our S position in H1, S’ portfolio weight remains high due to its appreciation in H1. S’ large portfolio weight is justified by its low risk and high expected return. After we sell S, I expect our portfolio to be much less concentrated.

GLS N roughly quadrupled due to its low valuation and [redacted]. This was a reminder that undervalued securities can appreciate suddenly without major news.

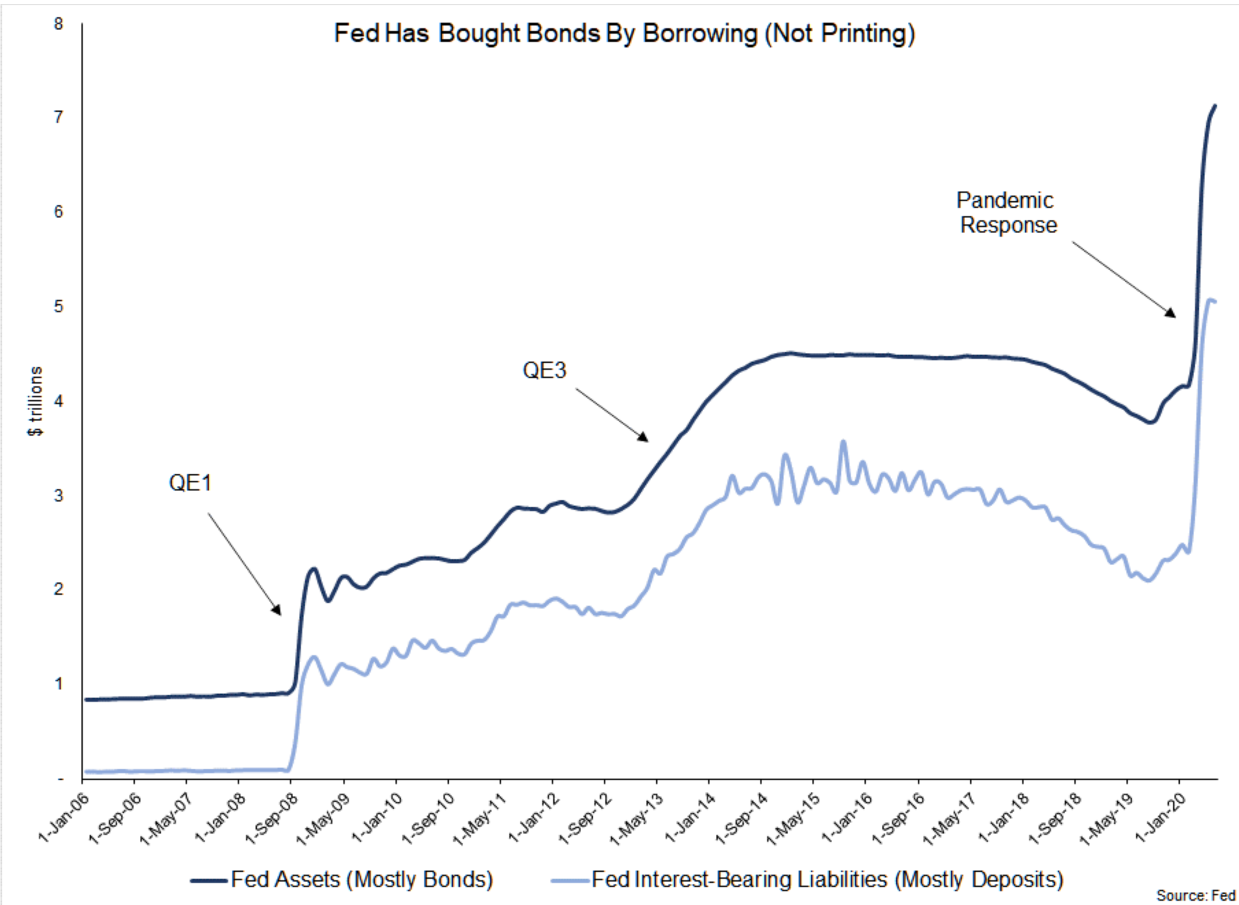
GLS C2 [redacted]. However, GLS C2 continues to seem undervalued and low risk. Thus we used its H1 decline to buy more.

GLS C (“C”) [redacted]. Thus, although C has been the biggest drag on the Fund’s cumulative return, I expect the Fund to ultimately earn a very high return on its C investment. [redacted].

Government Default Seems Unavoidable

Since 1800, 51 out of 52 countries with gross government debt greater than 130% have defaulted, either through restructuring, devaluation, high inflation or outright default.[1] Examples are shown in an endnote.[2] The IMF expects US government (USG) debt to GDP to be a record 141% by year-end 2020. (See chart in an endnote.[3]) There is little reason the USG should not also default (see year-end 2016 letter).

Since 2008, the Fed has been buying assets by issuing short-term debt. (Interest-bearing deposits held at the Fed are equivalent to short-term debt issued by the Fed.[4]) In effect, the Fed has been executing a highly-leveraged carry trade by borrowing to purchase higher-yielding government, agency and corporate bonds.



Contrary to popular belief, the Fed cannot pay off the USG's debt by printing money. Printing money would cause hyperinflation (e.g. 1920s Germany and Venezuela today). Hence the Fed has funded its bond purchases by borrowing rather than printing.

The catch is that the Fed will be trapped if Treasury yields spike due to a USG debt crisis. If the Fed does not raise the interest rate on its deposits to match spiking Treasury yields, hyperinflation would result as banks redeem their Fed deposits and lend them to the economy. If the Fed does raise the interest rate on its deposits, its carry trade would hemorrhage cash and exacerbate the debt crisis.

If central banks (CBs) could always keep interest rates low, no government would ever default. Yet, in 2020 alone, Argentina, Ecuador and Lebanon have defaulted despite their CBs' best efforts. Rich-country CBs have also been overwhelmed often (e.g. the 1965-82 US Great Inflation, the 1976 UK IMF bailout, Iceland's 2008-11 crisis and the 2015 Swiss currency peg collapse).

Worse yet, government debt is also currently at dangerous levels in other major economies, including Brazil, China, Japan, the UK and the eurozone. Further, the BOJ and ECB, among other major central banks, are executing reckless carry trades similar to the Fed's. Thus, a government debt crisis in one country might easily ignite a global government debt crisis that pops the bubbles in China, US equities and US real estate. That would make H1 2020 seem uneventful.

Cryptocurrencies

I am often asked if cryptocurrencies will replace gold. I highly doubt it. Yes, like gold, a cryptocurrency has a limited supply. However, cryptocurrencies in aggregate have unlimited supply. Indeed, several cryptocurrencies will launch this week.[5] Since cryptocurrencies compete with each other, new ones erode the value of existing ones. In contrast, new gold types are not being created, so gold is immune from such competition.[6]

Proponents of bitcoin, the most popular cryptocurrency, argue that its brand will protect it from competition. Yet bitcoin's cryptocurrency market share has fallen from 95% to 60% over the past seven years. That decline should continue since new cryptocurrencies' advantages include better security, faster transactions, lower electricity consumption and greater support from businesses and regulators.

Cryptocurrency bulls claim that gold is inferior because *physical* gold is more difficult to store and transfer than cryptocurrencies. Yet that ignores that gold can be traded electronically using ETFs, futures or the same blockchain technology used to trade cryptocurrencies. Thus, even though cryptocurrencies have existed for more than a decade, it is unsurprising that their market value is less than 3% of gold's.

Other

We remain open to new investors, so feel free to distribute the redacted version of this letter.

The Fund continues to strive for tax efficiency and has yet to incur any significant short-term capital gains.

I have designated Ralph Hirschmann, my father, to wind down the fund in the highly unlikely event that I am incapacitated. He is a litigator whose practice included securities litigation and arbitrations.

I occasionally post articles relevant to the Fund on Twitter and less frequently on LinkedIn.

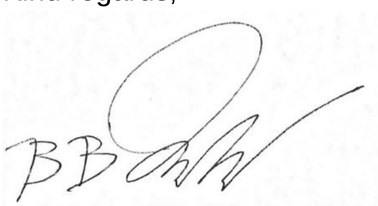
Partners will receive several items over the next six months:

- Account statements should be sent this week. [redacted]
- In October and December, partners will receive 2020 tax estimates (i.e., draft K-1s)
- The Fund's next letter is scheduled for mid-January

The Fund plans to switch its bank this month to lower transaction fees.

The Fund's most important competitive advantage will always be its patient clients, so I greatly appreciate your continued support. Please contact me with any questions or comments.

Kind regards,



Brian Hirschmann
Managing Partner

Endnotes

[1] Present day Japan is the only example of a country avoiding default despite having government debt greater than 130% of GDP. However, as discussed in our year-end 2016 letter, a Japanese default seems inevitable.

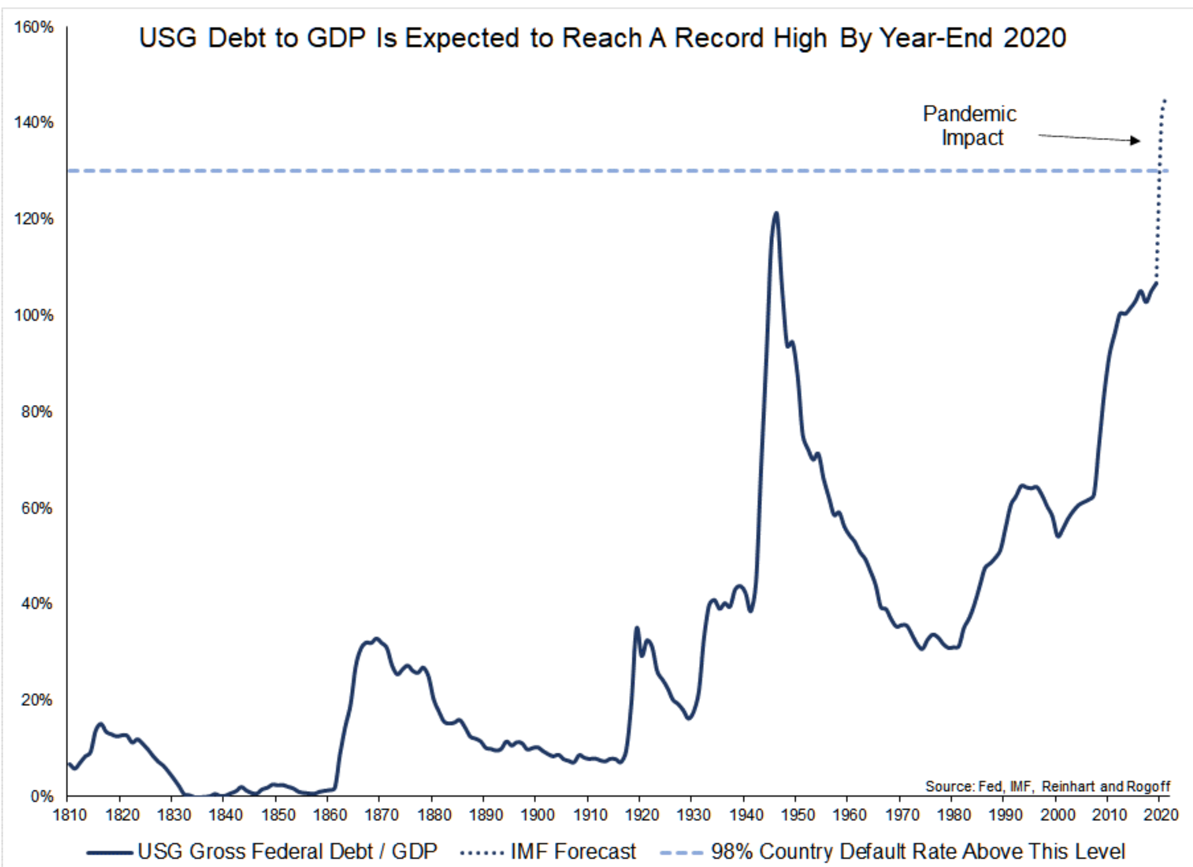
[2]

Government Default Study Examples

Country	Year 130% Threshold Crossed	Default Year	Default Type	Default Cause
Argentina	1827	1827	Outright default	Independence
Spain	1869	1877	Restructuring	Revolution
Turkey	1872	1876	Outright default	Drought and floods
UK	1919	1931	Devaluation	World War I
France	1920	1920	High inflation	World War I
Germany	1918	1922	Hyperinflation	World War I
Japan	1943	1943	Various	World War II
Australia	1945	1946	High inflation	World War II
Canada	1946	1946	High inflation	World War II
Ghana	1960	1966	Restructuring	Lower exports
Costa Rica	1981	1981	Outright default	Lower exports
Greece	2010	2010	Bailout	2008 Financial Crisis

Source: Reinhart and Rogoff, RIETI Japan, Bloomberg, HC estimates

[3]



[4] These deposits are also called excess reserves
[5] Source: https://icodrops.com/
[6] For more on gold's unique characteristics, see our 2016 mid-year letter

Disclaimer

The Hirschmann Partnership LP (the "Fund") began operating on October 1, 2014. The Fund's principal objective is to achieve positive market returns primarily through fundamental analysis of small- and micro-cap equities in U.S. and foreign markets. Hirschmann Capital LLC (the "General Partner") seeks to achieve the Fund's investment objective by identifying equities that are trading at large discounts to actual value. The Fund invests primarily in small- and micro-cap equities in U.S. and foreign markets but also invests in other securities. An investment in the Fund should be considered a long-term investment.

The information contained herein reflects the opinions and projections of the General Partner on the publication date. The opinions and projections are subject to change without notice at any time. The General Partner does not represent that any opinion or projection will be realized. All information provided is for information only and is not investment advice or a recommendation to purchase or sell any specific security. The General Partner has an economic interest in the securities discussed in this document, but the General Partner's economic interest is subject to change without notice. While the information presented herein is believed to be reliable, no representation or warranty is made concerning the accuracy of any data presented.

Securities discussed in this document may not remain in the Fund's portfolio when you receive the document and securities sold may have been repurchased. The securities discussed may not represent the Fund's entire portfolio. Do not assume any of the securities discussed were or will be profitable. Do not assume that future investment decisions will be profitable or will equal the investment performance of the securities discussed. Past results are no guarantee of future results. No representation is made that an investor is likely to achieve results similar to those shown. All investments involve risk including the loss of principal.

Performance results shown are for the Hirschmann Partnership LP and are presented net of all fees, including performance allocation, brokerage commissions and other operating expenses of the Fund. Net performance includes the reinvestment of all dividends, interest, and capital gains. The General Partner does not receive any asset-based management fees. For each Class A Limited Partner, the General Partner is allocated a performance allocation equal to 25% of the amount by which the increase in net asset value exceeds a 6% annualized hurdle rate. For each Class B Limited Partner, the General Partner is allocated a performance allocation equal to 33% of the amount by which the increase in net asset value exceeds the S&P 500 Index.

In practice, the performance allocation is earned annually or upon a withdrawal from the Fund. Because some investors may have different fee arrangements and depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance as stated herein.

This document refers to indices such as the S&P 500. This does not imply that the Fund will have returns, volatility or other characteristics similar to the indices. The Fund's holdings may differ significantly from the indices' underlying securities. The indices have not been selected to be comparative measures of investment performance, but rather are disclosed since they are well-known indices. You may not be able to invest directly in the indices.

This document is confidential and may not be distributed without the consent of the General Partner. This document does not constitute an offer or solicitation to purchase or sell any security or investment product. Any such offer or solicitation may only be made by means of an approved Confidential Offering Memorandum.