

# WHITE FALCON

## CAPITAL MANAGEMENT LTD.

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October 20, 2025

**RE: Q3 2025 Partner update letter**

Dear Partners,

While individual client returns may differ based on their inception dates, consolidated performance of all accounts for the period ending September 30, 2025 is as follows:

	Q3 2025	YTD 2025	2024	2023	2022	2021*
<b>White Falcon (net of fees)</b>	<b>10.8%</b>	<b>21.9%</b>	<b>14.4%</b>	<b>36.0%</b>	<b>-9.3%</b>	<b>-1.5%</b>
S&P 500 TR (CAD)	10.3%	10.8%	35.2%	23.2%	-12.6%	3.3%
MSCI AC TR (CAD)	9.6%	13.9%	26.3%	18.5%	-11.9%	1.5%
S&P TSX TR	12.7%	24.2%	21.7%	11.8%	-5.8%	-0.6%

\*Performance is from Nov 8 - Dec 31, 2021

We had another solid quarter, helped by favorable market conditions. Gold and silver royalty names in the portfolio performed very well thanks to the recent strength in metal prices. Our core portfolio holdings - NU Holdings, NFI Group, and AMD - also generated strong returns as their stock prices are catching up to fundamentals. In addition, the Telus International merger arbitrage position that we highlighted last quarter benefited from a revised bid that came in 32% higher than the initial offer. On the other hand, we were cautiously holding more cash than usual in this quarter and that conservatism weighed on performance.

We're proud to highlight that White Falcon's **rolling three-year annualized return**, our preferred metric for performance, net of fees, now stands at **25.3% CAGR**, surpassing the performance of most major indices. As we have mentioned before, the White Falcon portfolio construction diverges significantly from popular market indexes and our primary benchmark for success is generating positive absolute returns adjusted for risk over a complete market cycle.

However, it's worth noting that we've been in a sustained bull market for some time now. While recent returns have been strong, they shouldn't be viewed as a baseline for what to expect going forward.

We have been talking about the risks with the S&P 500 for some time now. So far, in 2025, we observe that the **S&P 500 has indeed underperformed many other indices**. The S&P 500 index has a significant concentration and skew toward the largest technology companies. While this concentration has been highly advantageous for the index in recent years, our experience in the market has taught us that everything operates in cycles, and periods of outperformance eventually reverse. The exact reasons may only become clear in hindsight, but history reminds us that trees don't grow to the sky.

There is an obvious reason behind an index fund experiencing prolonged cycles of out and under performance. An index fund essentially employs a **momentum strategy**, where it acquires more of what is already performing well, with no consideration for value. With every additional dollar invested in an index fund, a larger portion is allocated to the best-performing stocks, which then leads to an increase in their weight within the index, creating a self reinforcing cycle. What happens when the top stocks actually stop working? Well, it then takes a long time for their weights to come down leading to long periods of stagnation.

Portfolio managers have found it hard to resist the siren song of big technology companies and many active funds increasingly resemble the indices they aim to outperform. **As a result, everybody owns the same stocks!**

With AI leading the charge and bubble talk surfacing, it's worth remembering White Falcon's philosophy and how we are different from the popular indices. Our portfolio consists of a group of businesses where each company is underwritten based on expected returns and where risk is managed by buying good quality and growing businesses run by competent management teams. In order to earn better returns one has to have a variant view. Most of White Falcon's positions are companies where,

- We have determined that growth or margins or free cash flow of a business will be better than market expectations
- Market simply does not appreciate the quality of the business or the capital allocation prowess of the management
- Business is out of favor due to temporary factors and our work shows that the stock price will recover as these issues subside.
- We buy securities from distressed investors that are selling for reasons other than fundamentals

We practice a style of investing called **value investing**. However, unlike the conventional definition, our style of value investing has nothing to do with low current valuations. A stock at a price to earnings ratio of 10x can be very expensive while another stock at a price to earnings ratio of 30x may be fantastic value.

*"The difficulty lies not in the new ideas but in escaping from the old ones."*

- John Maynard Keynes

We can't say for certain whether we're in a bubble, but we remain committed to following our process with discipline. Today, that discipline has made it more difficult to find new ideas that meet our strict criteria. We're often faced with a choice: compromise on business quality or lower our return expectations and we are choosing neither.

A key driver of the US rally, in our view, is the devaluation of currency. The market's rise is as much about the declining value of money as it is about economic growth and earnings. Equities, as real assets, can serve as a hedge against inflation and help preserve purchasing power. However, if we **measure the market using gold** instead of the US or Canadian dollar, we see that, in gold terms, the markets are actually **down this year**. In fact, gold has now outperformed the S&P 500 since 2000!

*"Gold is money, everything else is credit"*

- JP Morgan (1912)

As partners know, since the beginning of the mandate we have had an allocation to gold in the portfolio. Our rationale was that your capital is irreplaceable, and the portfolio needed a hedge to protect against macroeconomic uncertainties.

Our preferred vehicle for investing in gold has been royalty companies. They are high quality businesses that own royalties on a portfolio of mines, offering diversification, yield and, importantly, option value. We discussed this opportunity in our ***Globe & Mail*** article on [Franco-Nevada \(FNV\)](#) last year which has been reproduced at the end of the letter. That stock along with our positions in Triple Flag (TFPM) and Sandstorm Gold (SSL) have more than doubled since the writeup in March 2024. In this area as well, we've been trimming our positions. Parabolic price moves, such as the ones we see with gold and silver, typically resolve with violent corrections, not gentle sideways action.

The **top 5 positions** for the White Falcon portfolio are precious metal royalty companies, AMD, NFI Group, EPAM, and NU Holdings. With the exception of EPAM, most other positions performed really well.

*"A man who has committed a mistake and doesn't correct it, is committing another mistake."*

- Confucius

Our positions in IT services companies - EPAM and Endava - were a drag on performance this year. Mistakes are part of investing, but one's goal should be to keep them small and manageable. In hindsight, our thesis on **Endava** proved incorrect and we had too much exposure. The broader IT services landscape is undergoing significant change, driven in part by the rise of AI. Endava, given its smaller scale and heavy concentration on the financial services sector, has struggled to adapt. The stock is very cheaply priced but we no longer have high

conviction that the management team can turn around the operations. Without EPAM and Endava, our portfolio would have been up close to 30% for the year. But in investing, like golf, you have to count all holes and the scorecard is the scorecard.

*"The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails".*

- William Arthur Ward

AI has quickly become one of the most dominant themes in today's market. It's a transformative technology with the potential to reshape entire industries and disrupt long-standing business models. While the pace of change is rapid and often difficult to predict, we're doing our best to stay informed and evaluate how AI is impacting companies we own and those we're evaluating. Like most things in life, **AI is likely to disappoint both the optimists and the pessimists**. It's a powerful technology, but its real impact will probably land somewhere in the middle, depending on how it's applied, regulated, and integrated into real-world business applications.

We recently bought a position in **Ag Growth International (AFN)** and will be presenting the thesis at the Planet Microcap Conference in Toronto. Ag Growth is trading at 6.5x 2025E EBITDA and 9x 2025E EPS. It is a dominant supplier of portable and stationary grain handling, storage and conditioning equipment. Prices for soft commodities like corn, soybeans, and wheat have declined compared to a few years ago. As a result, many farmers are holding off on replacing essential equipment. We believe this cycle will eventually reverse. With a relatively new management team and board in place, the company is concentrating on what it can control - growing its international business, tightening operations, paying down debt, and executing on high ROIC opportunities.

In closing, we're pleased to say that our partnership with **Windermere** is going well. I've been working from their offices a few days each week. George has been a generous sounding board, and the environment has offered fresh perspective and learning.

We also have Vyaan Goyal, a student at Northeastern University, joining us for a co-op term. He has a passion for value investing and we look forward to his contribution to White Falcon.

I want to express my enduring gratitude to each and every investor partner of White Falcon. Please feel free to get in touch with me at any time for any questions, concerns, or feedback you may have.

With gratitude,



Balkar Sivia, CFA  
Founder and Portfolio Manager  
White Falcon Capital Management Ltd.

# WHITE FALCON

## CAPITAL MANAGEMENT LTD.

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### INVESTMENT PHILOSOPHY

White Falcon's mission is to compound capital on a risk adjusted basis with a value investing philosophy.

We believe in active stock picking and draw inspiration from the teachings of Warren Buffett and Charlie Munger.

Our process is to take advantage of volatility and opportunistically invest in good quality and growing businesses that have durable competitive advantages and are run by aligned management teams.

With our research intensive strategy and a mandate to invest across geographies and sectors, we are focused on generating absolute returns.

We invest with a margin of safety. We are opportunistic and price sensitive buyers of securities.

### NO MANAGEMENT FEE

Incentive fee of 15% on profits, with a high water mark - inspired by Warren Buffett's partnership structure

### ALIGNED

All of Balkar's capital invested alongside limited partners capital. Windermere also has a significant amount of capital in the strategy

### EXPERIENCED

Balkar has 15 years of investment management experience. He was a Vice President at Burgundy Asset Management and an Analyst at McElvaine Investment Management. He is a CFA charterholder and has an engineering degree from UBC.

### SIMPLE STRUCTURE

Separately managed accounts (SMA) with Interactive Brokers. Full transparency on portfolio and balances. No leverage/options. Minimum investment of \$200,000.

### DIGITAL ONBOARDING

Three step onboarding starts with filling out the 'Invest' form on our website

### INVEST WITH US

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## Franco-Nevada's business model demonstrates the benefits of optionality

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**BALKAR SIVIA**

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED 5 HOURS AGO

FOR SUBSCRIBERS

Seymour Schulich says “a free option is a terrible thing to give up, and a wonderful thing to own” in his book *Get Smarter: Life and Business Lessons*. His success as the co-founder to the predecessor to Franco-Nevada Corp.

[FNV-T \(/investing/markets/stocks/FNV-T/\)](/investing/markets/stocks/FNV-T/) +0.45% ▲ can be credited to optionality, a concept often misunderstood and undervalued.

Two primary types of optionality come into play with a minerals royalty business model like Franco-Nevada's – price optionality and land optionality. However, there is now a third option associated with Franco-Nevada – the potential reopening of the shuttered Cobre Panama mine option – and investors are currently getting this option for free.

The most remarkable form of optionality lies in land optionality. This involves holding a royalty over an extensive land package, even if the mining operator initially targets only a small portion of that land for development. If successful, the operator will eventually proceed to develop other sections of the land. The royalty company incurs no costs or obligations for additional exploration and development expenses. However, should minerals be discovered in these areas, the royalty company benefits.

The founding story of Canada's Franco-Nevada is a great example of land optionality. In 1986, Pierre Lassonde and Mr. Schulich bought their first precious metals royalty for US\$2-million, covering 3,416 acres of land in Nevada. Shortly thereafter, Toronto's Barrick Gold Corp.

[ABX-T \(/investing/markets/stocks/ABX-T/\)](/investing/markets/stocks/ABX-T/) -0.05% ▼ launched an exploration

program in the area that unveiled one of the largest gold deposits in North America. This royalty arrangement has since paid more than US\$1-billion in cash to Franco-Nevada, and the benefits are continuing.

Price optionality is straightforward. Royalties are secured based on existing commodity prices, and any increase in gold and silver prices contributes to additional revenue for the royalty company without requiring any extra effort. The abundance of monetary, fiscal and geopolitical risks has driven gold prices close to historic highs. Gold frequently serves as a portfolio diversifier, and the added benefit of price optionality is that it tends to manifest itself particularly in periods of heightened volatility.

In 2002, Toronto-based miner Newmont acquired Franco-Nevada for US\$3-billion. Franco-Nevada's management team had displayed remarkable astuteness in acquiring high-quality royalty properties and expanding the business. In 2007, Newmont initiated an initial public offering for Franco-Nevada. Since the IPO at \$15.20 a share, the stock has exhibited remarkable growth, reaching a recent closing price near \$145 a share. Although a bear market in gold commenced in 2011, Franco-Nevada shares have continued to make gains, demonstrating its ability to grow without necessarily needing a continual rise in gold prices.

The trials and tribulations of Vancouver's First Quantum Minerals Ltd.

[FM-T \(/investing/markets/stocks/FM-T/\)](/investing/markets/stocks/FM-T/) -4.69% ▼ and its Cobre Panama project have been well covered in this newspaper. To briefly reiterate, Cobre Panama is a copper mine in Panama that was built at a cost of approximately US\$6.8-billion, of which Franco-Nevada contributed US\$1.36-billion. The mine created 40,000 direct and indirect jobs. In 2023, despite First Quantum offering significant concessions in its agreement with the country, popular protests forced the Panamanian government to order the mine to close.

Arbitration proceedings under the terms of the Canada-Panama Free Trade Agreement have been initiated by both First Quantum and Franco-Nevada against the Panamanian government. Similar cases in the past have resulted in significant penalties for the governments involved. To mitigate this potential outcome, there is a possibility that the Panamanian government may engage in renegotiations. Predicting the ultimate outcome is challenging, but given the asset's significance (1.5



per cent of the global copper supply), the probability of the mine being permanently closed is relatively low.

For Franco-Nevada, Cobre Panama was its largest royalty asset at about US\$2-billion in net asset value and 22 per cent of revenue. However, the value subtracted from Franco-Nevada's market capitalization owing to the shutdown of Cobre Panama has been more than US\$6-billion.

If Cobre Panama ever goes back into production, it might add \$45 to \$50 a share to Franco-Nevada's stock price. (It had reached a record high of \$218 a share in 2023 before the announcement the mine would be closed.) That scope for upside makes it essentially a free option. In the meantime, investors can enjoy a 1.3-per-cent dividend yield, a strong balance sheet, best-in-class management team and, importantly, a portfolio of 432 high-quality royalties that should compound with time because of their price and land optionality.

*Disclosure: The author and the accounts he manages at White Falcon own shares in Franco-Nevada.*

*Balkar Sivia is the founder and portfolio manager of White Falcon Capital Management Ltd. ([www.whitefalconcap.com](http://www.whitefalconcap.com))*

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