Kingsgate (KCN:AX)

Price (12/31/25):	$5.63 AUD	Market Cap (12/31/25):	$1.0 billion USD
Stock Gain (2025):	+370.9%	Portfolio Weight:	54.7%

Description

Kingsgate (Sydney: KCN) is an Australian gold mining company with one major asset, the Chatree gold mine in Thailand. Although closed for a number of years due to governmental action, Chatree has restarted operations and is already generating substantial cash flow, especially with the rising price of gold and silver. Nevertheless, Kingsgate continues to trade at a significant discount to its underlying value. Kingsgate trades in Australia in AUD (Australian dollars), but its business is mostly sensitive to USD (US dollars). All numbers referenced herein are in USD.

2025 — The Year of Kingsgate

Since we invested in Kingsgate in late 2021, the stock went nowhere for three years. Actually, scratch that. After three years, it was actually *down* 34%, so it didn't exactly go nowhere, but it went nowhere good. Yet in contrast to the stock price, in the background (or perhaps we should say the foreground?), the business was getting better. The mining and gold processing licenses were returned and the operation restarted. First one plant was refurbished, then the second plant. Throughput improved and mining of fresh ore resumed. At the same time, the price of gold shot up. Through all this, the stock price just shrugged off all the good news.

In 2025, the stock price finally took off and started catching up with reality. Kingsgate almost quintupled for the year in dollar terms, providing the largest part of the Fund's gains. Yet even with such a stock run, the stock remains relatively cheap considering the present gold price and underlying economics.

Operating Updates

In the first half of the year, the mine suffered a minor access ramp slip, which caused them to produce only 75,000 ounces of gold for the year (instead of an expected 85,000). For the current fiscal year, they expect to produce 85,000–95,000 ounces, which is still below what we consider the mine's true sustainable potential of 110,000–120,000 ounces per year.

AISC (All-In Sustaining Costs, a common metric of total cash costs in precious metal mining) went up quite a bit, much more than we would like; in fact, we really would like to see AISC come down. Even so, the mine threw off plenty of cash, and they have paid off the majority of their debt and are now in a substantial net cash position. Looking forward, exploration drilling found a bunch of good-looking deposits, particularly in some areas close enough to the processing plants to be able to be trucked in without further infrastructure.

All in all, on the operational side, we'd give them a grade of B−. The success of the stock is mainly due to it starting off so cheap, despite what we'd consider a sub-par management team.

TAFTA Termination

After multiple extensions to the TAFTA settlement negotiations over the 2016 mine closure by the government of Thailand, Kingsgate finally announced in the end of November that both sides have mutually agreed to terminate the TAFTA arbitration and enter a new era of cooperation. Reading between the lines, the company has already received the mine back and has gotten all the concessions that Thailand was willing to give (read: not many, mostly expansions to the mine plan and large swaths of exploration licenses). At this point, the TAFTA arbitration was no longer helping, instead just hindering the relationship. Possibly counterintuitively, the market has taken the news very well and pushed the stock up 37% over the remaining thirty-six days left to the year. Presumably, the market takes this as a sign of an end to the previous chapter and a start of a new regularly operating gold mine, to be valued on its own terms.

Price of Gold and Silver

The price of gold increased 65% over 2025. Less importantly, but not insignificant, the price of silver increased 148%. (Silver is a by-product of Kingsgate's gold mine, with 700,000 ounces of silver expected for the current fiscal year's production.) Between the two, the economics of the mine have improved to the point of producing $200–$250 million per year in cashflow at present prices. There is room for this to expand further with ongoing operational improvements (in particular, improvement of ore grade from the mine, leading to more ounces recovered and lower AISC on a per-ounce basis), although these improvements have been going slower than we would have liked. A $1 billion market cap for an asset producing cashflow of $200–$250 million a year is not expensive.

Conclusion

As we just pointed out, a $1 billion market cap for an asset producing cashflow of $200–$250 million a year is not expensive by any means. Nevertheless, we are wary of Kingsgate's leverage to and dependence on a sustained high gold price, which is not something we particularly want to bet on one way or the other. This year, the rising price of gold was a tailwind that definitely added to the Fund's success. In the future, if the price of gold were to drop again, it would then act as a headwind to Kingsgate's performance. We will therefore be looking to trim and possibly exit the position over the coming year.

Silicon Motion (SIMO)

Price (12/31/25):	$92.70	Market Cap (12/31/25):	$3.2 billion
Stock Gain (2025):	+71.5%	Portfolio Weight:	20.7%

Description

Silicon Motion designs and sells controllers which manage the NAND flash memory ubiquitous in modern computing. Wherever there is NAND flash, there must be a controller, often one from Silicon Motion. SIMO is an ADR (American Depository Receipt) trading on the NASDAQ.

2025 — Strong Year

After their weak 2023 and the strong recovery they exhibited in 2024, Silicon Motion showed sustained strength in 2025, with revenue growing about 8% over the year, gross margin expanding further to about 49% (from about 46% in 2024), and double-digit growth in operating income. These strong operating results come despite a relatively weak year for their core PC and smartphone end markets, as they continue to gain market share and grow their sales despite end market weakness.

2026 and Beyond — Firing on All Cylinders

Looking to the future, Silicon Motion has the strongest lineup we've ever seen, with a number of new products across their product portfolio gaining market share, raising ASPs, and increasing gross margins. Their two core markets are SSD controllers for PCs and eMMC + UFS controllers for mobile. For PC SSDs, they have introduced new 8-channel and 4-channel PCIe Gen 5 controllers on a 6-nanometer process, which have been very well received in the marketplace. Based on design wins, they project that they will reach 50% market share in the high-end of the PC market (10–15% of the entire PC market), a segment in which they previously have not competed. The ramp-up is occurring as we speak, beginning in earnest in late 2025 and continuing through 2026. For UFS, they introduced a new UFS 4.1 controller for the premium market segment as well as a new, reengineered low-cost UFS 2.2 controller to mop up the mainstream and value market segments.

Other business segments are also looking up. Their automotive business, presently only about 5% of their revenue, is projected to reach 10% of their revenue over the next few years, due to design wins and market share gains. Silicon Motion has also been selected as the controller supplier for the micro SD Express expansion card for Nintendo's new Switch 2.

And last but not least, they appear to finally be gaining traction into the large and valuable enterprise SSD market, with their new MonTitan controller aimed at hyperscalers and data centers. They have signed up a number of Tier 1 and Tier 2 customers, and they expect this segment to also reach 10% of their revenue in the near-term. Silicon Motion has also been selected to provide the boot drive controller for Nvidia's Bluefield 3 DPU. Beyond the value of these sales in themselves, this also gives them a foot in the door with Nvidia's roadmap and gives them a better chance at winning the more lucrative contracts for the storage SSD controllers that the Bluefield DPU connects with.

We've been following Silicon Motion for more than 12 years, and we've never heard management, generally quite conservative with their projections, sound as confident as we hear them speaking now. In fact, in one mid-year conference presentation, their CFO stated that he has been with the company in various capacities for 15–17 years and has never seen a pipeline of design wins and opportunities like now. Indeed, Silicon Motion appears to now have the strongest lineup we've ever seen from them, and they appear to be on the cusp of tremendous sustained growth, especially if they do indeed break into the enterprise market.

AI — Blessing or Curse?

Some of the stock's outperformance over 2025 should definitely be attributed to a sprinkling of AI fairy dust expanding the multiple the market is willing to grant the stock. But it is actually not at all clear whether the ongoing boom in AI data center capex will benefit or hurt Silicon Motion's underlying business.

If, and this is definitely far from certain, their MonTitan gains rapid traction in the marketplace, they may indeed benefit from the current rapid cycle of data center building and heavy usage of SSDs in AI data centers. Traditionally, data centers have used cheaper magnetic hard drives more than the more expensive SSDs that Silicon Motion makes controllers for, but AI data centers need the higher performance that only SSDs provide. In addition, there is a major shortage of traditional magnetic hard drives, prompting a rapid increase of SSD usage in modern data centers. It is still early days for MonTitan, and given they are just entering what is either way a huge market, I am doubtful that the AI capex boom benefits them all that much. The boom is likely to be of more benefit for an established market participant with a stable market share.

However, the downside of the AI boom is definite. The AI market's massive purchases of both RAM memory and NAND storage capacity are driving massive, unprecedented shortages across the industry. Prices of NAND flash have more than *tripled* over 2025 with no sign of slowing down, with manufacturing capacity sold out and orders already being taken for *2028* production. The high price and general unavailability-at-any-price of NAND flash is expected to cause worldwide PC and smartphone sales to drop in 2026. Indeed, it will also affect automotive and pretty much any and all electronics with data storage, i.e., pretty much everything. Given that Silicon Motion's bread-and-butter business is still the PC and smartphone markets, it is virtually certain that they will lose sales in their core markets due to the AI boom, although their market share gains within the PC and smartphone segments are probably going to more than compensate for these lost sales overall. It remains unclear if their AI-driven enterprise controller sales will be greater than the business lost due to the AI-driven shortage.

One long-term benefit from the shortage is the increased push to switch to cheaper QLC NAND, where Silicon Motion is the acknowledged market leader. In addition, the need for the NAND manufacturers to focus their efforts on the high-end AI chips is leading them to reallocate resources from the mainstream market, opening room for further outsourcing to Silicon Motion. Being that skepticism over Silicon Motion winning business from NAND manufacturers' in-house teams has perennially plagued Silicon Motion, increased outsourcing is likely to be highly beneficial to their business on a long-term basis and should improve market sentiment towards their stock as well.

Investing for the Future

Taking a step back and looking over a multi-year period, a case can seemingly be made that despite all their growth in revenue, the growth has not ultimately contributed to improvement in the bottom line. In the 2016 to 2020 time frame, they were making about $100 million a year at a lower revenue level of about $500 million. Now, Silicon Motion is achieving almost $900 million in revenue, yet operating income is actually down to about $90-95 million. Where's the expected operating leverage and growth? The costs have gone up so much that they are actually making less profit on higher revenue. A legitimate concern.

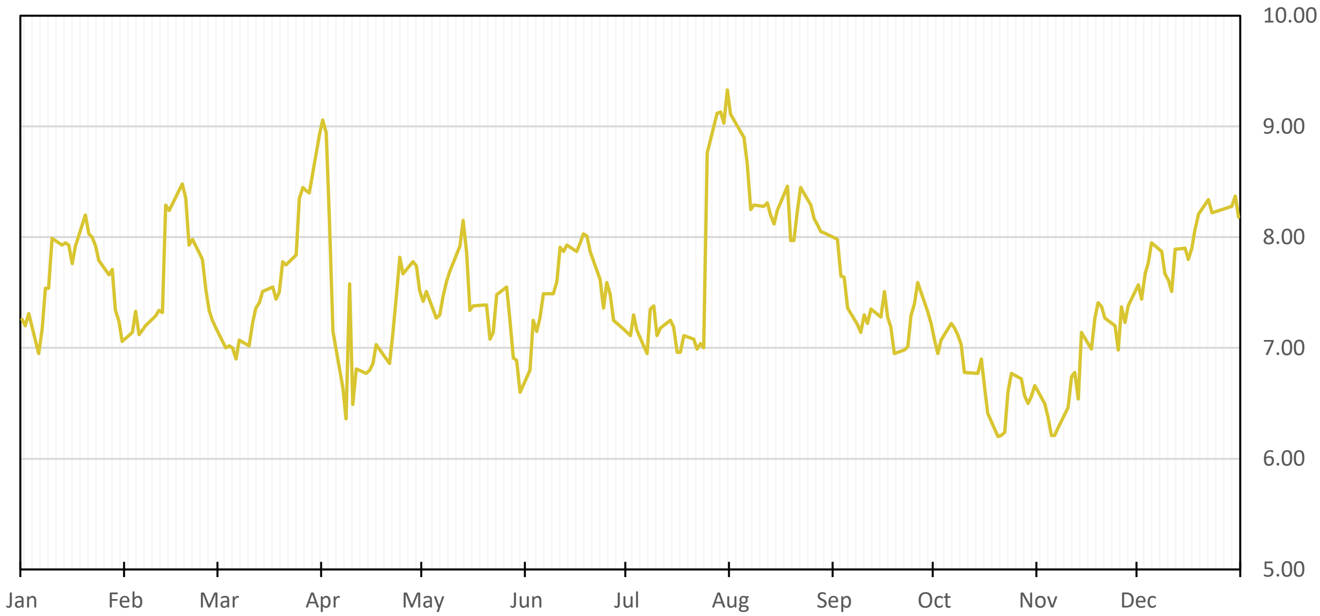
But the reason for this is because of all the investments that they made for the future that are not yet producing revenue on the books. The increased revenue they are making now is from the investments they made back in 2019 and 2020, when their expenses were lower. The present recent increase in expenses is from investments that they have made over the last few years, with multiple expensive tape-outs for new chips. These investments are not yet producing revenue at scale, despite racking up design wins and future market share. When these investments begin to show up in sustained increased revenue, we predict that revenue will reach $1-$2 billion and continue to grow from there in the future. And it's not like they do these tape-outs every single year. You do not re-tape unless there is a change in the technology, a change in the flash, or a change in the sort of interface that you are dealing with. For example, they recently developed their 6-nanometer PCIe 5 controllers, which are going to produce serious revenue beginning this year. But the next-generation PCIe 6 is not going to hit the consumer market until 2030. So, from now until 2030, we expect that they are going to be the dominant 50% supplier of PCIe 5 for the PC market, without any new need for R&D and elevated opex. They are not going to have to re-tape.

Instead, they will be able to coast on their present investments for a good few years at the $1.1 billion to $1.2 billion or higher range as their revenue continues to grow over time. (For example, although they are projecting MonTitan enterprise controllers to be 10% of their revenue on a near-term basis, this is only as a waypoint on the way to growing further from there.) At $1.2 billion revenue, with a 50% gross margin and the present $300 million or so of opex, we would be looking at $300 million in operating profit a year. Not necessarily in 2026 yet, but this is something that we can expect for 2027 and beyond. Bottom line, we are expecting a $225 million to $250 million net income due to today's elevated investments. Overall, if you look at what is actually happening, it is really very bullish.

Conclusion

In our 2024 Portfolio Update, we wrote that we continue to believe that Silicon Motion is an amazing deal at these price levels, and we believe that as they continue to grow revenue, margins, and profits, the market will eventually cotton on, particularly as their growth continues to lay to rest the market's fear of insourcing. The market has definitely started to cotton on this year, propelling the stock up 71.5% for the year. Yet we continue to believe that Silicon Motion is a very good deal for the long term at these price levels, as they consolidate and expand their market share position and enter new, lucrative market segments.

Last year, we referenced Benjamin Graham's famous adage that in the short term the stock market is a voting machine, but in the long term it is a weighing machine. In 2025, the market switched into weighing mode for Silicon Motion, and we believe the market still has a ways to go to catch up with this heavyweight.



Valeura Energy (VLE:TO)

Price (12/31/25):	$8.18 CAD	Market Cap (12/31/25):	$630 million USD
Stock Gain (2025):	+13.3%	Portfolio Weight:	9.9%

Description

Valeura Energy (Toronto: VLE) is a Canadian oil company, with a collection of producing oil fields in the Gulf of Thailand. It is highly cash generative and is seeking to increase production through acquisitions, patiently waiting for a transformative deal at a good price. Valeura trades on the Toronto Stock Exchange in CAD (Canadian dollars), although all numbers referenced herein are in USD (US dollars).

Wassana

A number of events occurred over the year to increase the long-term value of Valeura. The first was the expected FID (Final Investment Decision) on the new Wassana platform, which they greenlighted in mid-May. With only $120 million of investment, Valeura will build a new central platform for their Wassana field, replacing the aging mobile platform used there now. The new platform will reach far more oil than the present infrastructure, process it more efficiently and far more cheaply (as low as $12–$16 opex per barrel, in-line with their best and most profitable field now), and has the potential to add tie-in satellites for a future Wassana North and Wassana South. The new plan adds 8 million barrels of 2P reserves and extends the Wassana field life by a further eight years, compared to the backup alternative of simply replacing the present mobile platform with a new mobile platform of similar make. The investment is quite profitable, with an expected IRR of 40%, even with Brent crude prices as low as $60 a barrel, and is precisely the sort of investment that we expect from Valeura to judiciously improve their current asset portfolio.

PTTEP Farm-In

In the end of July, Valeura announced a partnership with PTTEP, the Thai national oil company, in which Valeura is being brought in as a non-operating 40% farm-in partner on 20,000 square kilometers of highly prospective near-term acreage adjacent to Valeura's Jasmine and Nong Yao fields. This deal increases their overall acreage in the Gulf of Thailand by 8.7x and underscores their recognized prowess in efficiently operating oil fields to complement PTTEP's expertise with gas fields. In exchange, Valeura essentially has to pay 40% of the back costs, about $18.4 million total, a very good deal considering that the acreage has already been substantially derisked. The properties have been worked on and have proven themselves with numerous discoveries, and are ready for near-term exploitation using the nearby Jasmine and Nong Yao infrastructure.

Turkey Gas Field

For a number of years, Valeura has owned a dormant deep, tight gas play in Turkey which they have not been spending any money on as they have been seeking a partner. In mid-October, they announced a joint venture partnership with Transatlantic Petroleum, in which Transatlantic will earn a 50% working interest in the asset through various exploration and development activities. We continue to view the Turkey gas asset as a free option which can produce serious upside if successful, and we are happy to see Valeura pursue the development of the asset without any cash outflow on their part.

Price of Oil and Profitability

The big story of 2025 has been the price of oil, which has dropped about 20% over the year from $75 a barrel to start the year to just about $60 a barrel to end it. Obviously, this weighs on Valeura's profitability. Nevertheless, Valeura is highly profitable, even at these lower oil prices. It should be noted that Valeura has been getting a premium to the Brent crude benchmark for their oil, and even at presently prevailing oil prices are set to make $90–$100 million per year, using conservative assumptions. Just to underline their ongoing cash generation, Valeura ended 2025 with $47 million more cash in the bank, despite having spent $40 million on their Wassana redevelopment, $39 million on taxes that will not recur for the next few years, and $5 million on stock buybacks. Naturally, Valeura would make substantially more if oil prices were to recover. But even if oil prices were to drop further, they would remain financially strong as they have no debt and would remain profitable at lower oil prices, with breakeven in the mid-40s or lower.

Conclusion

When we introduced Valeura last year, we wrote that we do not have the ability nor the inclination to attempt to divine future movements in a global commodity such as oil, and we expect to do very well with Valeura over the medium-to-long term, no matter which way oil prices trade in the short-term. Oil prices have indeed dropped and Valeura did very well considering. We continue to view Valeura as exceedingly undervalued, and we anticipate adding more shares to our portfolio over the coming year.

Burford Capital (BUR, BUR:LN)

Price (12/31/25): $8.92 USD Market Cap (12/31/25): $2.0 billion USD
Stock Loss (2025): −29.7% Portfolio Weight: 8.3%

Description

Burford is a global litigation finance company, which in essence means that they fund and otherwise monetize commercial lawsuits in exchange for a portion of the proceeds received. Burford trades both on AIM (the junior London stock exchange) in Great British Pounds (GBP) and on the New York Stock Exchange in US Dollars (USD).

2025 — Business as Usual

The core business of Burford hummed along as usual in 2025. The business in general is lumpy as the varied cases they invest in wind their way through the court system. In 2025, realizations and realized gains were down compared to 2024, but not due to a higher incidence of losing cases, rather simply as a matter of timing. Their future book of business continues to build as deployments for the first nine months of 2025 were up 20% and commitments were up 52%, compared to the first nine months of 2024. Pretty much more of the same.

In April, Burford held an Investor Day, where they shared their comprehensive modelling of expected returns, based on historical performance for each level of risk incurred. According to their estimates, their then-present portfolio (as of the end of 2024) when running its course will ultimately deploy $2.2 billion of cash and will bring in total realizations somewhere in the neighborhood of $4.5 billion, plus an additional $400 million from third-party asset management fees. This is just from their then-current portfolio and not accounting for the substantial new business since then and in the future. As a reminder, their market cap ended 2025 at approximately $2.0 billion. Clearly, even based solely on their core business, they are extremely undervalued, even without giving any credit for massive wins from the YPF litigation and other large cases.

Regulations

On the regulatory side, there was a bit of unwanted excitement. As part of the One Big Beautiful Bill negotiations in June, a proposed provision was slipped in calling for special taxes on litigation finance, to the tune of a staggering 40.8% tax rate with no offsetting of losses from losing cases against profits from winning cases. Such a punitive tax scheme would drastically lower the attractiveness and extent of litigation finance in the US, which was presumably the point. Burford's stock dropped sharply on the news, despite it having only a slim chance of becoming law. In the end, the provision was first watered down and eventually scrapped entirely due to the Senate Parliamentarian's ruling that such provision was not eligible for the budget reconciliation process that it was trying to piggyback on. Yet despite the reversal in the news, the stock did not return to its former price. Essentially, Burford's stock was punished for the unfavorable proposal but not rewarded for the proposal's cancellation.

Focus on YPF — Turnover Ruling

Two major steps in the YPF litigation occurred in 2025. Firstly, on June 30th (later on the same day that the unfavorable tax proposal mentioned previously was cancelled), Judge Preska ruled in Burford's favor that Argentina must transfer to the US and hand over Argentina's 49% ownership of YPF as partial satisfaction of the outstanding judgement to Burford, giving Argentina fourteen days to comply. The stock reacted favorably on this news and shot up more than 20%.

This does *not* mean that Burford has yet received even a single penny of the $17+ billion judgement. Firstly, this turnover ruling has been stayed pending appeal to the Second Circuit (alongside the ongoing appeal of the original judgement itself). Secondly, even if the Second Circuit upholds Jude Preska's ruling in favor of Burford, it is highly doubtful that Argentina would ever consider complying with the ruling. As a sovereign state, there isn't anyone for Judge Preska to throw in jail if they defy the court's ruling. (In fact, Argentina is presently facing contempt proceedings and other possible sanctions over their behavior in the post-judgement discovery process.) Nevertheless, the turnover ruling, if sustained, acts as a major fulcrum of leverage in settlement negotiations as Argentina attempts to re-enter the world financial order.

Focus on YPF — Appeals Hearing

Burford's stock dropped significantly at the end of October, due to what we believe was a misinterpretation of the appeals panel's comments at the main YPF appeals hearing. Two of the judges on the panel pressed as to whether this should have been tried in Argentina to begin with, instead of New York, and the market was spooked that the Second Circuit would indeed overturn the ruling in Argentina's favor. We listened to the hearing and have a variant view of what happened.

Perhaps most importantly, it is necessary to understand that it is virtually unheard of for a ruling to be overturned on *forum non conveniens* grounds, i.e., that the lawsuit would be more conveniently heard in a different legal forum. First of all, although most legal issues before the appeals panel are judged on a *de novo* basis (i.e., the appeals panel approaches the legal question on a fresh basis and accords the lower court no deference), the standard to overturn a ruling on grounds of *forum non conveniens* is abuse of discretion. This means that it is not enough for the appeals panel to disagree with the lower court's finding and decide that they would have ruled differently than the lower court judge; they need to decide that the lower court judged abused her discretion by the decision she made, a very high bar and one that is rarely met.

Secondly, it is unquestioned that New York has proper jurisdiction to judge the case. That issue was appealed at the case's outset years ago and went all the way to the Supreme Court. It has been definitively decided that New York has proper jurisdiction over the case and the parties. The question now is simply whether another forum which also has jurisdiction, i.e., Argentina, would be a better place for the case to be tried. Given that the case has already been tried and the ruling already handed down, courts are reluctant to send a case back to the starting point. The standard used is that it is not enough to show that the other forum would have been better, but that the appealing party actually suffered substantial prejudice due to being tried in the incorrect forum. Prejudice here is defined as something akin to witnesses or documents not being available to prove their case, which was not at all at issue in our case and no one even alleges. Merely the fact that a large part of the matter hinges on interpretation of Argentinian law, is most definitely *not* considered a matter of prejudice, as New York courts are absolutely considered competent to judge matters of foreign law.

Putting all that together, it is not particularly surprising that over the past forty years, Argentina's counsel was able to find precisely one case where an appeals panel overturned a ruling after trial on *forum non conveniens* grounds, in a case whose facts bear no resemblance to the case we are dealing with. The likelihood that the Second Circuit would choose to overturn the ruling on these grounds is vanishingly small. In fact, Judge Chin, one of the judges who kept on circling back to this issue, was the one who wrote the 2018 Second Circuit ruling that affirmed the New York court's jurisdiction over this case to begin with.

If one listens to the hearing (a recording of which is publicly available from the Court), a very different picture of the issue is painted than the way it was presented in the media's coverage. In actuality, Judge Chin was mostly handwaving away the substantive issues that Argentina wanted the appeal to focus on and said that from his point of view the main issue seems to be the *forum non conveniens* part of the appeal. To which he asked, why is this first being raised now, ten years after the case was first filed. No one ever answered that question. The whole line of questioning, which Judge Chin refused to drop despite more than one attempt of redirection by Argentina's counsel, underscores that Judge Chin at least thinks that this is the crux of the appeal. If the crux of the appeal is *forum non conveniens*, then Argentina's chances are extremely weak, given the late stage of the case, as Judge Chin himself alluded to with his line of questioning.

As background, the Southern District of NY where this case was tried has a relatively high rate of rulings affirmed by the Second Circuit, with a reversal rate of only 6.28% over the last ten years. Judge Preska herself has an even lower reversal rate, only 4.63% over the last ten years. Overall, the chances are quite good that the ruling will be affirmed.

Conclusion

Burford's stock dropped sharply over 2025, for the second year in a row, and in sharp contrast to the overall market. Although still significantly higher than the Fund's average cost basis, the stock has approached the Fund's original entry point from 2019. This despite Burford having substantially grown in the years since and having won the YPF case at the trial level, which is now approaching the final stretch of the road in the appeals process. Burford's entitlement from the YPF case exceeds $7 billion, and whatever number you assume for a negotiated settlement, it will be quite significant placed next to Burford's market cap of $2 billion.

We believe that Burford is quite attractively priced at present, both for the core business alone, and even more so with the juicy cherry on top from the YPF proceedings. The Fund is likely to add more Burford to the portfolio over the coming year.