KP7

July 21, 2025
Letter #17

Dear Investors:

KP7 was +16.4% in the second quarter after all fees and expenses. The S&P 500 was +10.9%, including dividends. For the year, KP7 is now +6.6% versus the index of +6.2%.

We've been frustrated that we have yet to separate ourselves from the index. The index has been strong to-be-sure, especially in the last 30 months. The index is up 68% during those 30 months. KP7 has trailed badly, up just 50%.

We don't own any of the Magnificent 7. We are not likely to add any of them any time soon either. We are patient long-term investors. We invest when we find value far in excess of the price we pay. The truth is, we are not finding much value in the Magnificent 7. Our plan is to stay patient.

We still have this residual fear that inflation is not totally conquered in the United States. The gold development company that hurt us so badly at the end of 2024 had a minor recovery in the first half of 2025 (+23% for the year) and accounts for most of our first half performance. The company is developing multiple high-grade deposits in Nevada with several important milestones on the horizon. The stock trades for about $0.60/share today. We ascribe about $1.70/share of value to the company. We are likely to hold on to this investment for the next 12 to 24 months while the company implements its development plan.

One of our smaller holdings, Impinj, had a dreadful "liberation" day. We took advantage of the volatility and doubled our position in the stock. The stock has recovered nicely since then (+40%) and is now one of our larger holdings. Impinj makes tiny silicon chips the size of a grain of sand. The chips are imbedded into the labels of products and used to remotely track the product through the supply chain. We believe Impinj is the clear leader in this technology.

Besides adding to our Impinj position, we made no material changes to the portfolio in the second quarter. Our portfolio today consists of eight high-conviction, thoroughly researched investments. We believe the portfolio in aggregate has one of the largest price-to-value disconnects in our brief history. That is, the portfolio today has more underlying business value relative to the prices being offered on the market than it has in a very long time. We are optimistic.

We ask that investors stay patient with us. We believe deeply that our research process and dedication to our fundamental research principles will deliver long-term returns better than the broader market averages over time. We are not pleased with our relative returns, but we plan on sticking with the game plan that we know works over the longer term.

We work every day to gain and keep your trust. Sincerely,